US. ADM LIBRARY

## The COMMERCIAL and FINANCIAL CHRONICHE

Volume 162 Number 4444

New York, N. Y. Thursday, December 6, 1945

Price 60 Cents a Copy

## Collectivism on the **American Scene**

Former Governor of Ohio

Governor Bricker Scores the Collectivist Trend, Which Is Being Furthered by "The Professional Intellectuals." He Contrasts Present "Word Twisters" With Thinkers Like Jefferson and Franklin, Who Were Community Workers, and With Their "Earthiness" Made Up for a Lack of Sparkle and Volume of Words. States That Increasing the Power of the Government Machine, Although Done Under the Liberal Label, Actually Constitutes the Historic Infringement on Liberalism. We are a forward looking nation, and great benefits have come to our land and to the world from this fact.

The main-

Behalf.

The main-spring of our greatness has been our willbeen our willingness, 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 marvel of the world. But there are signs

throughout our land that we are now

being urged to think differently about ourselves think differently about ourselves and our destiny. Sometimes it seems as though we are in the hands of the professional intel-lectuals. By the professional intel-lectuals I mean the able men, and

John W. Bricker

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

**Gaumont British** "A" & Ordinary Shares

Aerovox Corp.

### HIRSCH & CO.

Successors to HIRSCH, LILIENTHAL & CO. Members New York Stock Exchange and other Exchanges

25 Broad St., New York 4, N. Y. HAnover z-0600 Teletype NY 1-210 Chicago C'eveland London Geneva (Representative)

> BOND **BROKERS**

BULL, HOLDEN & Cº

LAWALL ST. NEW YORK 5. N.Y.

TELEPHONE-RECTOR 2-6300

## **Full Production Means** Full Employment—Plus

By IRA MOSHER\*
President, National Association of Manufacturers Asserting That Only a Free and Increasing Flow of Capital Into Enter-

prise Is the Panacea for Full Employment and Prosperity, Mr. Mosher Lays Down as Essentials for Increased Investment: (1) a Tax System Which Makes Accumulation of Savings Possible; (2) a Tax Policy Which Will Not Take so Much From Gross Income as to Pre-vent Adequate 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 Better and Bigger and Make Their Objectives Primarily in the Public's

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 2785)

They Finished Their Job Let's Finish Ours

**Buy Victory Bonds** 

R. H. Johnson & Co.

Established 1927 INVESTMENT SECURITIES

64 Wall Street, New York 5 BOSTON PHILADELPHIA
Troy Albany Buffalo Syracuse
Pittsburgh Dallas Wilkes Barre
Baltimore Springfield Woonsocket

CORPORATE

FINANCE

SECONDARY.

MARKETS

Kobbé, Gearhart & Co.

incorporated mbers N. Y. Security Dealers Ass'n

45 Nassau Street New York 5
Tel. REctor 2-3600 Teletype N. Y. 1-578.
Philadelphia Telephone Enterprise 6015

In FUNDAMENTAL INVESTORS · INC

PROSPECTUS MAY BE OBTAINED FROM AUTHORIZED DEALERS or from

HUGH W. LONG and COMPANY

634 SO. SPRING ST A WALL STREET

LOS ANGELES 14

Acme Aluminum Alloys, Inc. Aireon Manufacturing Corp. Solar Aircraft Company 90c Conv. Preferred Raytheon Manufacturing Co. \$2.40 Conv. Preferred

Prospectus on request Reynolds & Co. Members New York Stock Exchange 120 Broadway, New York 5, M.Y.

e: REctor 2-860 Bell Teletype NY 1-635

mittee reports, also a list of those who attended the confer-ence, will be found in this issue, starting on page 2721. Chairmen

Holds 34th Annual Meeting in Chicago

of the Re-gional Groups taking office at the annual meeting are: California

**Investment Bankers Association of America** 

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

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

Officers inducted at the meeting were: Charles S. Garland, Alex. Brown & Sons, Baltimore, President, who succeeded John C. Folger, Folger, Nolan & Co., Washington, D. C.; Hazen S. Arnold, Braun, Bosworth & Co., Toledo; Julien H. Collins, Julien Collins & Co., Chicago; Hal H. Dewar, Dewar Robertson & Pancoast, San Antonio; Edward Hopkinson, Jr., Drexel & Co., Philadelphia, and Lee M. Limbert, Blyth & Co., Inc., New York Vice Presidents.

Group: Donald Royce, Blyth & Co.,

Los Angeles. Canadian

Group: H. N. Bawden, The Do-minion Securities Corp., Ltd., To-

conto.
Central States Group: Carl J.
Easterberg, Riter & Co., Chicago.
Eastern Pennsylvania Group:
Sydney P. Clark, E. W. Clark &
Co., Philadelphia.
Michigan Group: Fred A. Bargmann, Braun, Bosworth & Co.,
Detroit.

Minnesota Group: G. Jam Caldwell, Caldwell-Phillips Co., St. Paul.

Regular Features Index on 2792

### **Bond Brokerage** Service

for Banks, Brokers and Dealers

HARDY & Co.

Members New York Stock Exchange Members New York Curb Exchange 30 Broad St. New York 4

> AMERICAN MAD MARKETS IN CANADIAN SECURITIES

### HART SMITH & CO.

Members
New York Security Dealers Assn.
2 WILLIAM ST., N. Y. 5 HAnover 2-0980
Bell Teletype NY 1-395

New York Montreal Toronto

Mississippi Valley Group: Gar-field J. Taussig, Taussig, Day & Co., St. Louis.

New England Group: Albert T. Armitage; Coffin & Burr, Inc.,

Armitage, Coffin & Burr, Inc.,
Boston.
New York Group: John C. Maxwell, Tucker, Anthony & Co.
Northern Ohio Group: Emile J.
Legros, First Cleveland Corp.,
Cleveland, Ohio.
Ohio Valley Group: Ewing T.
Boles, The Ohio Company, Columbus.
Parific Northwest Group! Leg-

Pacific Northwest Group: Le-

land F. Rice, Paine-Rice & Co., Spokane. Rocky Mountain Group: Paul E.

Youmans, Sullivan & Co.
Southeastern Group: Richard P.
Dunn, Auchincloss, Parker & Redpath, Washington, D. C.
Southern Group: Albert S. Hill,
Nashville Securities Co., Nashville.

Southwestern Group: Harold C. Evans, Commerce Trust Co., Kansas City.
Texas Group: W. E. Knicker(Continued on page 2783)

State and Municipal Bonds

Bond Department

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

#### **Scranton Spring Brook Water Co.**

\$6 Preferred

Dealt in on N. Y. Curb Exchange

## IRA HAUPT & CO. Members of Principal Exchanges

111 Broadway New York 6 REctor 2-3100 Tele, NY 1-1920

ncipal Exchanges
10 Post Office Sq.
Boston 9 Hancock 3750

Direct Private Wire to Boston

Trading Markets in: Frisco, Old Pfd. & Com. United Drill & Tool A. & B. U. S. Sugar, Com. American Phenolic Lear, Inc.

### KING & KING

Established 1920

Members
New York Security Dealers Ass'n
Nat'l Ass'n of Securities Dealers, Inc.
40 Exchange Pl., N.Y. 5 HA 2-2772

BELL TELETYPE NY 1-423

### Kingan & Co.

Common & Preferred

## Mitchell & Company

Members Baltimore Stock Exchange 120 Broadway, N. Y. 5 WOrth 2-4230 Bell Teletype N. Y. 1-1227

### Buy VICTORY BONDS

Vanderhoef & Robinson Members New York Curb Exchange 31 Nassau Street, New York 5

Telephone COrtlandt 7-4070 Bell System Teletype NY 1-1548

Bankers & Shippers Ins. **Byrndun Corporation** 

A. S. Campbell Common & Preferred

Caribbean Sugar

Panama Coca Cola Common Stock

#### H. G. BRUNS & CO. 20 Pine Street, New York 5

Telephone: WHitehall 3-1223
Bell Teletype NY 1-1843

Boston & Maine R.R. Kaiser - Frazer Missouri State Life Insurance **New England Public Service United Artists Theaters** 

Greene and Company

Members N. Y. Security Dealers Assn. 37 Wall St., N. Y. 5 Hanover 2-4850 Bell Teletypes—NY 1-1126 & 1127

Curb and Unlisted Securities

MICHAEL HEANEY, Mor. WALTER KANE, Asst. Mgr.

### Joseph McManus & Co.

Members New York Curb Exchange Chicago Stock Exchange 39 Broadway New York 6 Digby 4-3122 Teletype NY 1-1610

## 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 Expense, 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 a Call on Their Underlying Company Shares in a Break-Up Distribution. Holds Trust Funds and Institutional Investors Would Do Well to Place More Funds in Utilities.

are very 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 im-pressive gains in the indusand domestic fields. The amount of electricity

generated in Harold H. Young 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

\*An address by Mr. Young be-fore the Rocky Mountain Group of the Investment Bankers Asso-ciation, Denver, Colo. Dec. 4, 1945, Mr. Young is Public Utilities Analyst with Eastman, Dillon & Co. New York City. Co., New York City. (Continued on page 2763)

#### Delaware Power & Light

Common

Bought-Sold-Quoted

### MCDONNELL & CO.

Members New York Stock Exchange New York Curb Exchange 120 BROADWAY, NEW YORK Tel. REctor 2-7815

## Among the various types of businesses competing for the investor's funds, the public utility companies have established an enviable record. There In a Changing World

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 "Blue Chips." He Prophesies Continuation of 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 portfolios depends upon requirements and circumstances of individuals and upon the particular approach or methods used

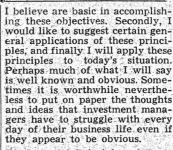
by the invest-ment mana-ger. There are many ways of accomplishing a desired objective in this as in almost every other field of en-

deavor.
This article deals with the subject of portfolio management from my own point of view as an invest-

ment counsellor. It deals with the problem of meeting the requirements of the average individual who does not want to speculate or trade but who is interested, over a period of years, in maintaining principal, in receiving a reasonable return on his capital, and, as opportunities may arise, in increasing his capital.

I would like to discuss contains

I would like to discuss certain fundamental principles first which



Fundamental Principles of Port-

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, yet a scientific approach is essential for success. In engineering it is possible to determine and to plan beforehand the designing 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 requirements. Portfolio management demands the same aproach even though the possibilities of error are greater and therefore the risks of failure to accomplish a certain purpose are higher.

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 policy when justified, and a protective policy when needed. An investment policy that is too timid invited to the policy that is too timid in the policy that the poli vites stagnation and atroph which over a period of time ma atrophy bring poor results in a rapidly changing world. A policy which is too aggressive invites taking

(Continued on page 2739)



Ragnar D. Naess

We Maintain Active Markets in U. S. FUNDS for **BULOLO GOLD DREDGING** KERR ADDISON MINES

STEEP ROCK IRON MINES **NORANDA MINES** 

Canadian Securities Dep't.

### GOODBODY & Co.

Members N. Y. Stock Exchange and Other Principal Exchanges NEW YORK 6, N. Y. 115 BROADWAY Telephone BArclay 7-0100

Segal Lock & Hardware Wellman **Engineering Co.\*** 

Kingan & Company, Com.

\*Circular Upon Request Bought-Sold-Quoted

Simons, Linburn & Co. Members New York Stock Exchange 25 Broad St., New York 4, N. Y. HAnover 2-0600 Tele, NY 1-210



Troster, Currie & Summers

Members N. Y. Security Dealers Ass'n
74 Trinity Place, N. Y. 6 HA 2-2400
Teletype NY 1-376-377
Private Wires to Buffalo - Cleveland
Detroit - Pittsburgh - St. Louis

#### ROCKWELL MANUFACTURING CORP.

Common Stock

BOUGHT-SOLD-QUOTED

J.G. WHITE & COMPANY

37 WALL STREET NEW YORK 5 ESTABLISHED 1890

Tel. HAnover 2-9300 Tele. NY 1-1815

### P. R. MALLORY & CO., INC.

Bought — Sold — Quoted

Analysis on Request

### STEINER, ROUSE & CO

25 Broad St., New York 4, N. Y. HAnover 2-0700 NY 1-1557

New Orleans, La.-Birmingham, Ala. Direct wires to our branch offices

Loft Candy South Shore Oil Haile Mines Central States Elec., Com. Pressurelube Greater N. Y. Industries Textron Warrants

#### Edward A. Purcell & Co.

Members New York Stock Exchange Members New York Curb Exchange

65 Broadway WHitehall 4-8120 Bell System Teletype NY 1-1919

Central States Elec. (Va.)

**Tybor Stores** Fred F. French Investing Common & Preferred

Frank C. Masterson & Co.

64 WALL ST. NEW YORK 5 Teletype NY 1-1140 HAnover 2-9470

We believe cement companies will operate at capacity for several years. WE SUGGEST

Oregon Portland Cement Consolidated Cement Riverside Cement Spokane Portland Cement

Circulars Available

LERNER & CO.

10 POST OFFICE SQUARE BOSTON 9, MASS. Tel. HUB 1990 Teletype BS 69

Haytian Corp. **Eastern Sugar Associates Punta Alegre Sugar** 

Quotations Upon Request

FARR & CO.

Members New York Stock Exchange v York Coffee & Sugar Exces 120 WALL ST., NEW YORK TEL. HANOVER 2-9612

### **American States** Utilities Corp.

Preferred & Common BOUGHT-SOLD-QUOTED

Cohû & Torrey

One Wall Street, New York 5, N. Y. Telephone BOwling Green 9-4800

## A Gold Coin Standard for U. S.?

By WALTER E. SPAHR

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

Dr. Spahr Points Out as Two Bad Features of the Engle Bill to Resume Coinage of Gold as (1) It Would Not Provide a Gold-Coin Standard, but Would Instead Subject People to the Uncertainties of Repeated Changes in the Monetary Unit; and (2) It Would Restore Bimetallism With-All Its Evils. Holds Administration's Monetary Policy to Divorce Nation From a Genuine Gold Standard Permits Other Countries to Obtain Our Gold While Making It Criminal for Our Own Citizens to Hold It. Decries "Scarcity of Gold" Argument as a Reason for Holding to a Paper Standard and Contends That Under Present Monetary System There Is No Check by People on the Public Purse or on Bad Banking Practices.

On Nov. 13, Representative Clair Engle (D.-Calif.) introduced bill, H. R. 4669, and on Nov. 14, Senator Barkley (D.-Ky.), on

The Blocked Sterling Balances

By PAUL EINZIG

ling Balances by Members of the Sterling Bloc Will Not Afford the Foreign Exchange Required by

Great Britain to Finance Imports. Sees Danger of Shortage of British Goods Due to Rush of Buying

by Holders of Sterling and Says Though Individual Exporters May Gain, the Nation Will Lose. Esti-

mates Blocked Sterling at £4 Billions.

mates Blocked Sterling at £4 Billions.

LONDON, ENGLAND.—Once more the problem of Britain's external floating war indebtedness 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 the question whether overseas holders of sterling balances are in a position to withdraw their funds in the form of purchasing and exporting British goods that are not subject to export license. This means that the so-called "blocked" sterling balances are no longer blocked. In theory, throughout the war their holders were at liberty to use their money for purchases of goods, not

British Economist Holds Purchase of British Goods Against Their Ster-

Paul Einzig to use their money for purchases of goods, not only in Britain but in any country of the Sterling Area. In practice,

behalf of Senators Murray of Montana and Taylor of Idaho, introduced a companion bill, S. 1596, both interpreted in the press as providing for the return of the United States to a gold-coin standard.

The press was misled as to the nature

of these bills
because of a misleading release
issued on Nov. 13 by a Subcommittee on Mining and Minerals
Industry, Senate Special Committee on Small Business. It read:

"A new bill designed to per-

Dr. Walter E. Spah

"A new bill designed to permit free circulation of gold will be presented to the United States Senate soon (probably Tuesday, Nov. 13) by Senator Glen Taylor (Idaho), for himself and Senator James E. Murary (Montana) ray (Montana).
"Specifically, the bill provides

for the following changes in existing rules governing the circulation of gold:

"1. It will permit coinage of a \$50 gold piece,
"2. It will provide for free circulation of gold and the convertibility of gold with currency

'3. It will authorize the President to raise the price of gold above the present \$35 per ounce figure.

"4. It will permit persons ten-dering gold bullion to the mints to receive in return therefor either coined gold or currency, depending upon his wish."

Examination of the Engle Bill reveals that it is not a gold-coin standard bill but, instead, a bill which provides, fundamentally, for two things: (1) a bimetallic system, with ratios between gold and silver to be determined by the President, and (2) the revival of the power of the President to devalue the gold and silver currency as he sees fit. The gold-dollar value of an ounce of gold may not be less than \$35 per fine ounce. Provision is made for the ounce. Provision is made for the

(Continued on page 2744)

## **Atomic Energy and** Free Enterprise

Chairman of the British Labor Party

Chairman of the British Labor Party Contends That Control Of Scientific Materials or Processes By Private Interests "Would Be to Impose New Chains of Servitude Upon Mankind." Says That a Society Dominated by Free Enterprise Cannot Be Trusted to Keep the Peace. Alleging That Business Has Split Our Society in Two, He Finds It Significant That "Only in the New World of Russia Has the Businessman Ceased to Count." Urges the Elimination of National Sovereignty to End War.

I am bound to begin by paying my homage to the great part that the United States has played in the organization of military victory;

I hope I may live to pay a deeper homage to a great nation which makes the victory in war the prelude to victory in peace. For I suspect that all of us now recognize that military vic-tory is an opportunity and not a fulfill-ment. That at least was understood by that supreme friend of



friend of democracy and freedom, Frank-lin Delano Roosevelt. We in Brit-

ain think of him as the outstanding American architect of what may become, given the will on our part, a better and a happier world. If that new world be built, I venture the prophesy that no name will be held in deeper reverence than his. You may have your differences with this or that item in his policies, as we in Europe have had our differences with Mr. Churchill or with Generalissimo Stalin. That does not prevent our realization that our own stature is measured by the respect we pay them. They have added a noble chapter to the hisain think of him as the outstand-

\*An address by Prof. Laski at the Dinner of the Nation Asso-ciates, New York City, Dec. 3, 1945. (Continued on page 2772)

## **Surrendered Liberties**

There Is No Let Up of Restraints Upon the Securities Industry by SEC, Which Uses NASD as Its Handmaiden to Annihilate Piecemeal Established Trade Custom and Usage. Additional Fetters, 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.

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

The personnel which is set up as the enforcement agency

High Grade Public Utility and Industrial PREFERRED STOCKS

25 Broad Street, New York

Telephone HAnover 2-4300

Teletype NY 1-5

#### THE LOST WEEKEND!

through another week-ing about those obsolete I bonds. We just drink

Obsolete Securities Dept. 99 WALL STREET, NEW YORK Telephone WHitehall 4-6551

**United Artists United Piece Dye Works** Polaroid Corp. Gaumont-Brit. Pictures "A"

#### J. GOLDWATER & CO.

Members New York Security Dealers Assi 39 Broadway

New York 6, N. Y.

AMERICAN BANTAM Common & Pfd.

\*INTERNAT'L DETROLA Bought - Sold - Quoted

\*Circular on request

### J.F. Reilly & Co.

Members New York Security Dealers Assn 40 Exch. Pl., New York 5, N. Y.

HAnover 2-4785

Bell System Teletype, NY 1-2480

Private Wires to Chicago & Los Angeles

#### TRADING MARKETS

Kingan Co. Haloid Corp. Sargent & Co. Bausch & Lomb Billings & Spencer

Herzog & Co. 170 Broadway WOrth 2-0300 Bell System Teletype NY 1-84

Punta Alegre Sugar Eastern Sugar Assoc. Lea Fabrics National Gas & Electric Susquehanna Mills

### **DUNNE & CO.**

25 Broad St., New York 4, N. Y. WHitehall 3-0272—Teletype NY 1-956
Private Wire to Boston

**Public National Bank** & Trust Co. National Radiator Co.

> Analyses available to dealers only

C. E. Unterberg & Co.

Members N. Y. Security Dealers Ass 61 Broadway, New York 6, N. Y. Telephone BOwling Green 9-3565 Teletype NY 1-1666

It is an interesting pattern that filches some of our

emergency."

Ultimately the bill finds its way into the hopper and

comes out a law.

to give "teeth" to the legislation usually has amongst its (Continued from page 2707)

We are interested in offerings of

Spencer Trask & Co.

Members New York Stock Exchange

#### TITLE COMPANY CERTIFICATES

however, restrictions on exports limited such use of the sterling balances to authorized transactions. Now that the greater part of exports is no longer subject to license, the balances have ceased

(Continued on page 2777)

Bond & Mtge. Guar. Co. Lawyers Mortgage Co. Lawyers Title & Guar. Co. N. Y. Title & Mtge. Co. Prudence Co.

Newburger, Loeb & Co.

Members New York Stock Exchange
40 Wall St., N.Y. 5 WHitchell 4-6330
Bell Teletype NY 1-2033

Nationwide MARKETING FACILITIES for

Blocks of UNLISTED **SECURITIES** 

Inquiries invited from dealers, estates, corporations, banks, in-stitutions and individual holders

STRAUSS BROS. Board of Trade Bldg.

32 Broadway NEW YORK 4 CHICAGO 4 DIgby 4-8640 reletype NY 1-832, 834 Harrison 2075 Teletype CG 129 Direct Wire Service

New York—Chicago—St. Lo Kansas City—Los Angeles -St. Louis

### American Bantam Car

Common and Preferred

Bought-Sold-Quoted

Circular on Request

### HOIT, ROSE & TROSTER

ESTABLISHED 1914

74 Trinity Place, New York 6, N. Y.

Telephone: BOwling Green 9-7400 Teletype: NY 1-375

## WARD & Co. ACTUAL MARKETS ACTIVE ISSUES

#### INDUSTRIALS

Air Cargo Transport American Bantam Car

Amer. Window Glass\*

Blair & Co. S. F. Bowser Cinecolor, Inc. Dayton Malleable Iron\* Du Mont Lab. "A" Douglas Shoe\* Gt. Amer. Industries\* Hartford-Empire Co. Hoover Co. Kaiser-Frazer† Kingan Co. Lamson & Sessions\*

Michigan Chemical Mohawk Rubber Moxie Co. Natl. Vulcanized Fibre† |

Oxford Paper P. R. Mallory

Polaroid Com. H. H. Robertson Sheraton Inc. Sylvania Industrial Taca Airways\* U. S. Truck Lines Warren Bros. "C"

#### TEXTILES

Alabama Mills\* Aspinook Corp. Consolidated Textile New Jersey Worsted Textron Wrnts. & Pfd. United Piece Dye

#### UTILITIES

American Gas & Pow. Iowa Southern Util. Mass. Pr. & Lt. \$2 Pfd. New Eng. Pub. Serv. North'n New Eng. Co.

†Prospectus Upon Request Bulletin or Circular upon request

WARD & CO.

RECtor 2-8700 NY 1-1287 1-1287 Direct Wires to Chicago and Phila ENTERPRISE THONES Hartrd 6111 Buff. 6024 Boc. 2100

## Wage-Price Equation **And Future Outlook**

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 Retarding Advancement Are Government Con-trols and the Labor-Price Equation. Warns Higher Wages, With Goods Shortage under Fixed Prices Will Intensify Inflation Pressure, and That Wartime Industrial Profits Cannot be Used as Measure of 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 Sees Ground for Future Prosperity.

diate situation a few words should be said about certain fac-tors of a more general char-acter which



Harold G. Moulton

will have a bearing upon the post-war situation for several years to come.

The outlook at the end of the war-both from the standpoint of the business enterprise system and the welfare of the masses of

\*An address by Dr. Moulton be-fore the American Finance Con-ference, Nov. 28, 1945.

The immediate business situation is, of course, best characterized as one of conflict and confusion. The conflict is manifested in the relations between labor and industry; the confusion is found in the minds of public officials. The crucial issue is the wage-price equation. But before discussing the immediate is the immediate is the immediate of the immediate of the immediate of the immediate output of the people—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) brings a vast inflation of prices, and (3) result in impoverishment 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 the people—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) brings a vast inflation of prices, and (3) result in impoverishment and increased unemployment. By the end of the war these dire forebodings had given place to extravagant expecgiven 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 pointing? opinion?

First, instead of sealing the fate of private enterprise, the war period brought to the Amercan people as a whole, and I believe to the government, a new realization of its vital importance. This profound change is due to two principal factors: (1) the remarkable achievement of private enterprise during the war; and

#### Factors of Stability

(Continued on page 2778)

NY 1-1026

## Volume Rather Than High Prices. After Stating That the Danger of Inflation Dominates the Picture, He Supports President Truman's Policy, Which He Interprets as Follows: "The Way to Prevent Inflation Is 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 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 that agreement, it was not too dustry during the When war. When we remember what seemed possible in the way of pro-duction five years ago, and then look at the enormous output of the war and civ-

Public."

ilian goods actually pro-duced, we can

that see .... American in

see

Government's Role

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 Our Objective, a Well-Defined Method of Working Toward It, and

Help Business by Providing (1) Revitalized Foreign Trade Promotion Services; (2) Management, Technological, and Marketing Aids; (3) Strengthening of the Department's Technical Bureaus; and (4) Furnishing 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 Pro-

duction, Expanded Consumption, and Increased Profits Based on High

Willing Cooperation by All Classes. His Department of Commerce

In Full Production

American industry and labor pulling to get her achieved amazing results. The war was as good as the stoutest apos-tle of our free private enterprise system dared predict it would be. That record shows what can be

That record shows what can be done under our form of political and economic organization when we have three things: general agreement as to the objective, a well-defined method of working toward that goal, and willing cooperation by all elements in our society. We had those three things during the way Our new things the way the things the new things the way the things the things, during the war. Our national existence was threatened. There was universal agreement that we had to win the war; with

Kingan & Co., Com. & Pfd.

Standard Aircraft Prod. Colorado Fuel & Iron, Pfd.

\*National Vulcanized Fibre

\*Moore Drop Forging

Kaiser-Frazer Corp.

\*Prospectus on request

J.K.Rice, Jr.&Co.

REctor 2-4500-120 Broadway

AMERICAN BANTAM CAR

SUPERIOR TOOL & DIE CO.

SPORT PRODUCTS INC.

KAISER-FRAZER CORP.

HYTRON RADIO

& ELECTRONICS CORP.

HARDY & HARDY

11 Broadway, New York 4

that agreement, it was not too hard to find ways of doing what had to be done. Now of course it is easy to say

Now of course it is easy to say that what we need in time of peace is the same unity of purpose. It is also perfectly obvious that such unity is hard to get. We do not have such clear-cut agreement as to our goals, and when we do agree as to goals it is much harder to agree about the best way to reach them. Furthermore, the economy itself is and must be very different in peace than in war. It must be more flexible. It must contain much more room for experimentation, and for differexperimentation, and for different types of action; certainly we do not want the regimentation and controls that are necessary, in

wartime.

Yet it seems to me that in the Yet it seems to me that it the broad sense we do have a very solid unity in this country, as far as our ultimate objective is concerned. Everyone in America—farmer, worker, businessman, consumer—wants our magnificent

\*An address made by Mr. Wal-lace before the Golden Anniver-sary Congress of American Indus-try, National Association of Manufacturers, New York City, Dec. 5, 1945.

(Continued on page 2784)

#### The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

William B. Dana Company

Publishers
25 Park Place, New York 8 REctor 2-9570 to 9576 Herbert D. Seibert.

Editor and Publisher William Dana Seibert, President William D. Riggs, Business Manager

Thursday, December 6 1945

Published twice a week

every Thursday (general news and advertising issue) and every Monday

(complete statistical issue—market quetation records, corporation, banking, clearings, state and city news, etc.)

Other Offices: 135 S. La Salie St., Chicago 3, Ill. (Telephone: State 0613; I Drapers' Gardens, London, E. C., England, c/o Edwards & Smith

Copyright 1945 by William B. Dana Company

Company

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, \$26.00 per year; in Dominion of Canada, \$27.50 per year; South and Central America, Spain, Mexico, and Cuba, \$29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, \$31.00 per year.

Other Publications
Bank and Quotation Record—Mth.\$25 yr.
Monthly Earnings Record—Mth...\$25 yr.

NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

#### PANAMA COCA-COLA

Quarterly dividend paid October 15, 1945 — \$.50 DIVIDENDS:

1945 (to date) \$2.25 — 1944 \$2.75 — 1943 \$4.50 Approximate selling price—27 ½

New Analysis on request

### HOIT ROSE & TROSTER

Specialists in Soft Drink Stocks

74 Trinity Place, New York 6, N. Y.
Telephone: BOwling Green 9-7400 Teletype: NY 1-375

#### KOLD-HOLD MANUFACTURING COMPANY

Manufacturer of Electric Refrigeration Equipment A low priced speculation PROSPECTUS ON REQUEST

FRANKLIN COUNTY COAL COMMON

CIRCULAR ON REQUEST

## F. H. KOLLER & CO., Inc.

Members N. Y. Security Dealers Ass'

111 BROADWAY, NEW YORK 6, N. Y.

KENDALL COMPANY WELLMAN ENGINEERING CO. SHATTERPROOF GLASS WALT DISNEY PRODUCTIONS FASHION PARK, INC., Common THE FOUNDATION COMPANY

Descriptive Circulars on request

# Seligman, Lubetkin & Co. Members New York Security Dealers Association

HAnover 2-2100 41 Broad Street, New York 4

igitized for FRASER tp://fraser.stlouisfed.org and the section to

## Canada's Prospective Trends

Economist Discusses Canada's Political and Economic Situation in the Light of Post-War Conditions. Sees a Better Labor Situation There Than in the United States Where the Inflationary Trend Is More Pronounced. Looks for Long-Run Shifts in Canada's Foreign Trade With Declining Importance of Agricultural and Increasing Mineral and Manufactured Exports. Sees No Bar in Imperial Preference to Close and Expanding Commerce With U. S. and Concludes That, Short of Catastrophic Occurrences, Canada Should Remain the Leading Area Serving as An Outlet for American Private and Corporate Capital Seeking Sound Investment Abroad.

From the investor's point of view, four primary and closely inter-related factors enter into the determination of prospective trends in

canada: the labor situation; the financial setup; the outlook on the Dominion's balance of balance of payments; and the general direction of its economic policies. The following survey endeavors to point out a few highlights, rather than to offer a comprehensive analysis.



#### Labor's Position

The labor position in Canada is characterized by a wage level (in war plants) as much as 50% below the American. A difference in the internal balance of political forces explains this discrepancy to some extent. The radical CCF (Cooperative Commonwealth Federation) which swept Saskatche-wan last year has been crushingly defeated in the Dominion elec-tions of the past summer. The majority of the victorious Liberals is very precarious, but their oppo-nents, the Progressive Conserva-tives, are as similar to them in tives, are as similar to them in economic color as one egg is to another. In other words, the middle classes 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 in practice. Deal economics. But in practice, a rational line prevails, determined by the idea that Canada's competitive position in the world markets makes a reasonable sta-

\*Dr. Palyi visited Canada lately on behalf of Securities Counsel, Incorporated, Jackson, Mich.

bilization of prices and wages imperative. Take unemployment benefits as an example.

At home, the President's \$25 a week dole is tantamount to rais-

week dole is tantamount to raising wages by indirection. By contrast, the Canadian unemployment insurance is handled strictly on an insurance basis with the following features outstanding:

1. Employees with a remuneration exceeding \$2,000 per year (except in the building construction industry) are not eligible for benefits. The idea is that people who earn more than \$2,000 should be able to provide for a rainy day. In this country, the amount equivalent in purchasing power, say \$2,500 per year, would at once exclude most qualified war workers.

2. In Canada, the highest weekly benefit anyone can receive is \$12.24 for a single person and \$14.40 for a person with one or more dependents. The average benefit is somewhere around a weekly \$8, an amount which is just about sufficient to keep body and soul teacher but not to determine the sufficient to keep body. and soul together, but not to deter the worker from looking for a job. A new "baby bonus" subsidy, which has been bitterly criticized as costing \$200 millions a year, provides only about \$1 weekly per

3. The period for which benefits are provided is restricted to one-(Continued on page 2749)

#### Jonas & Naumburg Corp.

Current Assets 3\_116\_\_1 \$2,048,000 Current Liabilities 370,000

Net Working Capital

Per share \$7.00

> PAID-50c 1945 1944 EARNINGS-75c. PRICED UNDER \$10

New York: 41 Broad St.

## T. J. FEIBLEMAN & CO.

## The Investment Banker's Dilemma Gunningham Returns

TALL BOTH A TALLBOTT CONTROL WITH

Economist Holds There Will Be Heavy Demands for Investment Capital, Both at Home and Abroad, and the Investment Banker's Responsibilities in Fulfilling the Demands Are Complicated by Cheap Money, Low Interest Rates and Socialized Lending. Enumerates Obligations of Invest-ment Bankers to Public and Stresses Their Task in Maintaining Sound Money and Financial Practices as Well as Aiding in Restoration of Free Enterprise and the Promotion of Both Individual Initiative and a Proper Caution in the Use of Borrowed Capital or Taxpayers' Money.

Never before has there been such need for large quantities of investment capital. The estimates for immediate needs in this coun-

**Direct Private Wire Service** 

COAST - TO - COAST

New York - Chicago - St. Louis - Kansas City - Los Angeles

STRAUSS BROS.

Members New York Security Dealers Ass'n

Pledger & Company, Inc.

RED ROCK BOTTLERS, INC. SEVEN-UP OF TEXAS

MISSION DRY

Bought - Sold - Quoted

HOIT, ROSE & TROSTER

ESTABLISHED 1914

Specialists in Soft Drink Stocks

74 Trinity Place, New York 6, N. Y.

LOS ANGELES

32 Broadway NEW YORK 4

Digby 4-8640 Teletype NY 1-832-834

Telephone: BOwling Green 9-7400

White & Company ST. LOUIS

try alone are put at 40 to 50 billion dollars. The needs for investment capital in foreign countries eign countries are much greater than in this country. First there is the need for rehabilitation renabilitation of the wartorn areas; the needs for capital in the older countries that have not kept pace with modern

would seem to be second; and third, the demands for capital in the newer and lesser developed areas such as South America, Africa, Australia and other countries, whose growth is held in check for want of capital and modern productive methods on a larger scale than in prewar years. Where Will All This Capital

After the First World War the investors in the United States supplied our own needs for capital and lent generously to the whole world. Interest rates were at-tractive both here and abroad. The investors and the managers of investment accounts have before them very good records of the experience of the past 25 years. The evidence should create caution and call for careful study of every investment issue proposed.

Are the opportunities for investors in the immediate future any less - attractive than after (Continued on page 2747)

With First Cleveland Corp.

CLEVELAND, O. - Joseph M. Streifender is with the First Cleveland Corp., National City Bank Building. He has recently been serving in the armed forces

Board of Trade Bldg. CHICAGO 4

Harrison 2075 Teletype CG 129

Baum, Bernheimer Co. KANSAS CITY

Teletype: NY 1-375

to Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, announces that Captain Francis J. unningham, having been released from active service after 2½ years overseas, has returned to the firm, He will be in the Trading Department of the New York

#### AMERICAN MADE MARKETSIN CANADIAN SECURITIES

Bank of Montreal Canadian Bk. of Commerce Royal Bank of Canada

Andian National Corp. Assoc. Tel. & Tel. \$6 & 7% Pfd. Brown Company Com. & Pfd. Canadian Pacific Rwy. Canadian Western Lumber Electrolux Hamilton Bridge Co. Hydro Elec. Securities Com. International Utilities Jack Waite Mining Kirkland Lake Gold Mining Massey-Harris Co. Pfd. Minnesota & Ontario Paper Co. Nipissing Mines Noranda Mines Pend Oreille Mines Premier Gold Mining

## Sun Life Assurance HART SMITH & CO. 52 WILLIAM ST., N. Y. 5 HAROVER 2-0900 Bell Teletype NY 1-395

New York Montreal Toronto

Petroleum Heat & Power

Polaroid

### ALLEN & COMPANY

Established 1922 30 BROAD STREET

NEW YORK 4, N. Y. Telephone: HAnover 2-2600 ·
Teletypes: NY 1-1017-18 & 1-573 Direct Wires to
Los Angeles and New Orleans

R. W. PRESSPRICH & CO.

Members New York Stock Exchange

68 William Street, New York

BOSTON: 201 Devenshire St.

GOVERNMENT, MUNICIPAL,

RAILROAD, PUBLIC UTILITY & INDUSTRIAL BONDS

INVESTMENT STOCKS

Knowledge . Experience . Facilities

... for Investors

Community Water Service 5 ½ s 1946 Crescent Public Service 6s 1954 East Coast Public Service 4s 1948 Eastern Minnesota Pr. 5 1/2 s 1951 Minneapolis & St. Louis Ry. Issues

American Cyanamid Preferred

### FREDERIC H. HATCH & CO.

Incorporated

MEMBERS N. Y. SECURITY DEALERS ASSOCIATION

#### Queens Borough Gas & Elec. Co. 6% Cum. Pfd. (\$100 Par)

**Active Trading Markets** 

Analysis on Request

## New York Hanseatic Corporation

120 BROADWAY, NEW YORK 5, NEW YORK

Telephone: BArclay 7-5660

Teletype: NY 1-584

### **Farrell-Birmingham Company**

ANALYSIS ON REQUEST

### W. J. Banigan & Co.

CHAS. H. JONES & CO. 50 Broadway, N. Y. 4 HAnover 2-8380

#### Carbon Monoxide Eliminator

**American Insulator** Preferred & Comm

Gilbert & Bennett

#### PETER BARKEN

32 Broadway, New York 4, N. Y.

# Securities Co. of N. Y. 4% Consols

Eastern Sugar Associates, Common ... Petroleum Heat & Power Co.

63 Wall Street, New York 5, N. Y. Bell Teletype NY 1-897

igitized for FRASER p://fraser.stlouisfed.org Boody, McLellan Change

B. Walter Vos, general partner in Boody, McLellan & Co., 111 Broadway, New York City, mem-bers of the New York Stock Exchange, became a limited partner effective Nov. 23.

#### BALTIMORE

**Bayway Terminal Davis Coal & Coke Emerson Drug** 

STEIN BROS. & BOYCE Members New York & Baltimore S Exchanges and other leading excha 6 S. CALVERT ST., BALTIMORE 2

Bell Teletype BA 393 New York Telephone Rector 2-3327

#### **BOSTON**

#### **JOHNSON** AUTOMATICS INC.

A Low Priced BUILDING STOCK

Owns 70% of LATISTEEL, Inc.

Manufacturers of fabricated construction

Protected by patents

Memorandum on Request

Priced about 434

### du Pont, Homsey Co.

Shawmut Bank Building BOSTON 9, MASS.
4330 Teletype BS 424

TRADING MARKETS

Boston Edison Boston & Maine Prior Pfd. **New England Lime Common** Submarine Signal

Dayton Haigney & Company 75 Federal Street, Boston 10

Private New York Telephone REctor 2-5035

#### We Suggest

#### Oregon Portland Cement Co. Common Class "A"

- pacity—900,000 barrels annually.
  ok value—around \$18.
  od earnings all through war
- period. Company would benefit substantial-ly from tax reduction. Oregon's huge highway program ready to start.

Market about 121/2

LERNER & CO.

10 POST OFFICE SQUARE
BOSTON 9, MASS.

Tel, HUB 1990 Teletype BS 69

#### **New England Markets**

Retail New England Coverage

Secondary Distributions

Bank and Insurance Stocks

Industrials-Utilities Inactive Securities

F. L. PUTNAM & CO., INC. 77 Franklin Street, Boston 10, Mass

Tel. LIBerty 2340

Providence Springfield

### **Gentral Republic Co. Opens Cleveland Office**

Connors With Firm

CLEVELAND, OHIO—Central Republic Company, Inc., has opened a new branch in Cleveland. Associated with the new office is Harry Conners, formerly for many years with Otis & Company in charge of the municipal department.

#### **DES MOINES**

#### WHEELOCK & CUMMINS

Iowa Power & Light Co.
Preferreds United Light & Rys.

Rath Packing Co.

EQUITABLE BUILDING
DES MOINES 9, IOWA
10 4-7159 Bell Tele. DM 184 ne 4-7159

#### DETROIT

Electromaster, Inc. Sheller Manufacturing Corp.

Reports furnished on request

#### MERCIER, MCDOWELL & DOLPHYN

Buhl Bldg., Detroit 26 Cadillac 5752 Tele. DE 507

#### GRAND RAPIDS

#### Tyler Fixture Corp.

Preferred — Common

Inquiries Invited

#### WHITE, NOBLE & CO.

GRAND RAPIDS 2 MICH, TRUST BLDG ne 94336 Teletype GR 184

#### LOUISVILLE

American Barge Line American Turf Ass'n Girdler Corporation Hialeah Race Course Louisville Gas Pref. Winn & Lovett Grocery

#### THE BANKERS BOND CO.

1st Floor, Kentucky Home Life Bldg.
LOUISVILLE 2, KENTUCKY
Long Distance 238-9 Bell Tele. LS 186

ST. LOUIS

### STIX & Co.

INVESTMENT SECURITIES 509 OLIVE STREET

ST.Louis 1, Mo.

Members St. Louis Stock Exchange

## Business Man's **Bookshelf**

Manual of Procedure Under Government Contracts — fourth edition—providing otherwise unobtainable information of value to obtainable information of value to firms interested in or now sup-plying goods or services to the Federal Government. — Fidelity and Deposit Company of Mary-land, Baltimore, Md. — paper—

Bank Human Relations -Study of Modern Bank Personnel Policies and Practices—New York State Bankers Association, 33 Liberty Street, New York 5, N. Y.

Labor Policy of the Federal Government—Harold W. Metz—

Government—Harold W. Metz— The Brookings Institution, Wash-ington, D. C.—paper.

Labor Savings in American In-dustry 1899-1939—Solomon Fabri-cant—National Bureau of Econ-omic Research, 1819 Broadway, New York 23, N. Y.—paper—50c.

### **Taylor and Lucas With Sutro & Company**

(Special to THE FINA SAN FRANCISCO, CALIF. Howard L. Taylor and John J. Lucas have become associated with Sutro & Co., 407 Montgom-ery Street, members of the New York and San Francisco Stock Exchanges and other exchanges. Mr. Taylor was formerly a partner in Eastland, Douglass & Co. and prior thereto was an officer of Sargent, Taylor & Co. Mr. Lucas was formerly a partner in Walston, Hoffman & Goodwin and Eastland, Douglass & Co.

#### Thomas K. Wright Joins S. R. Livingstone & Co.

DETROIT, MICH. - Thomas K. Wright has become associated with S. R. Livingstone & Co., Penobscot Building. In the past he was in charge of the municipal department for Watling, Lerchen & Co.

**Albert Frank-Guenther** Law, Inc.

Fonda, Johnstown & Gloversville RR.

Milligan & Higgins

#### George R. Cooley & Co.

INC. Established 1924

52 William St., New York 5, N. Y. WHitehall 4-3990 Teletype NY 1-2419

#### USE CASH or CALLED BONDS

To obtain 51/2% yield.

Bonds legal for savings banks & trust funds

Write for information

### Security Adjustment Corp.

ESTABLISHED 1935 Members New York Security Dealers Ass'n 16 Court St., B'klyn 2, New York TR. 5-5054

## Public Utility Securities

#### Niagara Hudson Power

Since the new integration plan of Niagara Hudson Power Corp. since the new integration plan of Niagara Hudson Power Corp. and its sub-holding company, Buffalo, Niagara & Eastern, was sub-mitted to the SEC (fellowing settlement of the fight between various security groups) on July 16, 1945, changes in the system set-up have been carried out with amazing speed. Neither the SEC nor the New York Commission have apparently interposed any objections to the new plan and the legal work has been remidly consumment of so year reported net income after left.

rincipal features of the plan in

The new plan provided for complete retirement of the contro-versial B. N. & E. P. \$1.60 (2nd) Preferred stock at the call price of \$26.25 plus dividend arrears, which has already been done. The company was merged Nov. 1 with certain subsidiaries (Buffalo Niagara Electric, Lockport & New-fane Power & Water Supply, and Niagara, Lockport & Ontario Power), retaining the name Buf-falo Niagara Electric. The 1st Preferred stock has been ex-changed for a new 5% issue, with the arrears on the old stock paid off at the time of exchange. The new company took over the bondnew company took over the bond-ed debt of the merging companies and has filed a refunding program with the SEC, proposing to issue \$56,929,000 new 1st Mortgage bonds to refund five issues of the former subsidiaries. The new 5% pre-ferred will also be refunded, perhaps in January.

The new company's common stock will all be owned by the parent company, Niagara Hudson Power, which has put up the \$63,000,000 cash necessary to retire the \$1.60 Preferred. Niagara has cold some of its miscellaneaus. sold some of its miscellaneous holdings and obtained a \$40,000,-000 bank loan which will later be the common stock in the new company. Niagara is also reducing the par value of its own common stock to \$1 a share in order to permit an adjustment of surplus and take care of certain writeoffs which were demanded by the FPC several years ago (resulting in the series of events which led up to the present reorganization). This adjustment will permit clearing off arrears on Niagara's two preferred stocks and open the way for payment of dividends on the common. Eventually the preferred stocks may be eliminated

Buffalo, Niagara & Eastern last

been rapidly consummated, so that the program is now well along toward completion. Possibly tax savings were a factor in effecting consummation of the creased by about \$700,000. The year reported net income after 1st preferred dividend requirements of \$5,478,000, which under the present tax law would be increased by about \$700,000. The Niagara Falls Power 3½s will probably also be refunded in 1946 on about a 2¾% basis, it is estimated. The two refunding operations will, it is thought, cut fixed charges about one-third erations will, it is thought, cut fixed charges about one-third, effecting a net saving after taxes of about \$800,000. Assuming that B. N. & E. \$5 Preferred is refunded on a 4% basis, there would be an additional saving of \$350,000, less the 16% surtax or a net saving of about \$300,000. The complete refunding program would, therefore, yield savings of \$1,100,000. \$1,100,000

Adding these savings and the tax reduction of \$700,000 to the balance after the 1st Preferred dividends gives a figure of \$7,278,— 000. However, this is after reservation of net income of subsidiaries amounting in 1944 to \$1,476, aries amounting in 1944 to \$1,476,-000. It is thought that this item may be voided by the present changes; in any event it is substantially equivalent to additional net income. Adding this amount gives a balance of \$8,754,000 for the new common stock all held the new common stock, all held by Niagara Hudson. Since the new Buffalo Niagara Electric is an new Buffalo Niagara Electric is an operating company with sound capital structure, the common could probably be capitalized at around 15 times earnings which would afford a value for Niagara Hudson of about \$130,000,000. Thus it would probably be necessary for Niagara Hudson to sell only about one-quarter of its only about one-quarter of its holdings to pay off the bank loan.

However, the SEC order required sale of all of the new stock, presumably by Nov. 1, 1946. Unless this is modified, the sale will yield Niagara Hudson an estimated the sale will yield Niagara Hudson an estimated the sale will yield Niagara Hudson and estimated the sale will yield the sale will yield Niagara the sale will yield the timated \$90,000,000 in excess of the amount required to pay off the loan. These proceeds might be used to retire Niagara Hudson's 1st and 2nd preferred stocks with their arrears. At the end of the year call prices and arrears on (Continued on page 2770).

#### PUBLIC UTILITY STOCKS

We maintain an active market in the stocks of many public utility companies and through the facilities of our direct private wire system are especially equipped to trade in those markets where our various offices are located.

PAINE, WEBBER, JACKSON & CURTIS

**American Gas & Power Company Associated Gas & Electric issues Central Public Utility Corporation Crescent Public Service Company Portland Electric Power Company** 

GILBERT J. POSTLEY & CO. 29 BROADWAY, NEW YORK 6, N. Y.

Direct Wire to Chicago

## Might Versus Right!

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 Hitlerian 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.

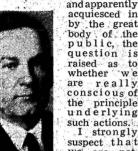
Urges Revision of Law Which Will Place Employer and Employee in a Position Where True Collective Bar-Urges Revision of Law Which will a large gaining in Good Faith Is Possible.

With the rash of strikes breaking out all over the country, initiated by labor leaders seemingly unconscious of doing any wrong, and apparently acquiesced in by the great body of the public, the question is raised as to whether we whether we whether we really research and experiment, of work and the country today.

Urges Revision of Law Which is Possible.

With the rash of strikes breaking out all over the country, initiated by labor leaders seemingly unconscious of doing any wrong, and apparently to wage an aggressive war is an international crime and at the public, the question is raised as to whether we whether we recall to believe it is time to stop and think:

Looking back on 50 years of research and experiment, of work the country today.



the principle underlying

suspect that we are not, for I cannot believe that

we would before a World

Orval W. Adams
Court be seeking to establish the principle that conspiracy

\*An address by Mr. Adams before the Utah Automobile Dealers Association at Salt Lake City, Dec. 6, 1945.

> \*U. S. SUGAR Com. & Pfd.

\*\*ARTCRAFT MFG:

HOWELL ELECTRIC

\*WELLMAN ENGINEERING

\*AIR CARGO TRANSPORT

Bought-Sold-Quoted

\*Circular on request

\*\*Prospectus on Request

## J. F. Reilly & Co.

Members ... New York Security Dealers Assn. 40 Exch. Pl., New York 5, N. Y. HAnover 2-4785

Bell System Teletype, NY 1-2480

Private Wires to Chicago & Los Angeles

ACTIVE MARKETS

**Great American Industries** 

United Drill & Tool

Kingan Co.

Dayton Malleable Iron

SIEGEL & CO.

adway, N.Y. 6 Digby 4-2370 Teletype NY 1-1942

Telephone Bond & Share 7% Preferre Telephone Bond & Share Associated Tel. & Tel. Associated Tel. & Tel. 6% Preferred

JAMES M. TOOLAN & CO.

67 Wall Street, New York Telephone HAnover 2-9335 Teletype NY 1-2630

that has so richly contributed to our comfort, security and enjoy-ment, C. F. Kettering formulates

Power and Right

Strikes are called on the ele-mental principle that if you have

We are pleased to announce that

CLYDE H. ANDREWS

is now associated with our organization

## Brailsford & Co.

Members Chicago Stock Exchange

208 South La Salle Street, Chicago

Telephone State 9868 Teletype CG 95

We are pleased to announce that

**CECIL P. YOUNG** 

(Lt. Colonel Army Air Corps)

has been elected Vice President

#### FIRST COLONY CORPORATION

Underwriters and Distributors of Investment Securities

70 Pine Street Teletype NY 1-2425 New York 5, New York HAnover 2-7793

FERRIS, EXNICIOS & CO., INC.

announce a change in name to

**FERRIS & COMPANY** INCORPORATED

WASHINGTON BUILDING . WASHINGTON, D. C.

Teletype WA-263

The Officers and Directors of the Corporation will remain unchanged.

ANNOUNCING THE FORMATION OF

#### MAHER & HULSEBOSCH

As Brokers & Dealers in Investment Securities also specializing in

Canadian & Domestic Mining Issues

With Offices At

62 William Street, New York 5, N. Y. WHitehall 4-2422

JOHN W. MAHER

GERARD F. HULSEBOSCH

when attacking that company, and a like uncomfortably close re-semblance between Hitler's "take it or leave it" demand on Czecho-

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 invading Poland, and Reuthers charges against General Motors when attacking that company, and a like uncomfortably close resemblance between Hitler's "take it or leave it" demand on Czecho-(Continued on page 2789)

We take pleasure in announcing that

#### GEORGE K. COGGESHALL

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

### SCHOELLKOPF, HUTTON & POMEROY, INC.

BUFFALO

NEW YORK

December 1, 1945

1915-1945

## Hemphill, Noves & Co.

On their Thirtieth Anniversary welcome the second generation.

THE FOLLOWING SONS OF PARTNERS, HAVING BEEN RELEASED FROM ACTIVE MILITARY SER-VICE, ARE NOW ASSOCIATED WITH THE FIRM

> JANSEN NOYES, JR. LIEUTENANT COMMANDER, U. S. N. R.

> > NIXON GRIFFIS LIEUTENANT, A. U. S.

CLIFFORD HEMPHILL, JR. LIEUTENANT COMMANDER, U. S. N. R.

HAROLD C. STRONG, JR. LIEUTENANT COMMANDER, U. S. N. R.

We are pleased to announce that

MR. FRANCIS E. KING, JR.

has become associated with us in our

TRADING DEPARTMENT

### STEIN BROS. & BOYCE

6 S. Calvert Street, Baltimore 2, Md.

Telephone PLaza 8400

NEW YORK

PHILADELPHIA

LOUISVILLE

Hagerstown, Md. Cumberland, Md.

MEMBERS OF NEW YORK STOCK EXCHANGE and other leading exchanges

December 3, 1945.

## Real Estate Securities

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

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

The new ceiling allowed by OPA will be slightly less than 20% higher than ceiling rents present—
ly enjoyed by current buildings.
Estimates of the cost of new construction are about 35% to 40% higher than the cost of construction in 1941.

The 20% increase in income should for all practical purposes should for all practical purposes estate securities market, it would compensate for the higher cost of be desirable to select bonds which

The 20% increase in income should for all practical purposes compensate for the higher cost of construction and should encourage new building.

Now that many real estate bonds are selling near par, we would suggest caution in the se-lection 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 sta-bilized for a short time (usually leases for apartments are made for a one or two year duration). In determining the stability of income of an office or loft build-ing, a different yard stick may be

used. (It is not unusual for leases



#### **REAL ESTATE** SECURITIES

Primary Markets in:

Hotel St. George, 4's 165 Broadway, 41/2's

870 - 7th Ave. 41/2's Park Central Hotel)

Savoy Plaza 3-6's, '56 Beacon Hotel, 4's

\* \* \*

SHASKAN & CO. Members New York Stock Exchange Members New York Curb Exchange 10 EXCHANGE PL., N.Y. Digby 4
Bell Teletype NY 1-953

#### TITLE COMPANY **CERTIFICATES**

BOUGHT - SOLD - QUOTED

Complete Statistical Information

### J. GOLDWATER & CO.

ew York Security Dealers Assn. 39 Broadway New York 6, N. Y. 2-8970 Teletype NY 1-1203 ver 2-8970

Firm Trading Markets

Broadway Barclay 2/56 Broadway Trinity 41/2/63 165 Broadway Bldg. 41/2/58 Wall & Beaver 41/2/51

J. S. Strauss & Co. 155 Montgomery St., San Francisco 4 Bell Teletype SF 61 & 62

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 ex-piring mortgages and the inabil-ity of refinancing. Latest an-nounced was 322—8th Avenue this

#### Jas. Burns Returns to Harris, Upham

Harris, Upham & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce the return as a partner of Lt. Colonel James F. Burns, Jr., recently released to inactive duty after a three-year leave of absence from the firm. He will be in charge of the Bond and the Over-the-Counter departments. Col. Burns is a former president of the Association of president of the Association of Stock Exchange Firms.

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

F. M. Mayer, 30 Broad Street, New York City, 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

ASHEVILLE, 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 on active duty with the U.S. Army Air Forces from June 1942 until September 1945, was formerly with McAllister, Smith & Pate.

### Commercial Bank Installment Credit Plans

By DR. CLYDE WILLIAM PHELPS Department of Economics and Commerce University of Chattanooga

Dr. Phelps Recounts the Progress Made by Commercial Banks in Direct Installment Financing Under the Influence and Aid of the American Bankers Association. Describes Post-War Plans for Handling Installment Sales Paper, and Points Out Advantages and Disadvantages of the Bank Credit Time Payment Plan, Whereby the Banks Lend Direct to the Installment Buyer. Tells of Syndicates of Local Banks for Cooperative Handling of Installment Credits and the Bank-Agent Plan, Whereby Insurance Agents Act for Banks in Procuring Installment Paper. Shows Installment Financing Is Being Extended to Payment of Hospital and Medical Bills and Concludes That Consumer Loan Field Will Expand Enormously With Consumers Literally Swimming in a Sea of Credit.

Commercial banks and trus @

nance was substantial ly smaller. Ac-cording to a recent report, based upon over 11 thou-sand returns sand returns from a ques-



Dr. C. Wm. Phelps

tionnaire survey of more than 14 thousand banks, about 10,600 in all phases of this business than banks will be actively engaged in

Commercial banks and trus

companies, registered under Regulation W in 1941 and holding at least some consumer installment paper or or loans, number about 12,586. The number having consumer credit, or personal loan, departments and actively engaging in consumer installment finance after reconversion. It appears that at least 90% 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 their experience is expected to cause many other banks new to the business to participate. In a number of cases, the banks have secured managers of offices of sales finance companies or small 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

(Continued on page 2755)



### **NSTA** Notes

#### NATIONAL SECURITY TRADERS ASSOCIATION

The Membership Committee of the National Security Traders Association for 1945 1946 consists of: R. J. Glas, Glas & Crane, New Orleans, Chairman; Ewing T. Boles, The Ohio Company, Columbus, Ohio; George Lestrange, Moore, Leonard & Lynch, Pittsburgh, Pa.; Cecil W. Weathers, City Securities Corp., Indianapolis, Ind.; Herbert Pettey, Equitable Securities Corp., Nashville, Tenn.; W. R. Newsom, Jr., Sanders & Newsom, Dallas, Texas; J. C. Phillips, Pacific Northwest Co., Seattle, Wash.; Ludwell A. Strader, Scott, Horner & Mason, Inc., Lynchburg, Va.

### **SPECIALISTS**

#### **Real Estate Securities**

### Seligman, Lubetkin & Co.

Incorporated

Members New York Security Dealers Association

41 Broad Street, New York 4 HAnover 2-2100

CO-OPERATION

If you have a "distribution" job and want either help for your own organization, or someone else with the 'know how" to do the job, please get in touch with us. We can place substantial blocks of good quality industrial or other preferred or common stocks both at retail and wholesale.

#### AMOTT, BAKER & CO.

Incorporated
150 Broadway Tel. BArclay 7-2360

New York 7, N. Y. Teletype NY 1-588

### First California Adds Lawrence, Others

LOS ANGELES, CALIF.—Walter E. Lawrence, Thomas J. Edwards, Donald W. Mansfield, and Harrison E. Middleton have become associated with the First California Co., Incorporated, 650 South Spring Street. Mr. Lawrence was previously with Merrill Lynch, Pierce, Fenner & Beane, and Kaiser & Co. Mr. Edwards was with William A. Lower & 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,

### BIDS MADE ON OLD UNEXCHANGED SECURITIES

American Locomotive Co. Brill Corp. Chicago and North West RR. Chicago and East Illinois RR. Chicago Great Western Ry. Consolidated Film Industries Consolidation Coal

Cuban Dominican Sugar Des Moines and Ft. Dodge RR. Erie RR.

Iowa Central RR. Kelly Springfield Tire Lackawanna RR. of N. J. Manati Sugar Co.

Minneapolis and St. Louis Ry. Mobile and Ohio RR.

N. Y. Lackawanna and Western N. Y. Railways Norfolk and Southern Ry.

Raleigh and Cape Fear RR. Studebaker Corp. Suffolk and Carolina RR. Wabash Ry.

Western Pacific RR.

#### GUDE, WINMILL & CO.

Members New York Stock Exchange 1 Wall St., New York 5, N.Y. Teletype NY 1-955 Digby 4-7060

I AM PLEASED TO ANNOUNCE THAT

#### MR. HENRY W. BYRNE

HAS BLEN RELEASED FROM ACTIVE DUTY WITH THE ARMED FORCES AND IS AGAIN ASSOCIATED WITH ME IN THE TRADING DEPARTMENT

#### F. M. MAYER

30 BROAD STREET, NEW YORK Telephone HAnover 2-0322

By ELISHA M. FRIEDMAN

Consulting Economist Suggests Amendments to Provide That Junior Bonds Be Convertible, Thus Reducing in Prosperous Years the Percentage of Debt to Capitalization. He Urges That Present Railroad Reorganizations Be Included Under the Bill, Because So-Called Worthless Stocks Have Been Showing Earnings 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 Stockholders a Continuing Interest," and That a 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 the Wheeler Bill to Include Features of the Hobbs Bill, 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 band should be the keystone of such financial reform.

Convertible bonds are an old device that should be used in a new and broader way. The ICC might decide that railroad bonds must not exceed, say 33 to 40% of the total capitalization. All ization. All junior bonds above this limit should, under S. 1253, refunded bonds.



Elisha Friedman

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 speculative option, could be easily sold. The stock would not be subject to any strangling amortization charge therefore could pay good di-

#### 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.

Write fully in confidence to ALBERT FRANK-GUENTHER LAW, INC. 426 Russ Bldg., San Francisco 4, Cal. New York—Boston—Philadelphia Chicago

#### MANAGER AND CO-MANAGER WANTED

Large New York Stock Exchange firm—active in all security and commodity marsecurity and commodity markets—has an opening in its new mid-town hotel office for a Manager and Co-Manager. All inquiries will be held strictly confidential. Reply Box 10, Doremus & Co., Advertising Agents, 120 Broadway, New York 5, N. Y.

#### Trader Available

Fourteen years' experience bonds and stocks; would like to locate with dealer house, listed securities preferred. Box M126, Commercial & Financial Chronicle, 2 Place, New York 8, N. Y. 25 Park

vidends, and be attractive to the investor and be a medium to finance expansion and improve-ments. If this method had been in effect in the 1920s, reorganiza-tion, bankruptcy and receivership probably could have been avoided for most of the 19 major roads

now in the courts.

Stocks which have been declared worthless, sold above par or 100. At these levels, convertible bonds would have disap-peared. Frisco sold as high as 102 and 135 in the years from 1925 to 1930. St. Louis South Western sold as high as 115 and 124 in 1928 and 1929. Rock Island sold as high as 116 to 125 between 1927 and 1930. New Haven sold as high as 129 to 132 in 1929 and 1930.

Therefore, the Wheeler Bill, S. 1253, should be amended so that all bonds above 33% to 40% capitalization, be required to be convertible into common stock. Bonds should not be called in order to avoid conversion. der to avoid conversion.

The bill should be further amended to prevent the wiping out of common stock. This provision is doubly important in view of the recent experiences of stockholders of railroads in bankruptcy, particularly since the courts have particularly since the courts have

(Continued on page 2780)

#### 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.

## NEW BEDFORD RAYON "A".

Dividends

1940 \$1.75 1943 \$1.75
1941 1.75 1944 1.75
1942 1.75 1945 1.75
Yield: About 7%

Description on request

Box R126 Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

#### OFFICE WANTED

By N.A.S.D. member (Retailer) preferred with a trading firm. Box WB1129, Commercial & Fi-nancial Chronicle, 25 Park Place, New York 8, N. Y.

#### TRADER

Desires to make connection to give service and execute orders in Over-the-Counter Securities, Box M 127, Commercial & Financial Chronicle, 25 ParkPlace New York 8, N. Y.

## The Wheeler Bill on Future Raw Material Supplies Railroad Reorganizations And Prosperity

By WILLIAM L. BATT

U. S. Member, Combined Raw Material Board U. S. Deputy Member, Combined Production and Resources Board

Mr. Batt in Pointing Out Our Present and Future Raw Materials Position and Our Need for Foreign Supplies, Calls Attention to Lack of Co-

operation in International Field to Facilitate Trade and Alleviate Dangerous Uncertainties. Warns That We May Find Ourselves in Same Position as Britain if We Follow Practices That Hamper Production and Incentives to Capital Investment for Reducing Manufacturing Costs. Scores Movement for Excessive Wages and Says We, Like Most Other Countries, Are Concerned With Expanded Two-Way World Trade. Says American Management Has Been Willing to Provide Better Facilities for Lower-Cost Production and Praises American Workers' Technical Skill.

It seems unlikely that one of the two preceding speakers will not have made some reference ing speakers will not have made some reference to that cataclysmic contribution of technology to world politics and economics—the atomic bomb.

It does not seem to me to be an overstatement that never before in the history of mankind has technology brought forth so dramatic a challenge to the intelligence of man: never before has man's useful accumulation of knowledge, painfully acquired over the centuries, been so gravely endanged. Today they seem to me almost trivial and inconsequential.

gered as it is today. These things about which we are talking today seemed important, and in-

quential.

Yet hope springs eternal: God grant that world wisdom may be found to remove this menace and

again permit men to consider, in

again permit men to consider, in comparative safety at least, subjects like these assigned to me that have been, and may still be, of more than passing significance. It has been my rare privilege through this period of national emergency to work in the area of materials and production for defense and war, and for much of that time in the international field. The inter-dependence of nations on each other, the degree nations on each other, the degree to which the assets of one were the liabilities of another, was borne in on all of us from day to day. Successful war could not have been waged by any one of these United Nations alone; to-gether they assembled a mighty force for freedom. As a result of this extraordinary experience, I have gained a special respect for raw materials and our dependence on them.

\*An address by Mr. Batt be-fore the Society for the Advance-ment of Management, New York City, Nov. 30, 1945.

(Continued on page 2782)

#### SCHENLEY DISTILLERS CORPORATION

NOTE—From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 109 of a series. SCHENLEY DISTILLERS CORP.

### A New Life-Saver!

By MARK MERIT

At Schenley Laboratories, Inc., one of our subsidiaries, a new thrill al-ways awaits one. The most recent one must be labeled AA-1. It belongs in the same category with the thrill we experienced when we saw our "men in white" labor, heedless of clocks or watches, to develop a process for the mass scale pro-duction of Penicillin-Schenley. And now there's a new wonder drug, just around the corner, which successfully combats certain germs which Penicillin and other previously known drugs, failed to destroy. Its name is Streptomycin.

You've heard the story of Penicillin. Its discovery was probably the most important "accident" that ever occurred. But the discovery of Streptomycin was not accidental. Dr. Selman A. Waks-man, of Rutgers University, searched for it-and found it!

We haven't the space to tell you the whole story but we can reiterate more than a well-founded hope that Streptomycin is a weapon to battle, and to destroy, a number of diseases of man, against which other products have heretofore proven fruitless.

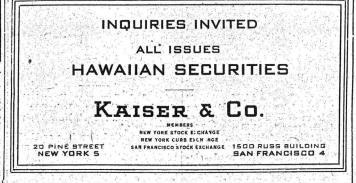
So far, our researchers are making it only in very small quantities, which are distributed to a few medical scientists for use in carefully selected cases. But these "men in white" are working diligently and zealously in our laboratories, as are other scientists in other laboratories, to develop a process for quantity manufacture of Streptomycin so that it will be available, eventually, for the treatment of thousands of patients.

The late war against the destroyers of human liberty is over. In many lands today, doves are beginning to fly where vultures flew before. But the battle of the scientists goes on—and the uniforms of the battlers are different. Their coats are white instead of olive drab or blue.

These men are helping to win the

FREE—Send a postcard or letter to MARK MERIT OF SCHENLEY DISTILLERS CORP., 333 Fifth Ave., N. Y. 1, N. Y., and you will receive a booklet containing reprints of earlier articles on various subjects in this series.





Special Memorandum Available:

United Artists Theatre Circuit

WARD & Co.

Teletype: NY 1-1287 1-1288

Est. 1926
Members N. Y. Security Dealers Ass'n
120 BROADWAY, NEW YORK 5

Telephone: RE. 2-8700

Trading Markets in Bunte Bros. Central Electric & Gas Nu Enamel Ray-O-Vac

C. L. Schmidt & Co. Established 1922

120 South La Salle Street CHICAGO 3 Tel. Randolph 6960 Tele. CG 271

### CARTER H. CORBREY & CO.

Member, National Associa of Securities Dealers

**Wholesale Distributors** Middle West — Pacific Coast

UNDERWRITERS

SECONDARY MARKET DISTRIBUTION

CHICAGO 3 LOS ANGELES 14 135 La Salle St. 650 S. Spring St. St. 650 S. Spring St. CG 99 Michigan 4181 LA 255 State 6502

#### **Consolidated Gas Utilities Corp.** The Chicago Corp.

Circular on Request

### HICKS & PRICE

ers Principal Stock Exchanges Chicago Board of Trade

31 SO. LA SALLE ST., CHICAGO 4 Randolph 56\$6—CG 972
New York Office - 1 Wall St.

\*The George W. Borg Corp. \*Burton-Dixie Corp., Com. Central Steel & Wire, Com. Globe Steel Tubes Co., Com. \*Wells-Gardner & Co., Com. \*Prospectus Available on Request.

#### Paul H.Davis & Go

Established 1916 Members Principal Stock Exchanges Chicago Board of Trade

10 So. La Salle St., Chicago 3 Tel. Franklin 8622 Teletype CG 405 Indianapolis, Ind. - Rockford, Ill. Cleveland, Ohio

> Central Coal & Coke Corporation

Four Wheel Drive **Auto Company** 

**Howard Aircraft** Corporation

### COMSTOCK & CO.

CHICAGO 4 31 So. La Salle St. Dearborn 1501 Teletype CG 257

SINCE 1908

### FRED. W. FAIRMAN CO.

Members Chicago Stock Exchange Chicago Board of Trade

#### Midland Utilities Midland Realization

Write For M-3-A study of Midland Utilities

208 SOUTH LA SALLE ST. CHICAGO 4, ILLINOIS Telephone Randolph 4068 Direct Private Wire to New York Bell System CG 537

### Dealer-Broker Investment Recommendations and Literature

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

Air Transportation — Pamphlet reporting on the outlook for Alaska Air Lines, Inc.; All American Aviation, Inc.; American Export Airlines, Inc.; Chicago & Southern Air Lines, Inc.; Continental Air Lines, Inc.; Delta Air Corporation; Expreso Aereo Inter-Americano, S. A.; Inland Air Lines, Inc.; Mid-Continent Air Lines, Inc.; and Taca Airways, S. A.—Troster, Currie & Summers, 74 Trinity Place, New York 4, N. Y. Air Transportation - Pamphlet

Business Booms and Depressions
—Since 1775—Comparative chart
of price trends, national income, federal debt, business activity, etc.

—Hannaford & Talbot, 519 California Street, San Francisco 4,

Insurance and Bank Stocks Ready reference table giving comparative figures—White & Company, Mississippi Valley Trust Building, St. Louis 2, Mo.

New England Company—Analysis of company established in 1862 on which there are arrears on the 5% \$100 par preferred stock of \$67.50 and interesting recent earnings range per share after taxes—ask for analysis M. C. P.—Raymond & Co., 148 State Street, Boston 9, Mass.

Philadelphia Transportation-Highlights of current situation Amott, Baker & Co., Inc., 1 Broadway, New York 7, N. Y. 150

Wall Street Commentator gest of current events in the fi-nancial markets of North America with reviews and analyses of sp cific situations appearing to offer exceptional investment and/or profit possibilities — Bennett, Spanier & Co., Inc., 105 S. La Salle Street, Chicago 3, Ill.

American Bantam Car Co. New report and comment—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

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

American Service Co.—Circular —Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Arden Farms—Late analysis— also memoranda on United Light & Railways and Queensborough Gas & Electric Co. 6% preferred— New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Automatic Signal—Circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y. Also available are circulars on Dri-Steam Products, Clyde Porcelain, International Detrola, Majestic Radio & Television.

Boston & Maine Railroadcular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Telephone State 8711

Philadelphia

New York

Chicago Railway Equipment Co —Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle St., Chicago 4, Ill.

Consolidated Cement Corp Class A—Bulletin on recent de-velopments—Lerner & Co., 1 Post Office Square, Boston 9 Mass.

Also available are circulars on Central Iron & Steel, Oregon Port-land Cement.

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

Consolidated Rock Products —Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Dayton Malleable Iron Co. bayton Malleable Iron Co.— Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: Great American Industries; Alabama Mills, Inc.; American

Hardware; Douglas Shoe; TACA
Airways; American Window
Glass; Michigan Chemical;
Lawrence Port. Cement; Oxford Paper; United Artists Theater Circuit: and Purolator Prod-

Electromaster Inc. — Recent report — Mercier, McDowell & Dolphyn, Buhl Building, Detroit 26. Mich.

Also available a report on Sheller Manufacturing Corp.

Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

ysis of condition and post-war prospects—F. H. Koller & Co Inc., 111 Broadway, New York 6 N. Y. Franklin County Coal-Anal-

Gro-Cord Rubber --Recen analysis—Caswell & Co., 120 South La Salle Street, Chicago 3 III.

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

Also available is a memorandum on Thermatomic Carbon Co.; Red Rock Bottlers, and a new analysis of Panama Coca-Cola.

Johnson Automatics -- Descrip tive memorandum on low-priced building stock—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9 Mass Boston 9, Mass.

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York. Also detailed circulars on Fash-

ion Park, Shatterproof Glass, and Wellman Engineering Co.; and reports on practically all Real Estate issues in New York City.

Teletype CG 273

Minneapolis

-We Maintain Active Markets In-

CHICAGO SO. SHORE & SO. BEND RR. Com.

DEEP ROCK OIL CORP. Com.

NORTHERN STATES POWER CO. 6 & 7 Pfds.

H. M. Byllesby and Company

Incorporated
135 So. La Salle Street, Chicago 3

Pittsburgh

Le Roi Company—Study of ommon stock as a sound specuative purchase—First Colony ative purchase — First Colony Corporation, 70 Pine Street, New York 5 N. Y. York 5, N. Y.

Also available are studies

Pittsburgh Railways, Simplicity Pattern Co., Inc., and Locomotive

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

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

The Miller-Wohl Company, Inc.—circular on this operator of a chain of retail stores selling popular-priced women's and children's apparel—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Monroe Auto Equipment Company—Report on the outlook— Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

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

New England Lime Co. study of Ieverage possibilities— Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

New England Public Service Co. —Memorandum — Daniel F. Rice and Company, 14 Wall Street, New York 5, N. Y.

Northern Engineering Works Circular—Amos Treat & Co., Wall Street, New York 5, N. Y.

Reda Pump - Memorandum Buckley Brothers, 1529 Walnut Street, Philadelpha 2, Pa. Also memoranda on Bowser, Inc. and Midland Utilities.

Rudolph Wurlitzer Company Earnings outlook and financial position—Scherck, Richter Combany, Landreth Building, St. Louis 2, Mo.

Schenley Distillers Corporation Brochure of articles they have been running in the Chronicle-write to Mark Merit, in care of Schenley Distillers Corporation 350 Fifth Avenue, New York 1 N. Y.

Stokely-Van Camp, Inc. of current situation and structure Penington, Colket & Co., 70 Pine Street, New York 5, N. Y. Also break-up values of United Gas Improvement Corporation.

as Utility Company sis—Rauscher, Pierce & Co., Inc., Mercantile Bank Building, Dallas

Wellman Engineering Co.-circular—Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y

### **Andrews Associated** With Brailsford Co.

CHICAGO, ILL.—Clyde H. An drews has become associated with Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange, it is announced. Mr. Andrews was recently with Sincere & Co. and in previous years was executive vice president of McGraw & Co.

#### James Ahern Dead

James M. Ahern, manager of the trading department of Glore, Forgan & Co., 135 South La Salle Street, was killed when he was struck by a taxicab on Nov. 27. Mr. Ahern had been associated with the firm's New York office for a number of years, prior to going to Chicago.

### Maher & Hulsebosch Formed in New York

Announcement is made of the formation of Maher & Hulsebosch with offices at 62 William Street, New York City, to act as



was formerly a partner in Hawkes & Co., prior thereto he was manager of the trading department for Hunter & Co. Co., was principal of Dimpel, Hulsebosch & Co. and production manager for Gruntal & Co. In the past he was with Edward A. Purpast he was with Edward A. Pur-cell & Co. and F. L. Salomon & Co. Mr. Maher has specialized in mining securities for twenty-five years, and was recently with Hun-

was formerly

### Donald Young & Co. Opens in New York

Donald Young & Co., 40 Exchange Place, was formed Dec. 1, to conduct an investment security business. Principles of the firm are Captain Donald Young and

are Captain Donald Young and Harry K. Greenfield.
Captain Young is on terminal. leave from the United States Army, having served three years with the Eighth Air Force in England. Prior thereto he was with J. R. Williston & Co. Mr. Greenfield was formerly with Luckhurst & Co.
Associated with the new firm is Herbert Lax in charge of the

Herbert Lax in charge of the Trading Dept. Mr. Lax has been for the last eight years with Luckhurst & Co.

### Luke H. Rose & Co. to Be Formed; NYSE Firm

Luke H. Rose and Robert J. Jacobson, both members of the New York Stock Exchange, will form Luke H. Rose & Co. with offices at 39 Broadway, New York City, as of Dec. 7. Mr. Rose in the past was principal of Luke H. Rose & Company. Mr. Jacobson was a partner in Benjamin Jacobson & Co.

Diamond, Turk Co. Admits

Diamond, Turk & Company, 30 Pine Street, New York City, members of the New York Curb Exchange, admitted W. T. Wuestehube to partnership Dec. 1. Mr. Wuestehube, a Curb member, has been active as an individual. been active as an individual broker.

Valentine Rejoins Firm CHICAGO, ILL.—Lt. Commander John W. Valentine has been released from service and has rejoined Harris, Hall & Company, 111 West Monroe Street, as Vice-President and Director.

Kenyon Is Slayton V.-P. CHICAGO, ILL.—Robert E. Kenyon has become associated with Slayton and Company, 135 with Slayton and Company, 135 South La Salle Street, as Vice-President.

Capt. F. Channer Back CHICAGO, ILL.—Capt. Frederick W. Channer has resumed his duties with Channer Securities Company, 39 South La Salle

igitized for FRASER n://fraser.stlouisfed.org/

## Prospective Cost of Government in Surrendered Liberties **United States During 1947-1951**

By A. S. POUCHOT

Comptroller, Lee Rubber and Tire Corporation

Corporation Financial Executive Appraises the Prospective Costs of Government and the Resulting Drain on the National Productivity. Predicts a Continuing Upward Trend in Federal Outlays Which, at 25% of the Annual National Income, Cannot Be Extracted From a Flourishing Economic Body. He Lists the Probable Military Costs, the Interest on the Public Debt, Unemployment Relief, Aids to Agriculture, Public Works, Veterans' Benefits, and World Rehabilitation; Whose 1947-1951 Total He Estimates as Averaging About \$34 Billion Annually. He Likewise Predicts Increases in Local Government Expenses. Avers That Historically the U. S. Is Pursuing a Fiscal Course in the Classical Fashion of Those Nations Embracing Monetary Troubles of a Severe Nature.

The end of the active hostilities in the second great world war cannot but raise much speculation on the cost of government and

the consequent taxa-tion to sup-port such cost of govern-ment. There exists

a general ex-pectancy of great govern-mental activities in all present do-mains and even extend-edones. There are expressed opinions for great armed forces, a large army at home



A. S. Pouchot

army at home A. S. Pouchot and in garrisons abroad, compulsory general military conscription of all youths, a large and powerful navy, fortified strategic bases neatly disposed about the entire world. There is an agreed intention to provide all with work or relief, to secure, insure and assure the common wellbeing by measures and proposals which flood magazines and journals in a common vein of governmental invocation to multitudinous tasks which involve outlays of large sums of money.

Yet with all this widening of the

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 battle has subsided. A revenue of \$15 to \$22 billions for normal years is assigned as a proper need for the Federal Government; lately this has been inernment; lately this has been increased in some quarters to \$25 billions.

It is thus most fitting and interesting to appraise the prospective costs of government in the years just ahead to ascertain the prob Just anead to ascertain the prob-able levels that may be expected and what drain upon the produc-tivity of the country such gov-ernmental expenses are likely to

For, having reached expenditures of \$105 billions per annum for the Federal Government and nearly \$10 billions for State and local government, it is most 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.

The Trend of Governmental Costs

The cost of government in the United States has been one of mounting proportions to the national income and at accoloration tional income and at accelerating speed. The Kings of England imposed such costs as to take 2% of the then national income and the despite the incidence of taxation being one of the causes of conflict. By 1860 the cost of government was still less than 5% of the national income and in 1913 it was still only 5.9%. The increase still only 5.9%. The increase thereafter has been abrupt, in deed.
The present spending of \$105

The present spending of \$105 billions per year by the national government and above \$9 billions by the State and local governments is some 70% of the national income of \$165 billions.

With a return to peace and hoped for normal spending of \$20 billions by the national government and, say, \$10 billions by other government, the total cost of \$30 billions would be some 25% of an annual national income of \$120 billions and 20% of an income of \$150 billions.

It may be said here that government that government government, the total cost of \$30 billions and 20% of an income of \$150 billions.

It may be said here that governmental costs of 25% of the naernmental costs of 25% of the national income, in the present productivity of men, is above the margin which can be extracted from the economic body and still leave the body to flourish. For it is dubious if this point of assured well-being will permit much above 15% to 18% being drained away from the income in governmental costs over an extended term of costs over an extended term of 30 to 40 years. The limits of taxation for a ten-year period are probably not above 22% to 25%, with considerable decline in the national economy becoming likewise apparent by the end of such

pression of government has been of rising activities and surging costs throughout and that for 15 years it has not met the costs through taxation. Of late years it has had deficits by a great mar-

To meet the costs of the war reaching \$105 billions a year, the national government collected (Continued on page 2786)

(Continued from page 2699) number more than a few who, in the first instance, were responsible for its passage.

The Securities Acts now in force are reminiscent of these general plans.

When they came into being we were led to believe that they were purely emergency measures to cope with 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 industry 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 removed, and others considerably relaxed:

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

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 these 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 on the "5% spread interpretation," 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 declara-tion of 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 piece-meal annihilation of trade custom and usage through so-called rule making powers, 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 supernumerary controls.

The most brazen invasion of free enterprise made to date was the recent NASD amendments, authorizing bylaws which would control "profits, commissions, and other charges" and which require registration of salesmen, traders, etc., etc.

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

With the termination of the war 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 each day doing business 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 tyrarmy presently presiding over the destinies of dealers in securities.

Their liberties continue to fade.

Pacific - American Investors, Inc.

- (A Leverage Trust)

Memorandum on Request

KITCHEN & CO.

135 South La Salle Street Chicago 3, III.

Tel. STAte 4950 Tele, CG 573

WE ARE ACTIVE IN

Galvin Mfg. Corp. Central Soya Co. Long Bell Lumber American Util. Service Lear Inc. Clearing Machine United Printers & Publishers

### HICKEY & CO.

Field Bldg., Chicago 3 CG 1234-5

Direct wire to New York

Active Trading Markets

\*American Service Co. Preferred, Class A and Com

R. Hoe & Co., Inc.

Mich. Steel Casting Co.

Interstate Aircraft & Engineering Corp. Common

\*Recent circular on request

ADAMS & CO. 231 South La Salle Street Chicago 4, Illinois Teletype CG 361 Phone State 0101

### **FINANCIAL ADVERTISING**

In All Its Branches

Plans Prepared-Conference Invited Albert Frank - Guenther Law

131 Cedar Street New York 6, N. Y. Telephone COrtlandt 7-5060

ton Chicago Philadelphia San Francisco 

Macfadden Publications Gisholt Machine All Wisconsin Issues

**HOLLEY, DAYTON & GERNON** Member—Chicago Stock Exchange 105 So. La Salle St., Chicago 3, Ill. CG 262 Central 0780

Offices in Wisconsin

Eau Claire - Fond du Lac - La Crosse

Madison - Wausau

Certainly, therefore, even the lowest levels from the expressions of greatest hope in the prospect of governmental costs come close to trammelling up the consequences and to catch success of an uncertain quality.

Yet it is to be seen that the ex-

DEEP ROCK OIL

CHICAGO SOUTH SHORE & SOUTH BEND FEDERAL WATER & GAS ROBBINS & MYERS

### DOYLE, O'CONNOR & CO.

135 SOUTH LA SALLE STREET CHICAGO 3, ILLINOIS

Telephone: Dearborn 6161

Teletype: CG 1200

effective December 1.

has joined our organization,

We are pleased to announce that

LESTER B. McELHINEY

LOEWI & CO.

MILWAUKEE (2), WIS.
0933 Teletype MI 488 225 EAST MASON ST. PHONES—Daly 5392 Chicago: State

gitized for FRASER //fraser.stlouisfed.org of automobile body assemblies and parts for manufacturers other than General Motors and Ford

are expanding, as are production of railroad passenger cars and truck trailer bodies.

The company has actively entered into the designing and manufacture of sleeping cars, orders for 24 of which are in hand. Construction of 402 railroad pas-

senger cars is also in progress.

Phileo Corp.

According to Thomas A. Kennally, Vice-President in charge of sales, Philco Corp. has orders of \$110,000,000 for the 1946 line of radio receivers,

radio phonographs, refrigera-tors, freezers and air condition-

ers. Distributors were asked to limit themselves to minimum

limit themselves to minimum quantitles required and to take orders for delivery only up to June 30, 1946. Orders accepted for the first six months are 43%

greater than for the entire year 1941 in which Phileo did a peak civilian business of \$77,-

central properties which stretch from West Virginia to Indiana and Michigan, but which are phy-

Twenty-eight eastern and cen-

tral Pennsylvania counties served by the Pennsylvania Power &

Light Co. face a serious shutdown

of power output as the result of a 3-union jurisdictional row. The

dispute involves an independent union, the Utility Workers Union (CIO) and the United Mine Work-ers. The company states that it

cannot negotiate with any union until a qualified bargaining agent is designated. The NLRB has or-

dered an election within 60 days

to determine which union shall be

Acting upon the petition of eight New York bondholders, Judge Nelson McVicar has ordered an examination into the

affairs of the Pittsburgh Railways

Co. system with particular reference to its relationship with Philadelphia Company. The petitioning security holders main-

so designated.

sically interconnected.

Midland Utilities Reda Pump Company Bowser, Inc.

Memos on Request

#### BUCKLEY BROTHERS

Members New York, Philadelphia and Los Angeles Stock Exchanges 1529 Walnut Street, Philadelphia 2 New York Pittsburgh, Pa. N. Y. Telephone-Hagerstown, Md --WHitehall 3-7253 Private Wire System between Philadelphia, New York and Los Angeles

#### Philadelphia Bank & Insurance Stocks

Philadelphia Transportation Co. 3-6s 2039, Pfd. & Common

Insurance Co. of North America

### H. N. NASH & CO.

1421 Chestnut Street, Philadelphia 2 Phila. Phone New York Phone Locust 1477 HAnover 2-2280 Teletype PH 257

Inland Gas Federal Water & Gas

Iowa So. Utilities

Midland Utilities

GERSTLEY, SUNSTEIN & CO.

213 So. Broad St., Philadelphia 7, Pa.

New York Phone
WHitehall 4-2300
PHLA 591

Jamison Coal & Coke Co. DeLong Hook & Eye Co. Beaver Coal Corp. Jefferson Coal Co. Penn Traffic

Pemberton Coal & Coke Co. BOUGHT - SOLD - QUOTED

## WM. W. FOGARTY & CO.

Established 1919 Lafayette Building PHILADELPHIA 6, PA Teletype PH 240 Lombard 6400

Dealer Inquiries Invited

Philadelphia Co. common Botany Worsted Mills pfd. & A Empire Steel Corp. com. Pittsburgh Railways Co. John Irving Shoe common Warner Co. common Wawaset Securities

### H. M. Byllesby & Company

PHILADELPHIA OFFICE Stock Exchange Bldg. Phila. 2 Phone Rittenhouse 3717 Tele. PH 73

#### Phila. Electric Co.

Common Stock \$1.00 Preference

Bought-Sold-Quoted

### E. H. Rollins & Sons

Incorporated Pennypacker 0100 1528 Walnut St., Philadelphia 2 Boston San Francisco

## Pennsylvania Brevities

U. G. I. to Exchange Portfolio Securities

Directors of United Gas Improvement Co. have voted in favor of a plan to exchange certain portfolio securities for outstanding U.G.I. common. Preliminary discussions have taken place with the

of a plan to exchange certain portfolio securities for outstanding U.G.I. common. Preliminary discussions have taken place with the staff of the SEC, with whom the plan will later be filed.

As presently contemplated, the offer will consist of a "bundle" made up of U.G.I.'s holdings of American Water Works & Electric Co. common, Commonwealth & Southern common, Niagara Hudson Power second preferred and common and Public Service of New Jersey common. The plan supersedes a less comprehensive program considered last summer which involved an exchange of securities only between U.G.I. 1945 results. However, shipments of automobile body assemblies and parts for manufacturers other

It is proposed that holders of U.G.I. common may exchange their stock, in multiples of ten their stock, in multiples of tenshares, for a corresponding number of "bundles," each comprised of one share American Water Works & Electric, 12 shares Common water hudson Power 2d preferred, 10 shares Niagara Hudson common and one share Public Service of and one share Public Service of New Jersey. At present, the market price of the "bundle" approximates the market price of ten shares of U.G.I. Should there be any material market divergence at the time of consummation, a cash adjustment may be provided.

United Gas Improvement intends to retire the common shares received in exchange when and if the plan is consummated.

Pittsburgh Consolidation Coal Co. With assets in excess of \$100,-000,000 and working capital of about \$29,000,000, the newly merged Pittsburgh Consolidation Coal Co. becomes the nation's largest producer of bituminous

Formal organization was perfected last week. The Company's 15-man board of directors is headed by Chairman Robert C.
Hill and President George H.
Love. Other officers elected: A.
Chairman of the fi Hill and K. Oliver, Chairman of the fi-nance committee; James B. Mor-row, First Vice-President; George W. Kratz, Vice-President, and C. E. Beachley, Secretary and Treas-

The company owns and operates 43 mines in Pennsylvania, West Virginia and Kentucky with aggregate reserves estimated to be regate reserves estimated to be in excess of one and a quarter billion tons. Current production is at the rate of 20,000,000 tons annually. An additional 6,000,000 tons is produced by lessees. There are 16,000 employes.

Capital structure consists of an authorized issue of \$20,000,000 leb. 3½s, 1965, of which about \$14,500,000 will be issued in exchange for stocks of the old companies. Stock consists of a single class of common, par \$1. Of the 2,320,000 shares authorized, 1,-332,000 will be presently standing.

Edward G. Budd Manufacturing Company

Fortified with a current backlog of approximately \$108,000,000 in unfilled orders, Edward G. Budd Co. management states it is looking forward to an annual business

Retail Distributors

UNLISTED

SECURITIES

Allan N. Young & Co.

Lewis Tower Bldg., 15th & Locust Sts. Fhiladelphia 2, Pa. PENnypacker 1750

Atlantic Ice Mfg. Co. 1st Gs Feb. 1945 C/Ds

Atlantic Ice Mfg. Co. Preferred

TEMIS C. DICK CO.

1420 Walnut Street, Philadelphia 2 Fel. Pennypacker 1737 N.Y. Phone REctor 2-0037 Bell System Teletype PH 205

burgh Railways and its subsidi-aries are, in fact, the obligations of Philadelphia Company which owns all of Pittsburgh Railways owns all of Pittsburgh Railways stock and a majority of the outstanding securities. They point out that if the Philadelphia Company would subordinate its holdings, a satisfactory reorganization could be speedily effected. It has been addred that the Securities been ordered that the Securities & Exchange Commission and any creditors of the debtor are to be permitted to participate in the examination of witnesses. In pursuance of a plan of in-

tain that the obligations of Pitts-

ternal simplification, holders of 96.7% of Wawaset Securities preferred stock have agreed to preferred stock have agreed to exchange their holdings for common. Wawaset Securities owns slightly over 50% of the outstanding common stock of Warner Company, a Philadelphia company producing and distributing sand, gravel, central-mix concrete, lime and limestone products. The balance of Wawaset preferred will probof Wawaset preferred will probably be retired at an early date. Later on, it is expected that Wawaset will distribute its holdings of Warner common to its stockholders and dissolve.

Philadelphia & Western Rail way has been directed by Federal Judge Kirkpatrick to pay an ad-ditional \$11.50 on each \$1.000 ditional \$11.50 on each \$1.000 principal of its \$2,627,000 first mortgage bonds. This will bring to \$116.50 cash bondholders will receive in reorganization, plus \$300 in new bonds and four shares of common.

A special stockholders' meeting has been called by directors of Tradesmen's National Bank & Trust Co., Philadelphia, for Dec. 12 to vote on an increase in capital shares from 181,500 to 199,650. If approved, directors will declare a 10% stock dividend.

## Scranton Electric Co. common stock, now wholly owned by American Gas & Electric Co., is expected to be made available to the public through distribution following competitive bidding in accordance with the parent company's divestment plan. American Gas & Electric's hold **Baier and Letford Are** With Lewis C. Dick Co. ings of Atlantic City Electric Co. common stock will also be sold. The holding company will be permitted to retain its so-called

PHILADELPHIA, PA. — G. Clarke Baier and Richard S. Let-Clarke Baier and Richard S. Let-ford have become connected with Lewis C. Dick Co., 1420 Walnut Street. Mr. Baier was formerly an officer of A. T. McAllister Co., with which Mr. Letford was also associated as cashier.

#### Major Boenning Returns

PHILADELPHIA, PA. - Major Henry Boenning, son of the late Henry D. Boenning, has been released from the Army and has returned to his duties at Boenning & Co., 1606 Walnut Street, members of the Philadelphia Stock Exchange.

#### G. L. Wallingford at W. H. Bell & Co.

PHILADELPHIA, PA.—W. H. Bell & Co., 1500 Walnut Street, announce the association with them of Charles L. Wallingford in Trading Department, Mr. their Trading Department. Mr. Wallingford for the past twenty-one years has been associated with E. H. Rollins & Sons, Incorporated, in New York and Phila-

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

PHILADELPHIA, PA. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges, will admit Gordon A. 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, Jackson & Curtis, Philadelphia National Bank Building, as manager of 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.

Rejoins Gerstley, Sunstein PHILADELPHIA, PA.—William

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

### Seligman Lubetkin Co. Adds-Two to Staff

Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City. announce that Irving J. Silverherz and Jerome Zuckerman have joined their organization. Mr. Silverherz is doing trading and research work. Mr. Zuckerman is in the statistical department. Both have just been discharged from the armed forces.

### Philadelphia Transportation Company

Consolidated 3-6s due 2039

Current Market Yields Approximately 6.25%

5% PARTICIPATING PREFERRED (\$20.00 Par) Current Market Yields approximately 6.90%

COMMON (No Par) CURRENT DIVIDEND 80 CENTS Current Market Yields Approximately 8.00%

Recent Registration of a New Issue to Refund \$3,347,000 Par Value of Underlying Bonds will materially reduce interest charges.

Circular on Request

## STROUD & COMPANY

Incorporated .

123 SO. BROAD STREET PHILADELPHIA, PENNA.

120 BROADWAY NEW YORK, N. Y.

Allentown Pittsburgh Reading Scranton Williamsport

## **Revising the Holding Company Act**

By HON, LYLE H. BOREN\* 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 a Study Is Being Made to Revise the Holding Company Act. Predicts No Radical Changes, and Says That Work Will Be Done With Caution and Restrained by Judicious Care. Contemplates Constructive Improvement, "But Only to 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 LaSalle Street of the old Board of Trade in the era of "Old Hutch," "Dapper Billy," necessity tests and trys it and dispared the big.

per Billy," and the pic-turesque Ed Partridge, and Everingham.

The abuses of the days of laissez faire are not entirely gone. Under restriction and regulation many of the old abuses remain simply wearing new raiment. The wrong and scandal are with us still, but the old



Lyle H. Boren

swindles are out of style and modern up-to-date ones have succeeded them. They differ no more than milady's gown of 1882 differs from her beach suit of 1945.

In the old clays it was Credit Mobilier and Teapot Dome. To-day it is "Swindle Incorporated" and the "nonprofit" corporation.

America has approached its problems always with a realiza-tion that there is heart and brain enough in America to meet and solve them.

When first we founded a Gov-ernment in this then 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 that constitutes the American philosophy were—"We the ican philosophy were—"We the people"—and the public interest has ever been the yardstick that both defines and limits each area and boundary of every act of Government.

Out of the particular problems of the public as investors have grown many acts of Government. Acts that have been altered to meet the tide of circumstances, the flight of progress, and the decreptude of oboslescence.

It is to one of these, one of the great reform bills of the decade of the "30s," that I address myself. I speak of the Holding Company Act. It was, and is a sound and wholesome law. Experience has proven it to be one of the most salutary of the reform era.

While I claim it to be in its fundamental aspects wise and sound, I do not hold it to be a per-fect instrument, A product of times and circumstances that eve change and alter, experience of

\*An address by Congressman Boren before the Investors League, Chicago, III., Nov. 29, 1945.

Philadelphia Rittenhouse 2580

covers some elements of weakness and perhaps some elements of error.

To hold that any product of human minds, however great those minds might be, has at-tained a permanent perfection, free of fault or frailty, is an untenable position. I am sure the Securities Exchange Commission tenable position. I am sure the Securities Exchange Commission would not hold itself, like Ceasar's wife, in every act above reproach, nor make a finding of perfection for itself in all of its interpretations—if so, I herewith file a formal disclaimer to such a finding.

#### The Holding Company Act

The Congress in the form of the Securities Exchange Commission subcommittee of the great Committee on Interstate and Foreign Commerce has decided to review the Holding Company Act—to study it in the light of its operations—to examine it in the light of the realities of experience. We are examining it carefully, judiciously, without preconception or prejudice.

We are not on a hunt for faults to be found with the Act, and may even be better satisfied with the Act after this study. We are making a studious review of the Act.

It is fitting and our proper responsibility to do this.

The Holding Company Act has not been reviewed nor revised in the 10 years of its existence. The Interstate Commerce Act was reviewed and revised 17 times in its first 10 years.

All the major acts of Congress All the major acts of Congress are properly frequently revised in the light of experience and to meet the public interest. Thus, and only thus, can we find the path of justice through all the winding ways of error, malfeasance, or deceit.

We have undertaken a task that (Continued on page 2785)

#### A. T. McAllister Is With Dixon & Co.

PHILADELPHIA, PA. - Albert T. McAllister has become associated with Dixon & Co., 1411
Chestnut Street, members of the New York Stock Exchange. Mr.-McAllister was formerly head of A. T. McAllister Co., which has been dissolved. been dissolved.

#### V. F. Valdes Dead

Victorio Francisco Valdes, who at one time represented Salomon Bros. & Hutzler in Philadelphia but more recently headed the real estate firm of Valdes & Co., died at his home Nov. 27. He was 53.

New York BOwling Green 9-8184

MUNICIPAL BONDS

PENNSYLVANIA NEW JERSEY

A. WEBSTER DOUGHERTY & CO.

Municipal Bonds

1421 CHESTNUT STREET : PHILADELPHIA 2

## Pennsylvania Municipals

Few in number and small in size constitutes an apt description of the continuing nature of the Pennsylvania new issue municipal market. Moreover, the outlook for any material betterment for the remainder of the current year is far from promising, judging from the

remainder of the current year is far from promising, judging from the current calendar of impending events.\*

As a matter of fact, the list shows only four Pennsylvania issues awaiting the market, with the in-vital operation to develop on Dec. 10, when officials of Bedford School District will open bids on \$118,000 bonds. Prospective purchasers are asked to name a coupon rate of not more than 2%, and the bonds will mature serially.

the bonds will mature serially from 1946 to 1963 incl.
On the following day (Dec. 11), the School District of Nether Providence Township wil award a loan of \$315,000, with the bonds to be sold as not exceeding 11/2s and to mature from 1946 to 1970. and to mature from 1946 to 1970. On Dec. 15 bids will be taken on \$22,000 Plymouth Township not exceeding 3½%, due from 1946 to 1956 incl.

The fourth and final transaction presently in the offing will reach the market on Dec. 17. in the form of \$239,000 Scranton School District bonds. In this instance, the coupon rate is limited to 2½%, while the tenure of the loan is from 1946 to 1955 incl.

It will be seen from the fore going that, barring the appearance in the market of such potential prospects as Abington Township and Allentown School District, the chances are that little, if any the chances are that little, if any addition, will be made to the present slim stock on dealers' shelves. The two aforementioned communities, it may be pointed out, are important candidates by virtue of authority granted by voters at the Nov. 6 elections to dispose of issues of \$1,300,000 and \$3,000,000, respectively.

In referring to the November bond election results, we are not unmindful, of course, of the ac-tion of the electorate of the Commonwealth in approving an issue of \$50,000,000 for a program of public works. Actually, this was the largest single authorization of the hundreds of issues approved by voters throughout the country. However, the indications are that the Commonwealth will not be able to follow through on the voters' decision for some time.

This is evident in a report just received from Governor Edward Martin, who pointed out that none of the bonds can be sold until the Legislature passes an appropriate en-abling act. As the lawmakers

Earlier action would be possible, of course, in the event of some product of shortsighted bureau-emergency which necessitated a special session of the legislature, the Governor said.

In keeping with the general trend, the market for Pennsylvania municipals has been exceptionally strong in recent weeks, with price enhancement being an outstanding feature. City of Philadelphias have participated in the advance and in the past week or so they have been a trading favorite.

The city's long-developed plans to undertake a \$42,000,000 sewage disposal construction program received a formidable boost in the recent decision of the Pennsylvania Supreme Court. The court upheld the city's authority to levy a sewer tax on business establishments and householders in order to finance the program, and, in effect, held that the existing and proposed sewer debts are self-supporting and exempt from constitutional debt limits.

The ruling, according to City Controller Robert C. White, will serve to give the city a constitutional borrowing capacity of about \$50,000,000.

Trading Markets in

## VINCO

Common

Established 1895

Geo. E. Sunder & Co. Members Philadelphia Stock Exchange Stock Exchange Bldg., Phila. 2, Pa. N. Y. Telephone HAnover 2-4552 Bell System Teletype PH 220

PHILADELPHIA TRANSPORTATION 3-6s 2039 PHILADELPHIA TRANSPORTATION PREFERRED STOCK A. S. BECK SHOE COMPANY 43/4 % PREFERRED STOCK FEDERAL WATER & GAS COMMON STOCK DELAWARE POWER & LIGHT COMPANY COMMON STOCK PHILADELPHIA ELECTRIC COMPANY COMMON STOCK

### RAMBO, KEEN, CLOSE & KERNER, INC.

PHILADELPHIA ELECTRIC COMPANY \$1 PREFERENCE STOCK

Investment Securities 1518 Locust Street, Philadelphia

Private telephone wires to New York and Baltimore

## CLEARANCE FACILITIES

The Pennsylvania Company offers Brokers and Security Dealers the facilities of a department maintained especially for handling clearance of security transactions. Our experience is broad. Our service is fast. Our fees are moderate,

Teletype PH 222

15th and CHESTNUT STREETS

Member Federal Reserve System Federal Deposit Insurance Corpor

The Pennsylvania Company FOR INSURANCES ON

ANNUITIES Founded 1812

WESTERN PENNSYLVANIA

TRADING MARKETS RETAIL DISTRIBUTION

#### C. S. McKEE & COMPANY

Union Tr. Bldg .- Pittsburgh 19, Pa. Teletyp+ PG 496

> \$100,000 City of

## Philadelphia

31/8%

January 1, 1968/54 Coupon Form

Price: 114.468 & Interest To Net 1.25

Moncure Biddle & Co. PHILADELPHIA

Benjamin Franklin Hotel 5s 1960 Bellevue Stratford 53/4 1935 Pittsburgh Hotels 5s 1967 Phila. Transportation Pfd. Phila. Transportation 3-6s 2039 Phila. Suburban Water Co.

### Samuel K. Phillips & Co.

Members Philadelphia Stock Exchange Packard Bldg., Philadelphia 2 N. Y. Phone REctor 2-0037 Teletype PH 375

## Southern Advance Bag & Paper Co.

Common Stock

BOENNING & CO. 1606 Walnut St., Philadelphia 3
Pennypacker 8200 PH 30
Private Phone to N.Y.C.
COrtlandt 7-1202

> Complete Investment and Brokerage Services

Rakestraw, Betz & Co.

Members
New York Stock Exchange
Philadelphia Stock Exchange

123 S. Broad St., Philadelphia 9 Philadelphia Telephone Kingsley 3311 New York Telephone Hanover 2-2280

Pennsylvania and New Jersey **Municipal Bonds** 

Dolphin & Co.

Fidelity Philadelphia Trust Building PHILADELPHIA 9

Telephones:
Philadelphia—Pennypacker 4648
New York—HAnover 2-9369
Bell System Teletype—PH 299

gitized for FRASER //fraser.stlouisfed.org/

## Mutual Funds

#### Last Chance

"Tax saving is a powerful incentive in getting corporation executives started on a Trust," says **Distributors Group** in a current mailing on Employees' Profit-Sharing and Retirement Trusts. "And never again will this incentive be as powerful for many companies as in the next 20 days."

next 30 days."

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

LOW PRICED

SHARES

of BROUP SECURITIES, Inc.

for those who are planning to develop this investment field.

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

These men will be diligently These men will be diligently seeking out opportunities to start worth-while peacetime careers. 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 go after them. You will have to 'sell' them on the outstanding opportunities that exist in our business today."

"Better for the Widow"
Under this title, 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 Selected American Shares during the periods under review.

It is pointed out that the Bar-

ron's programs roughly cover the difficult investment period of World War II—a period of great uncertainty and conflicting trends. Despite this fact, Selected American Shares shows an excellent record—providing "better income and better appreciation" than the Barron's programs.

Keystone Custodian Funds
Two Keystone Funds, Series B-2

and S-3, 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 \$14,273,704, reflecting an increase of about 39% in the number of shares outstanding and a rise in the net asset value per share from \$27.08 to \$27.54.

Series S-3, during the same pe riod, increased its net assets to \$11,403,441 from \$4,523,892, re-flecting an increase of more than 86% in the outstanding shares of the Fund and an increase in the net asset value per share from \$10.57 to \$14.32.

Total assets of the 10 Keystone Custodian Funds as of Oct. 21 are reported to be in excess of \$150,-000.000.

Principle

Lord, Abbett, 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 scripting of professional profession the thorough scrutiny of profes-sional analysts on its own merits as an individual investment value.

The fact that this simple principle works, says the sponsor, "is attested to by the good record of this Fund during the period that this method has been in use." A chart is used to demonstrate the advantage of continuous value se-lection.

#### National Securities Series

National Securities Series

The semi-annual report for the period ending Oct. 31, 1945, on National Securities Series is at hand. Total net assets of the rine Funds on Oct. 31, 1945, are respected at \$34,418,671, as compared with \$23,638,455 on April 30, 1945. After deducting the distributions paid to shareholders, asset value per share ranged from \$4.75 to \$9.40 on Oct. 31, 1945.

Affiliated Fund

Affiliated Fund in its first annual report on the new fiscal year basis covering the period from Jan. 1 to Oct. 31, 1945, reports per share asset value on the latter date of \$5.82. This compares with \$5.18 on June 30, last, and with \$4.05 on Dec. 31, 1944, the end of the previous fiscal year.

Assets attained a new high level

of \$30,991,205 on Oct. 31, compared with \$28,450,852 on June 30, and with \$25,036,174 on Dec. 31, 1944.

The Situation

In the current issue of Brevits, Vance Sanders & Co. reprints a Standard & Poor's review of stock prices entitled "Confidence in Market Justified."

The following reasons are given to support this opinion:

1. Previous major advances were financed to a large extent by borrowed capital. Margin trading is a negligible factor to-

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

3. Since money rates are low, and may go even lower, a more liberal capitalization of common stock earnings and dividends dould well take place without creating an over-inflated situation.

The conclusion is reached that taking into account the condition of the market itself, the monetary factor, and the record corporate earnings in prospect, we are convinced that stock prices ultimately will reach substantialy higher levels."

#### Fundamental Among Leaders

Hugh W. Long & Co., sponsor of Fundamental Investors, has reprinted a Standard & Poor's Stock Report covering the nine months' results of mutual investment com-

results of mutual investment companies.
To quote the sponsor, "wherever and whenever a client runs across such studies of management ability; he is most likely to see Fundamental at or near the top." In this particular review, Fundamental's rise to 29.7% placed it second from the top in record of performance

#### Mutual Fund Literature

National Securities & Research Corp.-Current issues of National Notes: latest Investment Timing. . . Hugh W. Long & Co.-The current New York Letter on New York Stocks, Inc. . . . Distrib-utors Group-Notice of change of fiscal year of Group Securities from Dec. 31 to Oct. 31; dividend information on Group Securities.

. Keystone Co.-Latest issue of Keynotes entitled "Last Call for

The George

PUTNAM

**FUND** 

of Boston

Prospectus upon request

Putnam Fund Distributors, Inc.

50 State St., Boston

### John Kormendi Is Reopening Inv. Firm

Captain John Kormendi, A.U.S., announces that he has reopened the offices of John Kormendi



Company, brokers and dealers in securities. The firm, organized in 1936, suspended business in 1942 when Mr. Kormendi entered military service. He recently returned from Germany and is now being released from active duty.

#### Propose Change in Date Of Annual Meeting of Chase National

If approved by vote of the shareholders of The Chase National Bank at the annual meeting on January 8, future annual meetings of that bank will be held on the last Tuesday in January, instead of on the second Tuesday in January, the second Tuesday in January Holders of the hard instead of on the second 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 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, which for many years has been the day on which meet-ings of National banks generally have been held. The proposed change to the last Tuesday in January it is announced will make it possible for the bank to prepare, print, and mail its annual report to stockholders before the meetto stockholders before the me ing is held, commencing in 1947.

Tax Savings." . . Lord, Abbett
—Current issue of Abstracts covering 1945 tax information on
Union Trusteed Funds, Inc. . . .
Selected Investments Co.—Memo
on Selected American Shares;
current issue of "These Things
Seemed Important." . . Broad
Street Sales Corporation—Current Street Sales Corporation—Current issues of Items on National Investors Corp. and Broad Street Investing Corp.

#### Dividend

Fundamental Investors, Inc. Quarterly dividend No. 48, amounting to \$1.65 per share, payable Dec. 24, 1945, to holders of record Dec. 17, 1945.

#### Fundamental Investors, Inc.

The Directors of Fundamental Investors, Inc., have declared quar-terly dividend No. 48 of \$1.65 per share payable on the Corporation's capital stock December 24, 1945 to holders of record at the close of business on December 17, 1945.

#### HUGH W. LONG and COMPANY

National Distributors 48 Wall Street, New York 5, N. Y.



A PROSPECTUS ON REQUEST FROM

YOUR INVESTMENT DEALER OR

COMPANY A Mutual Investment Fund Prospectus on Request

ENERAL DISTRIBUTOR NORTH AMERICAN SECURITIES CO. 2500 Russ Building - San Francisco 4



## **INCOME SERIES**

Shares

Priced at Market

Prospectus upon request from your investment dealer or

NATIONAL SECURITIES & RESEARCH CORPORATION

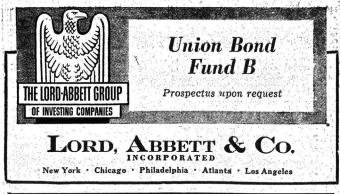
> 120 BROADWAY New York 5, N. Y.

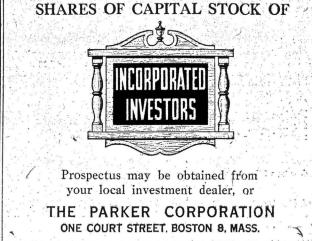
Keystone Custodian

may be obtained

The Keystone Company of Boston

50 Congress Street, Boston 9, Mass.





REPUBLIC INVESTORS FUND Inc.

Founded 1932

W. R. BULL MANAGEMENT CO., INC.

Distributors

15 William St., New York 5

## 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 Gives Six Reasons for His Belief. . Although Advising Investors to Keep Some Cash Idle for Re-Investment, Concludes That Labor Leaders and Mr. Bowles Will Abandon Their Positions and That Much Prosperity With Higher Prices

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

happen.

it is well to keep some funds

liquid in case—one chance out of



Roger W. Babson

before the current bull be a general compromise by both market collapses. There are many reasons for this:

this:

1. The tremendous backlog of unfilled orof ten—something unexpected should

ders. 2. The tax reductions for 1946. 3. The very

low interest rates, 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.

4. The scarcity of good stocks. There are today fewer stocks listed on the New York Stock Exchange than there were five years ago; with five times as much idle money awaiting investment.

5. The wage rumpus and accompanying strikes will only delay good times; not destroy or prevent them. Besides, merchandise stocks and leisure stocks should benefit from all wage increases.

creases.

6. The fact that stocks are mostly owned outright and that total stock exchange transactions are today only 6% of national income today only 6% in 1929. compared with 105% in 1929.

#### Keep Some Cash Idle

In view of the above, some readers wonder why I also advise keeping some cash and Govern-ments 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!

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 very high-grade Stock Exchange Firm. It is titled "Eight Attractive Stocks." These stocks today sell at an average price of \$55.50 and give an average yield of 3.65%. Yet these same eight stocks sold at an average of only \$5 in 1932.

The above does not mean that in the next bear market these eight "high-grade" stocks will reach their 1932 lows, but most of them may go down to nearly these figures. At any rate, the discrepancy is so great that it pays to keep a certain amount of funds available for such rare opportunities when, as, and if they return

#### More Inflation Is Ahead

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

There are two things that can happen in the present situation (1) Unreasonably high prices and profits which will result in increased employment; unreasonably lower prices and high wages which will result in much unemployment. Neither of these will win out but there will these will win out, but, there will My Personal Conclusion

This column has always been 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 held on borof the stocks were held on borrowed money.

Yet both of these bull markets —1929 and 1937—were followed by a nose dive in general business; by a nose dive in general business; certainly, this is not in evidence at the 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 cintment 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. Bowles 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

Special to THE FINANCIAL CHRONICLE) MILWAUKEE, WIS. - William B. Goldie has become associated with Riley & Company, First Wisconsin National Bank Building. Mr. Goldie in the past was with John Nuveen & Co. and the Milwaukee Company.

Small, McPherson at Small-Milburn Co. 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-Millburn Company, Wheeler-Kelly-Hagny Building.

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

#### 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.



LECTRONIC air filters - to provide superclean air for top efficiency in men and machines - have been developed and perfected under war-time pressure by American Air Filter Company, Inc., Louisville, Kentucky, largest exclusive 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, soot or smoke and where worker efficiency is impaired by air contamination. Department stores, hotels, hospitals, office and public buildings, textile mills, food producers, 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 filters 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 business 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 intricate dust problems.

Many leading engineers and consultants whose responsibilities involve the elimination of atmospheric 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 users proves the pre-eminence of AAF equipment and engineering in this field.

Another advertisement in the series by Equitable Securities Corporation featuring Southern developments. Equitable has helped to finance many Southern companies, is ready to do its part in supplying others with orbital funds.

ATLANTA KNOXVILLE BIRMINGHAM NEW ORLEANS

## EQUITABLE Securities Corporation

HEW YORK MEMPHIS HARTFORD CHATTANOOGA

BROWNLEE O. CURREY, PRESIDENT

322 UNION STREET, NASHVILLE 3, TENN.

TWO WALL STREET, NEW YORK 5, N. Y.

## Bank and Insurance Stocks

By E. A. VAN DEUSEN

#### This Week - Insurance Stocks

Since the close of last year, fire insurance stocks have appreciated 14.7%, as measured by Standard & Poor's Weekly Index. This compares with an advance of 24.7% by the Dow Jones Industrial Averages. However, from the 1942 lows, the relative appreciations have been 125.3% for fire stocks and 104.5% for industrials. A comparison of the year by year market moves of both groups is rather interesting, as follows:

Period	% Gain	ow Jones Industria % Gain
1942 Low to 12-31-42	78.0%	28.5%
12-31-42 to 12-31-43	8.8%	13.8%
Total period	93.8%	46.3%
12-31-43 to 12-31-44		12.1%
Total period	96.5%	63.9%
12-31-44 to 11-28-45	_ 14.7%	24.7%
Total period	125.3%	104.5%

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.

As a class, fire insurance stocks offer unique long-term invest-ment possibilities, and are attrac-tive at current levels despite the market rise which has recently carried them above their 1936 highs. Dividend income is modhighs. Dividend income is moderate, but well covered, and 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 1942, and for the first ten months of this year are approximately 7.7% above 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 re-cent years that the name "fire inbroadened their operations in recent years that the name "fire insurance company" has, with a few exceptions, become almost a misnomer. According to Alfred M. Best Company, 77% of the aggregate premium volume of all stock fire insurance companies was in fire risks in the year 1920; in 1944 only 54.5% was in fire with 45.5% in "other lines," During 1945 the proportion in "other lines," including motor vehicle, ocean marine, inland navigation and transportation, extended coverage, etc.. portation, extended coverage, etc.,

FIRE INSURANCE

**CLEARS** 

THE HURDLE

Laird, Bissell & Meeds Members New York Stock Exchange 120 BROADWAY, NEW YORK 5, N. Y. Telephone: BArclay 7-8500 Bell Teletype—NY 1-1248-49

A. Gibbs, Manager Trading Department)

is believed to be somewhat higher than last year.

Neither the market perform ance of insurance stocks nor managerial results of insurance companies are uniform. In fact, the market tends to be quite discrim-inating, particularly over the longer term and sometimes even over the short term. For example, Franklin Fire and Home Insurance both reduced dividends in 1944 due to impaired earnings. As a result their stocks declined 16.2% and 12.8%, respectively, in 10.2% and 12.6%, respectively, in 1944, against a moderate appreciation of 1.4% for Standard & Poor's Index, which includes Home's stock, and compared with an appreciation of 10.5% for Insurance Company of North America. Thus for this year Franklin ica. Thus far this year Franklin has appreciated 7.1% from 24½ to 26¼ (asked) and Home, 8.9% from 28 to 30½ (asked), both of which are below the 14.7% of the Index. On the other hand, such stocks as Continental, Fidelity-Phonix Great American Insur-Phenix, Great American, Insur-nce of North America and Providence-Washington have each appreciated over 20%, which is considerably better than the In-

With regard to lack of uniformity in managerial results, a recent\* study of the underwriting operations of 32 representative fire insurance companies during the war years, 1941 to 1944 inclusive, disclosed some interesting facts, as follows:—Five companies showed net underwriting losses for the entire four-year period; 12 companies showed net under-writing profits in each of the four years; five companies showed

> Russell Manufacturing Co.

> > Bought—Sold—Quoted

A.M.Kidder&Ca

NEW YORK 5 1 WALL ST. Telephone Digby 4-2525

PRIMARY MARKETS IN BANK and INSURANCE STOCKS

GEYER & CO.

Incorporated

Chicago 4 231 S. La Salle Street FRanklin 7535 CG-105

NEW YORK 5

- Boston 9 67 Wall Street 10 Post Office Square
WHitehall 3-0782
NY 1-2875
HUbbard 0650
BS-297

PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, PHILADELPHIA, ST. LOUIS, LOS ANGELES TELEPHONES TO

HARTFORD, Enterprise 6011

nterprise 6011 PORTLAND, Enterprise 7008 PROVIDENCE, Enterprise 7008

mixed results but averaged net underwriting losses for the period, and ten companies showed mixed results but averaged net underwriting profits for the period.

An interesting example of the lack of uniformity in managerial results is found in the case of Home Insurance vs. Hartford Fire and Insurance Company of North America. Since 1936 Home has experienced a downward trend in experienced a downward trend in net investment income, while both Hartford and North America have experienced a substantial upward trend; furthermore, Home's liq-uidating value has increased only 10% since 1933, while Hartford's has increased 62% and North America's 55%, The relative mar-ter action of their stocks has reket action of their stocks has re-flected, and should continue to reflect, such marked differences in

managerial results.
With regard to operations for the first half of 1945, Alfred M. Best reports that the semi-annual statements of 70 stock fire companies show, in the aggregate, unarred to the companies of the semi-annual statements of the aggregate of the semi-annual statements of the semi-annual state earned premium reserves approxi-mately 10% higher than a year ago, and net premium volume 9% higher. The loss ratio has risen from 56.5% to 59.9%, but the ex-pense ratio has declined from 41.1% to 40.7%. Underwriting operations aggregate a net loss of \$1,573,000, compared with a net profit of \$2,967,000 for the first half of 1944. Net investment income, however, is 2.8% higher and alone covers dividends 1.5 times. Surplus and liquidating values are higher and federal taxes 8% lower.

So far as individual companies

are concerned, comparative re-sults are mixed. Most show im-provement in net investment income; some show underwriting losses and some show profits, a few show somewhat better under-

rew show somewhat better under-writing results than during the first half of last year.

The investor needs to select with care and does well to diver-sify. He would be wise to keep away from the weaker companies and from those which concentrate and from those which concennate too heavily in fire. His selections should preferably be among the stronger companies, those which diversify their lines of risk, and have sound and prosperous subhave sound and prosperous subsidiaries and affiliates. The long-term outlook for such companies appears excellent, despite temporarily heavy fire-losses, the Supreme Court decision and the normal difficulties and heavy for mal difficulties and hazards of business enterprise.

"See "Chronicle," Sept. 13, 1945, Page 1238.

#### Brinton to McGuckin

Brinton to McGuckin
B. F. McGuckin, member of the
New York Stock Exchange, will
become a partner in the Stock Exchange firm of Brinton & Co., 1
Wall Street, New York City, as of
January 2nd. Mr. McGuckin was
formerly a partner in de Coppet
& Doremus.

### Revolutionary Type of Gold Mold **Plastics and Process Now Available**

New Fields Opened for Plastics With "EMCO" Cold Mold Powders Developed by Myler Plastics Corp.

The Myler Plastics Corporation, creators of cold-mold plastic powder, announced Tuesday that ground had been broken for the erection of

its new factory in Plain-ville, Conn.

"Ine new factory," said E. W. Myler, President of the company,
"will be designed especially for the production of its new and revolutionary powders which permit for the first time, the automatic manu-facture of of

plastic articles at phenomenally high speeds and

at phenomenally high speeds and exceptionally low costs."

"With 'EMCO' powders," trade name for the Myler Plastics Corporation compounds, "great new markets are now opened up in the plastic field," said Mr. Myler. In explaining this he pointed out that although the plastic industry had made great strides since its early beginnings 30 years ago, the relatively high cost of plastic

compounds, plus high equipment costs and slow productoin methods, had greatly retarded its development. "Now," said Mr. Myler, "EMCO' powders make possible the production of small plastic items at the rate of 25,000 to 30,000 per hour at a cost cheaper than prevailing markets." "The new Myler company processes and powders," continued Mr. Myler, developed by Frank J. Moore, Engineer and Chemist of the company, "open up wide fields in the advertising, plumbing, electrical, building, furniture, automobile, radio and other fields," heretofore largely out of the reach of plastic manufacturers. In addiof plastic manufacturers. In addi-tion, companies using plastics in some form in their business can now manufacture their own plas-

now manufacture their own plastic articles by the installation of low-cost, high-speed equipment utilizing "EMCO" powders.

Predicting that the "Plastic Age" would bring millions of new products designed for better, more cheeful, less costly living, Mr. Myler stated that the Myler laboratories will soon announce another revolutionary develop-



E. W. Myler

### Transactions on 'Frisco Exchange Mounting

Trading in September Was Almost Double That of Same Month in 1944. Exchange Reported Now to Rank Second Place in Volume Among Regional Exchanges.

The San Francisco Stock Exchange reports an expansion in volume of transactions this year and on this basis gives the Exchange's current position as the second largest securities market in the Nation.

The San Francisco Stock Exchange, it is stated, had a greater percentage increase in market value of transactions the first nine months of this year over the same period in 1944, than any of the other leading national securities exchanges, with the exception of Philadelphia. The Exchange's percentage gain in Sentember as increase of 65% for all registered

centage gain in September as compared with the same month in 1944, was greater than that of any

other national securities exchange.

The San Francisco Stock Exchange is the only securities marchange is the only securities market outside of New York whose memberships sell at prices comparable to these Eastern Exchanges, the last price being at \$25,000. This valuation reflects the earning possibilities of a membership in the San Francisco Stock Exchange because of its pro rata volume per membership, of which there are now 62 reguof which there are now 62 regular members, being relatively high in comparison with other securities exchanges.

In September, this year, the market value of transactions on the Exchange was 96% greater than for the same month in 1944,

which increase is noteworthy when compared with an average increase of 65% for all registered securities exchanges. Moreover, the San Francisco Stock Exchange was the only national securities exchange showing such a marked gain in that period. The next gain in that period. The next largest increase was that of the Boston Stock Exchange with 76%. September volume gave the San Francisco Stock Exchange the rank of second place among all regional securities exchanges, being surpassed only by Chicago.

For the first nine months of 1945, San Francisco had the sec-ond largest percentage gain in market value of transactions over the same period in 1944 of all national securities exchanges. The percentage increase for the napercentage increase for the na-tion's leading exchanges, listed in order of importance as indicated by volume, for the first nine months of 1945 and for September

,	
The state of the second of the	-Percentage Incr
	1st 9 Mos. Sep. '45
	'45 vs. '44 Sep. '44
All Exchanges	45% 65%
New York	_ 44 66
New York Curb	_ 54 , 62
Chicago	_ 50 74
SAN FRANCISCO	69 96
Boston	46 76
Philadelphia	_ 77 53
Los Angeles	- 5373
	The state of the s

## FIRST CALIFORNIA COMPANY

BANK OF AMERICA

ARDEN FARMS COMPANY.

KAISER-FRAZER CORPORATION KERN COUNTY LAND COMPANY

PACIFIC GAS AND ELECTRIC COMPANY SAN DIEGO GAS AND ELECTRIC COMPANY

> INVESTMENT SECURITIES 650 South Spring Street

300 Montgomery Street . SAN FRANCISCO 20 YUkon 1551 Teletype SF 431 - 432

Bought

LOS ANGELES 14 TUcker 3151 Teletype LA 533 Santa Ana

kland San Jose Stockton Long Beach San Diego Beverly Hills Freeno Reno, Nevada

Sold Quoted

Pasadena

### NATIONAL BANK of INDIA, LIMITED

Bankers to the Government in Kenya Colony and Uganda Head Office: 26, Bishopsgate, London, E. C.

Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar

Subscribed Capital £2,000,000
Paid-Up Capital £2,000,000
Reserve Fund £2,200,000 The Bank conducts every description of banking and exchange business

Trusteeships and Executorships also undertaken

igitized for FRASER ttp://fraser.stlouisfed.org/ °

## American Economic Stability

By O. MAX GARDNER\*

Chairman of the Advisory Board, Office of War Mobilization and Reconversion, and Former Governor of North Carolina

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 "Stubborn Individualists" in Management. He States That the Real Basis of Management-Labor Disputes Lies in the Twin Fears of Inflation and Deflation; and That a Sound Equilibrium Must Be Reached Through Maximum Production, and Through the Entire Population's Willingness as Well as Opportunity to Work. Warns Against Profligacy and a Repetition of the 1927-29 "Joy Ride." He Urges "Business-like" Postwar Planning by the Government, Stating That the Most Crucial Element of Economic Stability Will Be Our Willingness to Adjust to Changing Conditions.

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

is no domestic issue more fundamental to the welfare of our nation than the ques-tion of when, and how soon, and by what means, we are to attain economic sta-bility. If we are to find the answer, we must not

we must not rest.

With my background and experience, I must confess that I do not pretend to come to you tonight with 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.



as to the plans or policies that are necessary for the creation, main-tenance or continuance of the as to the plans of pointers that are necessary for the creation, maintenance or continuance of the economic stability of America. I doubt if any of us have a proven formula for the attainment of this Utopia.

subject so vast as national A subject so vast as national economic stability must, of necesity, in the time allotted be treated in general terms. Many years ago a scholarly divine in my section asked a successful evangelist the secret of his power in the pulpit. He replied by saying: "Well, my brother, I just spread the fodder on the ground so that anybody in the congregation from a jackass on the ground so that anybody in the congregation from a jackass to a giraffe can get to it." I think, with due anology, that I shall follow his example here tonight.

In fact, ladies and gentlemen, I know more about economic instability than I do about economic this in the said th

stability. I was nursed at the sad and loving breast of instability and for most of my life have been on intimate terms with it. Indeed,

(Continued on page 2774)

## **Cost Accountants to**

Hear Virgil Ellinger

Virgin 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 Y.M.C.A., 55 Hanson Place, Brooklyn, N. Y., at 6:30 P.M. on the subject "Recent Developments in Federal Taxes."

Dees Lo
C. A. R. Ward
More Than 6%
Controls Are Al
Commodity
ing to Dr. C. A
tical Bureau,
Inc., who
spoke on the
"Outlook for
Commodity
Commodity
Commodity in Federal Taxes."

Mr. Ettinger was Vice President
And Editor-in-Chief of the Tax 1946" before
Service for Prentice-Hall for a the Purchas
number of years. At the present in g Agents
time he is Advisory Editor of Association of
Prentice-Hall and is engaged in
Prices in
Pri 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 Dry will be less Goods Association, New York and the inflation. Massachusetts State Societies of Certified Public Accountants, and many other business, technical and professional organizations.

### Coggeshall is V.-P. of Schoellkopf Firm

Schoellkopf, Hutton & Pomeroy, Inc., investment bankers, announce that George K. Coggeshall has joined the firm as Vice-President in charge of the New York office, 63 Wall Street.

Mr. Coggeshall has been in the investment business for the lest

investment business for the last 20 years, having started with Har-ris, Forbes & Co. in 1925. As a partner in Holsapple & Co. since 1933, he has specialized in trading and sales work, with particular attention to institutional and out-of-town dealer accounts.

#### Shirley H. Baker Returns To Heller, Bruce & Co.

SAN FRANCISCO, CALIF.—Lt. Comdr. Shirley H. Baker, USNR, has returned to Heller, Bruce & Co., Mills Tower, as municipal trader after three and one-half years in the U.S. Navy.

## Sees Lower Price Rise Than in 20's

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

Commodity price averages will continue to rise in 1946, according to Dr. C. A. R. Wardwell, economist of the International Statis-

com modity the inflation of 1919-1920 following the

last war.



Major reasons why commodity major reasons why commodity price level will rise in 1946 are fairly obvious, according to Dr. Wardwell. There is a tremendous accumulated demand for nearly all types of civilian goods. Consumers need and will purchase large quantities of automobiles and appliances, certain types of foods that have been scarce, texfoods that have been scarce, textiles and apparel, house-furnishings and dwelling units. Distributors and manufacturers in many cases will swell the demand by placing orders for necessary inventory replacement, over and above amounts needed to meet current shipments or sales. Foreign demands, at least for a year or two, will have some effect on food and clothing markets; large scale shipments of industrial supplies and capital goods must also be expected.

Producers themselves will re-

Producers themselves will re-Producers themselves will require a great deal of new construction and capital equipment. Belief that plant capacity was 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 obsolescence and wear and tear have scence and wear and tear have

been raised to high levels. Much new special mathinery is needed, particularly in printing, paper making and textile fields. Fur-

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 supplies of 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 policies are obstacles to a free flow of imports. Strikes, labor material shortages, lack of adequate machinery and equipment are additional factors interfering with the rapid increase in the production of civilian goods. tion of civilian goods.

"The inflation danger "The inflation danger" confronting us is perfectly illustrated by what happened in 1919. By Jan. 1 most controls were gone. Within 15 months after the postarmistice low point reached in February the general level of all commodity prices had increased by 29%. An immense inventory speculation developed. Frenzied bidding by manufacturers for semi-processed goods drove up the price of these commodities by 86%.

While emphasizing the prospect of further price increase Dr. Wardwell cautioned against the belief that the advance would be as belief that the advance would be as rapid as that following the last war, In fact, the advance in the entire commodity price level during 1946 probably will not be more than 6% or 7% unless all controls are soon abandoned. While OPA will necessarily increase many ceiling prices in 1946, inventory speculation will hardly be excessive unless controls are dropped. While OPA itself may not survie mid-1946, well informed political ob-1946, well informed political ob-servers beleved that limited con-trols on rents and essential scarce commodities will be continued beyond that date.

## For New "Economic Stability" Formula

A. W. Robertson of Westinghouse Says Economic, Social and Political Convulsions 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.

By following a course that caused complete financial breakdown in the sound economic life of other nations "we have produced a financial breakdown and it is a life of the course of the co

threatens to blow our economy to destruction," according to A. W. Robert-son, Chairman of the West-inghouse Electric Cor-

poration.

"The world is suffering from the eco-nomic disloca-tion of war and the U.S. didn't pay the full economic

A. W. Robertson price for the war while it was being fought, so we must pay for it after it has been won," he told the Economic Club of New York at a meeting

at the Astor Hotel on Nov. 29. "No doubt millions of our peo-"No doubt millions of our people will rebel against doing what the payment will require. Economic, social and political convulsions as powerful as an earthquake are undoubtedly future possibilities," Mr. Robertson said in his address, "American Economic Stability—The Rules Are Obsolete."

Tracing the growth of the nation's industrial economy, Mr. Robertson observed that "as long as the ratio of production to the expenditure of labor was on the favorable side and we were making more than we were crending ing more than we were spending all was well, because a national economy resembles a top in that

the faster it spins the more stable

But during the depression, he But, during the depression, he continued, the economy top began to run down and show a dangerous lack of balance, and "since our affairs had outgrown the book of rules and since there was no duplicate of America in the world, weaknesses and faults were misunderstood and misinterpreted."

The Board Chairman listed "tampering with the money standards" among what he termed "distinctly harmful remedies" and

"We followed this by increasall proportion to things and services, following a course that had caused a complete breakdown in the sound economic life of other

nations.
"This abnormal condition was made dangerously explosive by financing a large part of the colossal expenditures of the war through the banking system. We printed currency and exchanged bonds for new bank deposits and in these and other ways nished in these and other ways pushed in these and other ways pushed our supply of funds up to two and one-half times the size of the money supply of 1940. This supply is now the tremendous sum of \$163,000,000,000. It was only \$67,-000,000,000 five years ago. We have produced a financial bomb which threatens to blow our economy to destruction. omy to destruction.

"But economy is a part of living and as long as we are alive the show must go on no matter how poor the performance. We

(Continued on page 2718)

## 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.

> See a Prudential Representative





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 reorganizations 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 bonds and the still strong financial position of the road make the present plan pretty much obsolete.

As of the end of Sentember the

As of the end of September the As of the end of September the road had net working capital of close to \$85,000,000 after allowance for payment on Oct. 1 of a full year's interest on the 1st & Refunding Mortgage bonds. It is estimated that this balance was increased, or will be increased, by roundly \$12,000,000 from tax reductions incident to acceleration of amortization of defense projof amortization of defense projects. With this and earnings in the last quarter of the year the road should enter 1946 with net working capital somewhat above \$75,000,000 after payment of the

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

Northern States Power 6% Preferred

Interstate Bakeries Corp. Common & Preferred

## ERNST&CO.

120 Broadway, New York5, N.Y. 231 So. LaSalle St., Chicago 4, Ill.

Specialists in

#### RAILROAD SECURITIES

Selected Situations at all Times

B.W. Pizzini V. Co.

GUARANTEED RAILBOAD STOCKS-BONDS INCORPORATED

25 Broad Street New York 4, N. Y.
Telephone BOwling Green 9-6400
Teletype NY 1-1063

## Beech Creek Railroad

Bought-Sold-Quoted

Adams & Peck

63 Wall Street, New York 5 ling Green 9-8120 Tele. NY 1-724 Philadelphia

ripilier wit. TareUnite

Obviously a reorganized Missouri Pacific would not need nearly that large working capital. It would not be too burdensome to pay off in full the claims of the RFC, the RCC, 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 settled, 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.

As the funds would be supplied by Missouri Pacific the realloca-tion would presumably all go to the bondholders of that road and not be distributed also to holders of New Orleans, Texas & Mexico and International-Great Northern



SUTRO BROS. & CO.

Members New York Stock Exchange 120 Broadway, New York

Telephone REctor 2-7340

bonds. In addition to the claims that could be paid off as mentioned above, there are only three small divisionals (aggregating \$3,-561,000) and the 1st & Refunding Mortgage bonds of Missouri Pacific that are to participate in new 1st Mortgage bonds in the reorganization. Under the present plan the 1st & Refunding 5s are to receive an average of \$400 in new 1st Mortgage bonds, with the actual allocation varying slightly with the different maturities. Reallocation of securities now allocated to the claims paid off would bonds. In addition to the claims cated to the claims paid off would

cated to the claims paid off would lift this Ist Mortgage treatment to an average of \$650 per o d bond.

As of Jan. 1, 1946 the claims of the 1st & Refunding bonds will average slightly more than \$1,400. On the basis of the reallocation On the basis of the reallocation outlined above this would leave roundly \$750 to be met in junior securities. This is on the assumption that it would no longer be necessary to compromise part of the claim as was contemplated in the present plan. Under the present plan the 1st & Refunding Mortgage bonds are allocated junior securities as follows: (rough mortgage bonds are anocated junior securities as follows: (rough average for all maturities) \$380 Series A Income 4½s, \$150 Series B Income 5s, and \$222 of 5% preferred stock. Obviously it would be necessary to continue these allocations if the claims were to be

met in full.
On this basis the major benefit to be derived from payment of some of the claims with cash would be to meet the claim of the 1st & Refunding bonds in full with new securities rather than compromising it. In the present plan about \$240 of the claim was compromised by giving the holders the option of taking around \$71 in cash or an average of roundly \$275 in Class A common stock taken at \$100 a share. Had holders taken the stock option this would have involved a total of 617,910 shares of the Class A stock. With the full claim of the 1st & Refundings met without recourse to the compromise settlement this stock might be available to improve the treatment of improve securities. junior securities.

Although the possibility of any material improvement in the treatment of the junior securities is uncertain at this time, there is little question in the minds of most rail analysts that the status of the 1st & Refunding bonds has been improved metarially. Conbeen improved materially. Considerable investment buying has been going on in recent weeks.

White Wire to N. Y.

ST. LOUIS, MO.—White & Company, Mississippi Valley Trust Building, have installed a private wire to New York City.

### VICTORY—

now you can invest in it!



## PFLUGFELDER, BAMPTON & RUST Members New York Stock Exchange

#### UNITED PUBLIC SERVICE, Com. UNITED PUBLIC UTILITIES, Com. **KEYES FIBRE**

EAGLE FIRE INSURANCE CO.

l. h. rothchild & co.

Member of National Association of Securities Dealers, inc.

AND THE REAL PROPERTY OF THE P

HAnover 2-9072

n. y. c. 5 Tele. NY 1-1293

### Diamond Anniversary for Missouri-Kansas-Tex.

The Missouri-Kansas-Texas Railroad, during the week Oct. 29 to Nov. 3, celebrated its diamond anniversary (1370-1945). The celebration was held at Parsons, Kansas, and was sponsored by the citizens of that community.

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

had from any community.

community."
Mr. Morfatold of the Katy's plan for improved service in the future, reviewing the purchase of stream-lined passenger trains, Diesel locomotives, and other equipment. He also told of plans to improve schedules.

Thanking

the people of Parsons for their gesture to the Katy, Mr. Morfa said the family spirit along the railroad was one

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

In tope that we will always consider ourselves as members of the same family, working together for the common good."

Mr. Morfa further said that "I can see no obstacle in the path of industrial decentralization of our provided eastern areas and the mineral decentralization. crowded eastern areas and the microwded eastern areas and the mi-gration of industry, population and wealth to our territory. If I had not seen this inevitable change, you may be sure that I would not have decided to cast my lot with you people who will benefit and prosper with this de-velopment."

#### 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 Philosophy. Says Business Must Speak Up on Public Questions and Asserts New Deal Ideologists Are Getting Ready to Forge New Restrictions on Private Enterprise.

According to an item published on Dec. 1 in the New York According to an item published on Dec. I in the New York "World-Telegram," reporting an interview with Edward F. Hutton, Chairman of the General Foods Corporation, at his home in Westbury, L. I., the financier demanded positive action on the part of business to combat collectivist ideology which he described as a "Ball-and-Chain" Rule philosophy. He expressed a fear that if the "Collectivists" succeeded in what they are planning they will bankty and they are planning they will bankty and the property and "put security on a par with what prisoners at Sing Sing enjoy."

According to the "World-Telegram," Mr. Hutton stated that to combat the collectivist trend, business must forsake immediately, said Mr. Hutton, the attitude that

ined this ball-and-chain and the determined group of utterly unAmerican 'experts' who, with the co-operation of self-seeking politicians, are deliberately attempting to bring America to bank-ruptcy by continuous deficit spending and destiny by debt." Mr. Hutton is reported to have said that "there is still a minority of determined, envious, ambitious autocrats striving and planning to make this country the land

tious autocrats striving and planning to make this country the land of the ball-and-chain."

Mr. Hutton added that "they render lip service to the Democratic Party and even 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 powerful, more enduring, more creative, than any other kind of society, however disciplined, however centralized.'

"There is a standard diametric-

"There is a standard diametric

According to the "World-Telegram," Mr. Hutton stated that to combat the collectivist trend, business must forsake immediately, said Mr. Hutton, the attitude that it is beneath its dignity to do anything about it and assume an attitude of defense of "white collar rights, labor in the plants, and stockholders."

A prime obligation of business, he declared, is "speaking up" on public questions such as legislative bills, social and moral issues. "Management has been wrong in over-stressing the value of silence," Mr. Hutton stated. "A persense, Mr. Hutton stated. A person's judgment is only as good as his information. To those who speak out, destiny has given the chance, perhaps the last chance to sell the American way of life back to the Americans and to help us all avoid the ball-and-chain."

### George V. Jackish Has **Rejoined Harris Upham**

"There is a standard diametrically opposed to the ball-and-chain; there is a premise sired by truth and born of experience."
Contending that pre-war New Deal ideologists are getting ready to forge the ball-and-chain again, Mr. Hutton declared that "plenty of un-American individuals are planning to smash industry, enterprise and the competitive profit-and-loss system so they can take over and create the perfect monopoly. The ball-and-chain is destined first for capital, then

### BUY BONDS of the VICTORY LOAN

## McLAUGHLIN, BAIRD & REUSS Members New York Stock Exchange

ONE WALL STREET

**NEW YORK 5** 

TEL. HANOVER 2-1355

Control Contro

TELETYPE NY 1-2155

## 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. Instead, previous intima—tions have developed into definite recommendations that if Canada wishes to maintain her Brit

#### CANADIAN SECURITIES



#### BONDS

STOCKS

MARKETS maintained in all classes of Canadian external and internal bonds.

Stock orders executed on the Montreal and Toronto Stock Exchanges, or at net New York Prices.

Direct Private Wires to Buffalo, Toronto and Montreal

#### DOMINION SECURITIES GRPORATION

40 Exchange Place, New York 5, N.Y.

Bell System Teletype NY 1-702-3

#### **CANADIAN BONDS**

GOVERNMENT PROVINCIAL MUNICIPAL CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.

INCORPORATED

TWO WALL STREET NEW YORK 5. N. Y.

RECTOR 2-7231 NY-1-1045

ada wishes to maintain her British markets, Canadian plants should be established in the United Kingdom. The crowning stroke, however, is the implied suggestion that the Dominion reference from configuration to the markets. frain from seeking new markets for her goods and thereby elimi-nate competition with Britain.

Such recommendations are the product of shortsighted bureauc-racy and are entirely devoid of the vision which is necessary to restore, for the universal benefit, the economic vigor of the British Commonwealth. Canada is the king-pin of the British community of nations.

The Canadian record during the var on a per capita basis was unsurpassed and revealed promise of future capabilities that should have given fresh hope to war wearied Britain. It would appear however that the doctrinaire course of British affairs is along the path of dull negation and blind despair.

British and Canadian industries do not have to clash in competi-tion, and can thrive in coopera-tion. In some cases it can be aduon, and can thrive in cooperation. In some cases it can be advantageous to establish Canadian plants in Britain; but any compulsion in this direction can be highly deleterious to Anglo-Canadian trade relations in general. On the other hand, the door to cooperation is wide open. Canadian credit is freely available until British exports can restore a better balance of foreign trade. If the Bretton Woods plan is not implemented it would be natural and logical for Canada to be included in the Sterling area, thereby strengthening the "hard currency" position of this group and permitting freer dealings with the dollar area. Finally, the natural flow to Canada of British industry and technical skills should be encouraged and assisted. If the contrary policy is pursued the tre-

tion were marked up but the turnover was restricted by the dearth of supply. Alberta, Saskatchewah and Montreal issues were strong but offerings were also scarce. There was consequently increased pressure on the internal section pressure on the internal section. Dominion bonds and mining and industrial shares were freely brought down on the rate, and free funds remained at the peak level of 91% in spite of offerlings of dividend proceeds. As usual the persistence of strength of the "free" Canadian dollar gave rise to "parity" rumors. Although there is every reason for the continued firmness of Canadian extensions. there is every reason for the continued firmness of Canadian exchange there is nevertheless no change in the basic situation, which still points towards the maintenance of the existing relationship with the U.S. dollar.

With regard to future prospects the termination of the Victory Loan should accentuate the growing interest in Canadian securities in this country, especially as the trend towards declining yields on bank-eligible bonds is increasingly marked.

### Whitcomb Again Active at Phelps, Fenn Co.

Phelps, Fenn & Co., 39 Broadway, New York City, announces that Richard E. Whitcomb has



been released from active duty with the U.S. Navy and has resumed his position as a general partner in the firm.

and technical skills should be encouraged and assisted. If the contrary policy is pursued the tremendous Canadian capacity for expansion will be stifled to the universal detriment.

Turning to the market for the past week, previous anticipations of strong demand for high grades within 10 years were fully realized. Prices throughout this security manner in the firm.

Huff Rejoins Georgeson

Georgeson & Co., 52 Wall Street, New York City; announces that Asa C. Huff, Jr. has been released from active duty with the Armed Forces and is again associated with them.



Wood, Gundy & Co.

14 Wall Street, New York 5

#### CANADIAN STOCKS

Industrials - Banks - Mines

Bought-Sold-Quoted

**CHARLES KING & CO.** 

Members Toronto Stock Exchange 61 Broadway, New York 6. N. Y WHitehall 4-8980 Direct private wires to Tore and Montreal

**Buy Victory Bonds** 

TAYLOR, DEALE & COMPANY 64 WALL STREET, NEW YORK 5

WHitehall 3 - 1874

## Truman on Reconversion Progress

In Press and Radio Conference He Tells Position of Manpower, Plant Reconversion and Production and Lifting of Wartime Controls. Holds Loss Through Strikes 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 statement regarding reconversion:
In the first

100 days of re-conversion, we have made the following

Manpower

The great part of the layoffs from war plants has now been completed except in the shipyards. Employment in non-war activities has increased since V-J Day. To-

tal employment has now
returned to President Truman
the V-J Day level and is expected
to continue to rise.

Unemployment so far is less than had been expected. This means that the disruption of our economy has been less drastic than anticipated. However, we are still in a transition period. The rapid demobilization of the armed forces will undoubtedly increase the translowment total over the

forces will undoubtedly increase the unemployment total over the next few months.

During these first 100 days, 3,-500,000 men and women have been demobilized. We have stepped the rate up to 50,000 a day, and expect to continue at this pace.

to continue at this pace.

Plant Reconversion—The job of reconverting our plants from war to peace is virtually completed.

93% of all plants have been cleared in 60 days or less after request. Two-thirds of these plants were cleared within 40 days or less. Twenty-seven billion dollars worth of war contracts have been worth of war contracts have been cancelled since the surrender of Japan. Approximately one-third of the 122,000 war contracts cancelled since V-J Day have been

Lifting of Wartime Controls-All war manpower controls were lifted the day after Japan sur-rendered. OPA has removed sevrendered. OPA has removed several hundred items from price control, removed all rationing except for sugar and tires, and completed the pricing of reconversion goods almost 100%. OPA has reduced orders and regulations on its books to 55 from a wantime pleted the pricing of reconversion goods almost 100%. OPA has reduced orders and regulations on its books to 55 from a wartime peak of 650. ODT has 14 orders standing, as compared with 3,050 during the war. About 85% of wartime export controls have

been lifted, and 75% of wartime import controls.

Production—Most peacetime products are already in production or ready to roll. The metal-working trades on which we depend for most of our consumer pend for most of our consumer durable goods are in such shape that they expect by the middle of 1946 to ship goods at two and one-half times the 1939 rate.

Business Activity—Business continues good. Here are some indications:

Retail sales, up 10% now as compared with the same period last year; steel ingot production, back up to 82% capacity today as compared with 60% capacity right after V-J Day; electric power production, power production, power production, power production, power production. duction, now only 14% below the wartime peak.

Labor Disputes-There has been Labor Disputes—There has been an upsurge of strikes since V-J Day. The increase has been due in part to the fact that all parties held their grievances in check during the war and observed the no-strike pledge. New strikes since August total approximately 1,500, involving about 1,500,000 workers. During the same time 924 threatened strikes were averted, involving about 400,000 work-924 threatened strikes were averted, involving about 400,000 workers; and 868 strikes were settled, involving about 525,000 workers. Labor dispute cases settled through Nov. 24 numbered 2,821, involving about 1,150,000 workers. Time lost through work stoppages since August is estimated at 0.76 of 1% of the total working time available.

available.

Stabilization—The cost of living has declined 0.3 of 1% since the surrender of Japan compared with a rise of approximately 1.3% in a comparable period after the last war. Some of the decrease this time, however, is due to the seasonal decrease in some food prices. Direct controls over wages and salaries have been removed in most fields, but increases have not been allowed to affect price ceilings or costs to the United States, except in some specific and narrowly defined cases to correct maladjustments or inequities.

Inflationary pressures are still

## Upholds OPA "Cost Absorption" Principle

Stabilization Director Collet Informs OPA Administrator Bowles That to Allow Current Cost Increases to Be Automatically Translated Into Higher Ceiling Prices Would Be Inconsistent With Executive Orders 9599 and 9651. Says Actual Operating Costs in Transition Period Under Restricted Volume Production Are Not Adequate to Base Fairness of Existing Ceilings.

The Office of Price Administration released on Nov. 29 the text of the letter from Stabilization Administrator John C. Collet explaining the directive filed on Nov. 28 with the Federal Register. This directive interprets the application of the Administration's wage-price policy to the OPA's reconversion pricing formula.

The text of the letter follows:

Dear Mr. Bowles:

You have asked for a ruling on cost increase cannot be absorbed.

an important question concerning the application of the reconver-sion and similar pricing formulas. sion and similar pricing formulas. The question is whether, in the application of these formulas, current cost increases resulting from materials price increase or approved wage increases should be automatically translated into higher 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 the reconversion program, current cost increases resulted invariably or automatically in higher ceiling prices, without inquiry into the ability of the sellers involved to absorb them, would be inconsistent with the purposes both of Executive Orders 9599 and 9651 and of the stabilization laws. (Continued on page 2717)

(Continued on page 2717)

## Securities Salesman's Corner

By JOHN DUTTON

#### Some More on Regimentation 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 lest week that dealers organize a protective association. By small, we mean houses that are not members of any exchange, nor large enough to underwrite issues and that have an organization of less than 10 principals and salesmen combined.

have an organization of less than 10 principals and salesmen combined.

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 though 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 core 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.

its objectives.

One dealer asked us 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 which he was not clear regarding the Securities Laws he would be glad to pay for such a service. He thought if an organization was ever formed that had the real welfare of this industry at heart, that they could have such a service provided, and that he would be of the opinion that he was getting something besides sandwiches, pickles and cake for his membership. We understand that no legal advice can be given by any such organization, BUT INTERPRETATIONS OF RULINGS AND LAWS COULD BE SENT TO MEMBERS, IN LANGUAGE THAT THEY COULD UNDERSTAND, AND THIS IS PERFECTLY PERMISSIBLE UNDER THE STAT-UTES.

Another dealer thought it was ridiculous for the NASD to make Another dealer thought it was ridiculous for the NASD to make a survey of mark-up practices of houses handling institutional business, listed business where brokerage charges were simply added, municipal issues, highly active unlisted stocks (such as insurance and bank shares) and also the inactive smaller issues, lump the whole thing together and strike an average of mark-up. WE AGREE WITH HIM. SUCH PROCEDURE IS NOT ONLY UNSCIENTIFIC FROM ANY STATISTICAL VIEWPOINT—BUT THE RESULT CONSISTS OF A DISTORTION OF FACT WHICH HAS BEEN USED BY THE OFFICIALS OF THE NASD TO ATTEMPT TO UNDERMINE THE STANDARD MARK-UPS OF THE SMALL DEALERS. A survey of the past 50 or 75 sales of 1,000 small retail dealers belonging to of the past 50 or 75 sales of 1,000 small retail dealers belonging to their own organization—conducted by themselves without fear of

### Lipe-Rollway Corporation

Convertible \$1 Preferred Stock Class "A" Stock

Circular on request

### HERRICK, WADDELL & CO., INC.

55 LIBERTY STREET, NEW YORK 5, N. Y.

For Dealers Only:

Missouri State Life Insurance Co.

Bought - Sold - Quoted

WARD & Co.

NY 1-1287 1-1288

Members N. Y. Security Dealers Ass'n Telephone: 120 BROADWAY, NEW YORK 5 RE. 2-8700

We are interested in offerings of unlisted securities for distribution through our organization.

#### DENAULT & CO.

Russ Building, San Francisco 4 Telephone EXbrook 7484

### Hemphill, Noyes & Co. Celebrates Thirty Years in Investment Business

Four sons of four senior partners of Hemphill, Noyes & Co., 15 Broad Street, New York City, investment bankers, who recently were discharged from the Navy and Army, began following in the footsteps of their fathers when they started work Wednesday with that firm as it celebrated its thirtieth anniversary. All of the sons are 28 years old.

Three of the young men had achieved the rank of Lieutenant Commander in the Navy and the fourth was a First Lieutenant in the Army. Jansen Noyes, Jr., a graduate of Cornell University, Class of '39, received a commission as ensign in September 1941 and saw considerable action in



Standing (L. to R.) are: Stanton Griffis; Lieut. Nixon Griffis, AUS; Jansen Noyes; Lieut. Comdr. Jansen Noyes, Jr., USNR; Harold C. Strong; Clifford Hemphill, and Lieut. Comdr. Clifford Hemphill, Jr., USNR. Lieut. Comdr. Harold C. Strong, Jr., USNR, missed the ceremony because of a sudden illness that sent him to the hospital.

both the Atlantic and the Pacific. His first assignment was with the U. S. Destroyer Fitch under construction in Boston Navy Yard. During his second year on her he served as Chief Engineer. He was later transferred to the U. S. Destroyer Haraden, on duty in the Pacific, as its Chief Engineer. At the time of his discharge, Lieutenant Commander Noyes was assigned to the Cruiser Little Rock. Nixon Griffis the sor of Stan-

Nixon Griffis, the son of Stanton Griffis, was a member of the class of '40 of Cornell University. He joined Squadron A of the Na-tional Guard in 1940 and after the tional Guard in 1940 and after the outbreak of war became a machine gunner in the 101st Cavalry Regiment. He was transferred to the Signal Corps Photographic Center in 1942. He spent some time abroad as a member of the crew that started work on General Eisenhower's picture "The True Glory." At the time of his discharge he was a first lieutenant training Unit, Detachment 5. At the time of his discharge, he was a lieutenant commander.

Harold Clark Strong, Jr., was graduated from Yale in 1940 and joined the Navy in July of that year. He was attached to the destroyer U.S.S. Grayson for the war and eventually rose to be its executive officer. He saw consid-

and head of the Central War De-

and head of the Central, War Department, Film Library. Clifford Hemphill, Jr., a member of the class of '41 of the University of Virginia, joined the Naval Aviation Service in 1940 and a year later received his wings and was commissioned an ensign. He served as an instructor on Catalina seaplanes at Jacksonville, Fla., from June 1941 to October 1942. He became a patrol plane commander and trained to October 1942. He became a patrol plane commander and trained Task Force Squadron 3. He also served as operations officer at Key West, Fla., assigned to Night Attack and Combat Training Unit, Detachment 5. At the time of his discharge he was a lightenant

erable and varied action with his destroyer, ranging from convoy work within the Arctic Circle, to assisting the landing of the Ma-rines at Guadalcanal and acting as a screen for the famous Doolittle a screen for the lamous Doolitie raid on Tokyo. Some of this de-stréyer's action and adventures are described in part in the book, "Condition Red," written by Com-mander Bell. Lt. Commander Strong was subsequently brought back and made executive officer on a new Bath destroyer of the largest type. He was in a number of other naval engagements in the Southwest Pacific and has seven battle stars

Hemphill, Noyes & Co., members of the New York Stock Exbers of the New York Stock Ex-change and other leading Ex-changes, opened its doors for busi-ness thirty years ago in a tiny office at 37 Wall Street, to oper-ate on a small capital which the young members of the firm had been able to borrow. During these years it has grown to become a leading investment banking firm with one of the large capital accounts in Wall Street. It has headed or participated in many billion dollars worth of corporate and municipal financing and today is banker for more than one hundred industrial corporations and its partners serve on the Boards of Directors of twenty-five of them.

persecution—would show a different set of percentages of mark-up than Mr. Wallace Fulton now proudly parades as the result of his last inquisition upon the private affairs of the membership of the NASD.

Then another said: "How about court protection against unfair charges brought against dealers by the NASD or SEC?" There are cases of smaller dealers throughout the country that have been blackjacked into submission . . . just because they haven't had the financial resources to fight. Why shouldn't such an organization have its own fair conduct committee? If a dealer is brought up on have its own fair conduct committee? If a dealer is brought up on charges by any governmental or quasi-governmental agency, why shouldn't this dealer have some place where he could go to plead his side of the matter? Why not have a committee that would hear both sides of such a case? If the dealer was in the wrong in the minds of his own organization he would receive no assistance. If he had justification for his stand, if his rights were being impaired, if he was being KICKED AROUND, then he would receive assistance. Not only advice, but financial support, and a CHANCE FOR HIS DAY IN COURT. This dealer said he'd be glad to "kick-in" his share to defray the expenses of such a defense AND THAT IT WAS TOO BAD WE DIDN'T HAVE SUCH AN ORGANIZATION TO HELP THE SMALL DEALER UPON SEVERAL OCCASIONS IN THE PAST. Thinking back . . . we can remember several such instances ourselves. These are just a few of the thoughts that are going through the

Thinking back . . . we can remember several such instances ourselves.

These are just a few of the thoughts that are going through the minds of the retail securities dealers around the country. There is a lot more room for good suggestions . . . possibly you too might have a few. If you do, send them along. This column will respect your confidence. There is only one thing wrong with the securities dealers of this country . . . for years they have lacked courage. But it seems that slowly they are beginning to stiffen their backbone and are beginning to assert themselves. The first plunge is always the hardest . . after that the swimming would be easy. What this business needs is a national organization that has THE PROTECTION OF THE RETAIL DEALER AS ITS FIRST AND PRIMARY OBJECTIVE.

### C. P. Young Elected by First Colony Corp.

Cecil P. Young, previously a Lieutenant Colonel in the Army Air Corps, has been elected a vice president of First Colony Corporation, 70 Pine Street, New York City. Mr. Young was executive vice president and director of Wickwire Spencer Aviation Corporation; executive vice president and director of Wickwire Spencer Metallurgical Corporation; and a director of Wickwire Spencer

## Savings and Loan Banks Assets Mount

Secretary Cellarius of Savings and Loan League Says 1945 Shows Largest Gain Yet, Amounting to \$886,460,637. Expects an Aggregate of \$8 Billions in Assets by End of Year. Ohio Leads, With New York Second, and Massachusetts a Close Third.

The largest gain in assets in a single year which the savings and loan and co-operative bank system of the nation has ever experienced was its achievement "Surplus and undivided profits achievement"



H. F. Cellarius

in 1944. H. F. Cellarius, Cin-činnati, secre-tary-treasurer brought the business up to \$7,479,750,657 as of Dec. 31, as of Dec. 31, 1944, he said.
"Considering that the year in which we are now operating has been one of even more spectacular increase than last, I think there is no question that we shall be over \$3,000,000,000 by the close of 1945," he said

of the United States Savings and Loan League, re-ported to the League's ex-ecutive council in annual meeting on Nov. 29. The gain of \$886,-460,637 had

amount to 7.8% of total assets in spite of the rapid growth we have experienced. Every factor in the statistical outlook of savings and loan institutions and co-operative banks points to a readiness to play an unprecedented part in the home ownership expansion of the next decade. Our financial posi-tion should also gain for us a new high rank among the savings institutions of the nation.

"In a period of growth and re-construction the position of the various states in the savings and loan system are likely to change frequently. As of the close of last year, Ohio maintained not only its lead but also its distinction as the only billion dollar state. The second ranking state is now New York which had gone over \$600,-000,000 by the end of 1944. Massachusetts was a close third with \$593,000,000 and we had three others over \$500,000,000, Illinois, Pennsylvania and California

## Says Building Pickup Lags

Savings and Loan League Committees Report Likelihood of Continuation of High Building Costs. Reports Bulk of Veterans Building Loans Are Financed by Savings and Loan Associations, and Predicts Questions of Appraisals and Loan Procedures Will Be Satisfactorily Solved. Calls for Revision of Local Property Taxation and Recommends That Housing Projects Be Conducted Locally and With Private Capital, but Urges Government Assistance in Planning and Research. Calls Attention to Increasing Reserves Built Up by Savings and Loan Associations.

Building costs at least for the foreseeable future are likely to remain relatively high, the United States Savings and Loan League's Committee on Trends and Economic Policies reported on Nov.
30 to the final session of the League's executive council meeting in the Palmer House in Chiing in the Palmer House in Chicago Lloyd I. Tilton Santa Barhased upon increased assessments. cago. Lloyd I. Tilton, Santa Bar-bara, California, chairman of the committee, said that costs of new construction are something like 31.5% above the 1935-1939 level. Reporting for the committee on Home Taxation, B. E. Buckmaster, Tacoma, Washington, said that prospects for huge volume of residential construction at these high costs add a special importance to the question of taxes on homes at this time.

The committee felt it difficult to predict how soon residential construction would move forward, and said that the pickup to date has lagged materially behind what had been forecast.

"In some communities a real scarcity of building materials continues, in others there is little or no construction labor," it reported. "In some areas industrial and commercial building, including gas stations, has been given precedence over home building."

The committee said that home loans guaranteed for veterans of World War II under terms of the Servicemen's Readjustment Act have now reached 27,000 and some 22,000 have been made by savings and loan associations and co-operative banks. Treating of the difficulties felt in some quarters about fitting in with this loan program, the report continued:

"We believe that the questions both of appraisals and the loan procedures will be satisfactorily solved as the business develops and that these problems will be met and overcome just as they were in the case of HOLC loans and FHA-insured loans."

The Committee on Home Taxation said that there has never been a time when there was a

themselves caught between taxes based upon increased assessments on the one hand, and increased living costs, and in the case of rental properties, a ceiling on rents," reported B. E. Buckmaster, Tacoma, Washington, chairman of the committee.

"One of the important factors which will determine the them im

which will determine whether im-migrant families will remain in the cities to which industry called them is that of property taxation. Relatively high taxes will discourage such families from undertaking home ownership or oven re-maining as tenants since high rentals are associated with high tax rates.

The Committee on Housing, reorting through its chairman, E. L. Barnett, Santa Rosa, Cali-fornia, recommended adoption by the League of a six-plank plat-form, setting forth that:

1. Slum clearance and housing are separate and distinct prob-

2. Both problems are local in character rather than national.

3. Private enterprise has, does and will provide better housing at lower cost than public housing. 4. Unsubsidized public housing

is unsatisfactory as compared with privately built housing both as to social and economic qualifications.

5. Where subsidies are necessary for decent housing they should be provided at the individual instead of the community

6. The use of public funds for housing should be confined to research and statistical studies and for the acquisition of land for ur-ban redevelopment as provided by law in various states.

The Insured Section Committee of the League in a vigorous recom-

mendation for expanded partici-pation in the home lending pro-gram to veterans under the Servicemen's Readiustment Act. pointed to the record of five in-stitutions of the savings and loan type which had made home owntype which had hade home own-ership loans to veterans totalling \$300,000 each before V-E or V-J Days had had time to bring any significant number of servicemen

"This committee believes that our institutions have a very unusual opportunity to serve the veterans as provided by the statute," said E. A. Minier, Newark, New Jersey, chairman. "It strongly recommends that associations be recommends that associations be equipped to offer complete service to veterans and that they so pub-licize such service as being avail-able under the terms of the Servicemen's Readjustment Act?

The steadily strengthening reserve position of the savings and loan associations and co-operative banks was pointed to by the Committee on Insurance of Savings Accounts. Horace Wilson, Los Angeles, chairman, said that reserves and surplus make up approxi-mately 8% of association assets and that approximately 30% of the total net earnings of the associations are allocated each year to reserve accounts.

"Furthermore the safety factor "Turthermore the satety ractor in associations has been very considerably augmented during the past two or three years by the rapid gain in liquidity position through increased holdings of government bonds. Liquid assets in cash and bonds today account for about one-third or more of total assets as compared with ap-proximately 8% in prewar years."

### **Upholds OPA "Gost Absorption" Principle**

(Continued from page 2715) Some cost increases, of course will require price increases in reconversion as well as other indus-tries. The price increases, how-ever, should not result from the

ever, should not result from the operation of any mechanical formula but from a determination, on the facts of the particular case, that a price increase is necessary either to maintain generally fair and equitable prices or to avoid hardship impending reconversion.

The standards for deciding this the standards for deciding this question should appropriately be worked out in your office. Special standards, of course, will be necessary in reconversion industries. In these industries actual operating costs do not, during the transition period to a normal rate of production, afford an adequate basis on which to judge the fairness of existing ceilings. In these circumstances an important factor, among others, to be taken into account is the prospective produc-tion rate in 1946 in the particular industry or firm.

The precise answers to these problems, as I have said, ought to problems, as I have said, ought to be worked out in your office. In order, however, that there will be no misunderstanding as to the general principle, I am today sending to the Federal Register a directive providing as follows:

Maximum prices determined Maximum prices determined under the reconversion pricing formula approved in Directive No. 78 (10 F.R. 11074) or under any other pricing formula designed for use during an interim period until reliable operating costs are available, shall not be permitted to reflect any increase in legal prices of materials authorized or occurring hereafter, or any prices of inateriars authorized or occurring hereafter, or any increase in wage of salary rates approved by the appropriate wage or salary stabilization agency or instituted hereafter, unless the Price Administrator finds that the reflection of such increases is necessary to mainincreases is necessary to maintain generally fair and equitable prices or to prevent hardship impeding reconversion.

## 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 Mary-lander to be Market of Coup Conference of the Market of Coup Conference of

lander to be elected head of the League in more than a half a century of the existence of this organization of 3,700 savings and loan associations, cooperative banks, Federal Home Loan Banks and local and state leagues of savings and loan institu-tions. Out-



standing participation of his association in making veterans' home loans under the G. I. Bill of Rights in the last year since the program was inaugurated has placed him among the nationally recognized leaders of the business. He has been Vice-President of the United States Savings and Loan League this past year.

League this past year.

Mr. Irr is Chairman of the Maryland State Planning Commission and of the Maryland Commission on Postwar Reconstruction and Development, both by appointment from the Governor. He is also Chairman of the Better Baltimore Committee which has the job of planning the imhas the job of planning the improvements to be undertaken in this city along the lines of arterial traffic, play grounds, slum clearance, parking lots, new markets,

During the war years he was a member of the executive committee of the Maryland War Finance Committee, and his association has also been outstanding in its sale of war bonds to the public.

He has been active manager of the Balitmore Federal for 23 years the Balitmore Federal for 23 years dating from the time when it was the Pennsylvania Avenue Permanent Building and Loan Association before it attained its federal charter. He has long been a leader in the organization circles in this thrift and home financing business having served as President of the Maryland League of Euilding and Loan Associations in 1939, and as President of the their Trading Department.

Southeastern Group Conference of the United States Savings and Loan League in 1941.

Loan League in 1941.

Mr. McAllister is a native of San Antonio and has spent his entire business career in that city. He organized the San Antonio Building and Loan Association, now a \$7 million institution, in 1921. In 1927-1928, he was one of the organizers of the Texas Savings and Loan League, and has been a director of numerous civic and welfare agencies in his home city including the Tax-Payers Decity including the Tax-Payers Defense League of San Antonio.

#### J. A. Kiser Returns To Kiser, Cohn Co.

INDIANAPOLIS, IND. - Kiser INDIANAPOLIS, IND. — Kiser Cohn & Schumaker, Inc., Circle Tower, announce that Captain Julian A. Kiser, who was connected with the firm from 1937 to February, 1942, has been placed on inactive duty, and is again affiliated with them as a junior executive, effective Dec. 1. Captain Kiser enlisted as a private and was successively promoted to the rank of Captain. He was an intelligence officer with 380th Bombardier Group and was stationed, at various times in New Guinea, Australia, the Philippines and Okinawa.

#### Capt. Davis With Rollins

Captain Joseph D. Davis, recently returned from nearly two years in Europe with the Army Air Forces, has been released from active duty and has become associated with E. H. Rollins & Sons Incorporated, 40 Wall Street,

#### Stein Bros. & Boyce Add King to Trading Dept.

Stein Bros. & Boyce, 14 Wall Street, New York City, announce that Francis E. King, Jr. has become associated with them in

#### THIRD IN THE NATION

This Association, largest on the West Coast of Florida, holds United States Charter No. 3.

Resources Oct. 31, 1945

\$9.091,310.98

Inquiries Invited From Institutional Investors

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION of ST. PETERSBURG

Raleigh W. Greene, Pres.

First Federal Bldg. St. Petersburg 4, Fla. 

#### Franklin Federal SAVINGS AND LOAN ASSOCIATION



#### of Richmond

Assets over \$6,500,000.00
We Invite Your Inquiry On Investment Of Trust Funds



RICHMOND . . . . 17 . . . . VIRGINIA 

## For New "Economic Stability" Formula

(Continued from page 2713)
can't stop it as we would a machine and examine it and determine what is wrong before running it again.
"I think the root of our present troubles, in addition to the threat of inflation, is our dependence upon others without a clear comprehension of what this implies," Mr. Robertson said, adding:
"Striking workmen in crowds

"Striking workmen in crowds exercise rights which no individ-ual has. In other words, 10 or 10,ual has. In other words, 10 or 10,000 may do something as their right which one man could not do without committing a crime. This is new accepted in all society, and we commonly use the phrase, the right to strike.' Obviously, it is a vague term and needs definition. Society cannot safely be at the mercy of groups of men or organizations. Freedom has taken on a new definition.

"The thought of a few men having control of the atomic bomb jogs us into a realization that their power should be curbed, but what difference is there between hav-

difference is there between having your business blown to atoms and having your business ruined by the same group of men pre-

venting you from using your prop-erty? 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 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 or if his number is legion. Tyranny may be exercised by the many as well as by one.

"We need to awaken to the fact "We need to awaken to the fact that there is no end to the business organizations or groups of 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 any penalty they wish. We need to acknowledge duties as well as rights."

rights."
Unless there is public acceptance of duties as well as rights, the national economy will "slow down by right checkmating right until we are literally doing more and more and producing less and less and the unbalance 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 employe, 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 com-mon standard of understanding must be found if we are to escape the disunity inherent in the diver-sity of our interests. Due to the confusion of rights without duties, the time of citizens is taken up in disputes which cannot be set-tled because of lack of accepted standards. Alleged rights are in-sisted upon. Duties are unknown. Liberty is threatened.

"Is it not time that we, the people, insist on everyone 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 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 1937, Canadian Invest-ment Was About \$18 Billion of Which Almost Two-Thirds Was Held Points Out That Canada's Financing of Both World Wars at Home. Was Done Almost Entirely by Canadians, Despite Fact That Government Debt in Five Years of War Increased by Over \$13 Billions, or \$1,100 per Capita. Holds Canada Is Now Independent of Foreign Capital, but Is Proud to Have Foreign Capital Flow to It and Asserts 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

ber, 1915 Can-ada's first large public loan had an objective of \$50,000,000,

andover \$100,000,000 was obtained from about 25,000 subscriptions. From

this point on, war expenditures in Canada were financed entirely in the domestic market, aside from \$175,000,000 borrowed in New York in 1916 and 1917. Between March 31, 1914 and March 31, 1920, the Dominion's outstanding public debt increased from \$544,400,000 to \$3,041,500,000

A. C. Duffield

an increase of approximately \$2,500,000,000, or about \$300 per capita of the population. In this domestic financing dur-ing World War I, Canadian in-vestment houses played a leading part. Beginning with the first

Newsprint production\_. Wood pulp production \_\_\_\_ Lumber production \_\_\_\_

Electric power installed. Gold production \_\_\_\_\_ Copper, lead and zinc

Copper, lead and Zanproduction
Nickel production
Steel production (ingots
and castings)

Canada is a great exporting nation. In 1938—the last full year before World War II—she stood fourth in export trade among the countries of the world, being exceeded only by United States, United Kingdom and Germany. Canada was first among the countries of the world in exports of newsprint, wheat, nickel and ashestos; third in wheat flour and in the countries of the world in exports of newsprint, wheat, nickel and ashestos; third in wheat flour and in the past six years Canada's (Continued on page 2776)

The investment business in Canada is comparatively new, Prior to World War I, Canada's financing requirements were furnished main lyethrough British capital, with lesser amounts from the United States. It was with the outbreak of the last war that domestic financing became significant.

In Novembrook

The investment business in Canada is comparatively new, Prior to work of the last war in John of the prior of the last war that domestic financing became significant.

In Novembrook

In Novembrook capital increased to around \$11, 000,000,000.

The latest official estimate for capital invested in the bonds of The latest official estimate for capital invested in the bonds of Canadian governments and municipalities, investments in rail-ways, manufacturing concerns, public utilities, trading establishments, mines and other industries is for Dec. 31, 1937. (The estimate does not include private capital in farms or domestic real estate.) The total capital investment of about \$18,000,000,000 consisted of 62% owned in Canada and 38% abroad. At the same date, Canadians had invested capital of about \$1,750,000,000 in other countries, of which nearly \$1,100,000,000 was invested in the United States. States.

#### Canada's Economic Expansion

An indication of the industrial vestment houses played a leading part. Beginning with the first Victory Loan in November, 1917, they directed the Victory Loan statistics for basic factors: 1939

1919 795,000 tons 1,716,000 tons 3,820,000 M ft.b.m. 2,470,000 h.p. 767,000 fine ozs. 151,000,000 lbs.

2,927,000 tons 4,166,000 tons 3,977,000 M ft.b.m. 8,289,000 h.p. 5,094,000 fine ozs. 1,391,000,000 lbs. 226,000,000 lbs.

920,000 tons

1,385,000 tons

2.927,000 tons



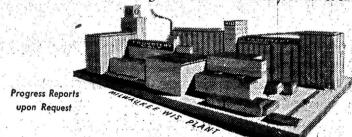
### IN INDUSTRY, SCIENCE, RESEARCH

STEEPED in the tradition of man's agricultural strides—malt has long served as handmaiden to the diet of nations.

Nature produced barley and barley, in turn, gave us malt-miracle product-whose magic has transformed man's flight through space, increased his span of life, won his wars and filled his peace with health, comfort and pleasure. In foods, beer and other nutritive beverages

... or from smokeless powder to baby foods - MALT IS BASIC. It spans the entire range of man's life, progress, civilization. During nearly 80 years the Froedtert Grain & Malting Company has grown to top position in the production of malt because of its loyalty to perfection and its leadership in research.

Our reward has been the patronage, respect and endorsement of American industry. WATCH US GROW.



## FROEDTERT GRAIN & MALTING CO., INC.

MILWAUKEE, WISCONSIN Plants: Milwaukee, Wisc. (Two) Winona and Minneapolis, Minn. Detroit, Mich. (A third malting plant of major proportion now under construction at Milwaukee)

## "Special Situations"

This firm offers active retail distribution, plus a continued trading interest in securities of a few Ohio companies of unusual possibilities.

### JOHN E. JOSEPH &

18 EAST 4th STREET CINCINNATI 2

CI.567

**MAIN 4640** 

## INVESTMENT BANKERS ASSOCIATION OF AMERICA

## **OFFICERS 1945-1946**





Hazen S. Arnold



Vice-President



Julien H. Collins

Vice-President



Vice-President



Edw. Hopkinson, Jr.

Vice-President



Exec. Sec. & Treas.



Alden H. Little

## **GOVERNORS**



Albert T. Armitage



Edward C. Anderson



Wm. Russell Barrow



Henry M. Bateman



F. M. Blankenship



James M. Dain



R. de La Chapelle



Mark C. Elworthy



John F. Fennelly











W. S. Gilbreath, Jr.

## GOVERNORS (Continued)



Thomas Graham



H. F. Hagemann, Jr.



Clifford Hemphill



Carey S. Hill



Joseph T. Johns



Hubert W. Loff



Samuel D. Lunt



Hugh D. MacBain



R. H. Macdonald



Nathan D. McClure



Charles B. Merrill



Gerald P. Peters



Delmont K. Pfeffer



Irvin .L. Porter



J. R. Postlethwaite



John Rauscher



John Redwood, Ji



Walter A. Schmidt



Frank M. Stanton



C. Newbold Taylor



Harry Their



Albert W. Tweedy



Robert C. Wahster



Adolph E. Weltner



Frank A. Willard



Lyle F. Wilson

## Protection of Customers—Cardinal Factor

By CHARLES S. GARLAND\*

Incoming President Investment Bankers Association of America

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

Charles S. Garlan

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 interlude 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

\*An address by Mr. Garland who is a partner in Alex. Brown & Sons, Baltimore, before the 34th Annual Convention of the Investment Bankers Association of America, Chicago, Ill. Nov. 28, 1945 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 Upsurge 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.

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.

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 during these four 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 V-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 a it her directly or indirectly whrough the operation of Bretton

Woods or the Export-Import Bank. One task we have immediately before us is the successful consummation 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 review their individual accounts toward that accomplishment.

With the experience of the post

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 resolving 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 joint effectiveness to be lessened 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 our successors. For the

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 no more pleasant task that the employment and training of young men of character, initiative and human understanding to carry

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 remain many 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 interna-

Underwriters and Dealers in

## INVESTMENT SECURITIES

### BLYTH & Co., INC.

14 WALL STREET, NEW YORK 5, N. Y.

SAN FRANCISCO CHICAGO LOS ANGELES SEATTLE SPRINGFIELD PHILADELPHIA PITTSBURGH PROVIDENCE BOSTON DETROIT LOUISVILLE INDIANAPOLIS SACRAMENTO PORTLAND, ORE. BEVERLY HILLS FURFKA SAN JOSE STOCKTON OAKLAND

Private wires connect principal offices

## Wants Double Taxation of Corporate Income Ended

Richard P. Dunn, Chairman of the Federal Taxation Committee, submitted to the Convention of the BA at Chicago a brief report on he outlook for future Federal taxation and recommended specif-ically that double taxation of distributed corporate income should IBA Federal Tax Committee Also Recommends That Capital Gains and Loss Provisions of Revenue Act Be Changed by Reducing Rates and Shortening Holding Period. Sees Little Further Relief From Taxation Ahead, With Prospective Reductions Being Confined to Lower Income Brackets.

ically that double taxation of distributed corporate income should be revised. The text of the report follows:

After V-J Day Congress moved new tax bill was passed and signed rather rapidly in granting relief by the President. Briefly, this bill from high wartime tax rates. The repealed the excess profits tax as

of Jan. 1, 1946, and also lowered by two percentage points the corporate surtax rate. Twelve million taxpayers were dropped from the rolls by increasing the normal tax exemptions, and cuts in individual rates provided reductions of approximately 9% in the higher brackets and 18% in the lower 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 and taxpayers cannot hope for further reductions (except those resulting from administrative changes) until 1947.

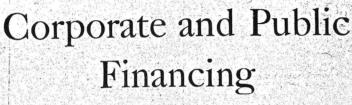
At the present time it appears only a slight chance that Congress only a slight chance that Congress will overhaul the entire tax structure next year. Instead there will undoubtedly be further amendments to the present act. At the roment most of the Washington gossip as to do with lower individual rates and a substantial reduction in the excise rates. There is much support for lower individual rates, increased exemptions and more generous treatment of ual 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 scle 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 minimum) to produce tax revenues to cover a budget of about \$25,000,-000,000. If such a 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 deterrents must be removed.

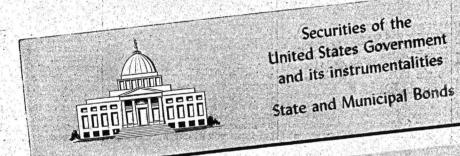
While much relief has already been granted, it is safe to say that further cuts in individual tax burden will be made next year applicable to 1947 incomes. Most of this will be in the lower and middle brackets, but there should be at least modest relief in the higher brackets.

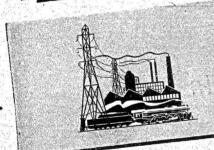
Your committee recommends that double taxation of distributed corporate income should be eliminated or reduced. Your committee also recommends that the capital gains and losses provision of the act be changed so that the holding period be shortened and the tax reduced. This change, we are confident, would result in attracting venture capital to business 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 who need help, want help, and at all times welcome constructive ideas.

Federal Tax Committee-Richard P. Dunn, Chairman; Hagood Clarke, Henry H. Egly, Sumner B. Emerson, Frank E. Gernon, Arnold Grunigen, Jr., Hardin H. Hawes, Harry W. Kerr, James H. Lemon, John R. Montgomery, Augustus W. Phelos, Milton S. Trost, T. Johnson Ward, Elmer L. Williams.



Underwriter and Distributor





Public Utility Railroad and Industrial Bonds and Stocks



Canadian and Foreign Dollar Bonds Short Term Notes and Bonds Bank and Insurance Stocks



NEW YORK

Executive Offices

BOSTON

BUFFALO

- CHICAGO • CLEVELAND

NEW YORK . PHILADELPHIA . PROVIDENCE . SAN FRANCISCO . SPRINGFIELD

igitized for FRASER //fraser.stlouisfed.org

## 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 beckening us to blissful heights. With the termination of controls, inhi-

bitions, bitions, re-strictions and exactions con-sequent on the cessation of combat, we cessation of combat, we felt like joining the Oklahoma Chorus and chanting "Everything's coming our way." But we soon realized soon realized that war's end has not terminated our problems. On the contrary, it has propounded a



John C. Folger

pounded a new series of problems and enig-mas dealing with peace and re-conversion. Finance is not de-mooilizing. 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. 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. 26,

Stating That Finance, Instead of Demobilizing, Must Move Into Front Position, Mr. Folger Deprecates the Undertone of Hostility Between Banking and Government and Points Out the Need for Heavy Financing and Less Timidity of Capital. Holds Inflation Is Here and That Holding the Line Against It and Paying Off the National Debt Are the Two Pressing Financial Problems. Calls for More Thrift in Government and a Revision of SEC Regulations, Particularly in Registration Procedure and Prospectuses. Holds Trend in Investments Has Been Toward "Skimming Off the Cream" and Urges More Equity Financing. Foresees Renewed Foreign Investment as Much as \$20 Billions and

Urges Financial Aid to Britain. Says Investment Banking Never Had Greater Opportunities and Cautions Against Using Timidity as a Symbol of Caution.

Twelve years ago the head of ings. They smarted and smol-next largest post-depression year. It is noteworthy however that velt, addressed a large group of bankers in the National Capital. The banking fraternity was severely taken to task for its misverely taken to task for its mis-takes of the past and for its fail-ure 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 Government would seek its own solutions, with or without bank-ers' help. The speech set a certain political pattern for the relationship 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 be-

ings. 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 cooperative. We have a duty towards this or any future administration. A 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 5½ billions. This is nearly double last for 1945 will probably exceed 5½ billions. This is nearly double last year and up 15% from 1936, the industrials, 31% into utilities,

next largest post-depression year. It is noteworthy, however, that for 1945 only about one billion, or 18%, will be new money. The balance is represented by refunding of old securities. 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 billions per year if we are to maintain a proper economy.

maintain a proper economy.
Current financing is divided—
82% bonds, 12% preferreds, and
6% common stocks. As in recent years, senior securities still represent almost 95% of the total. It has been Government money pumped into the pipeline that has kept things moving.

while the once lowly rails reached 26% of the total.
All of this adds up to a year of relatively large volume bu with exceedingly low spreads, the lowest in history. We are still mainly occupied with reducing interests the state of the sta three has been an accent on rai financing but the much talked o 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 flight of capital from cash integrities. equities.

The outstanding problem in do mestic finance is inflation. For 1 years we have cried, "Wolf, wolf, —half thinking the wolf would never come. The plain fact is: In flation, is here. Indeed, it has been for some time. The first sign. flation is here. Indeed, it has been here for some time. The first sign are painless, even pleasant. Stock market quotations afford popula reading. Bankers watch thei mounting deposits with a glow o pride, forgetting their competitor across the street has enjoyed the same growth. By the end o next year and before the Government debt can reach its peal we shall likely have aggregat deposits of 100 to 200 billions in our banks compared with 59 billions in 1929.

ions in 1929.

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

(Continued on page 2766)

### UNION SECURITIES CORPORATION

UNDERWRITERS AND DISTRIBUTORS

OF

Investment Securities

65 BROADWAY, NEW YORK

BOSTON

BUFFALO

CLEVELAND

HARTFORD

PHILADELPHIA

SYRACUSE

gitized for FRASER p://fraser.stlouisfed.org/

. 1 m tall: Juled I

## Government Looks to Investment Bankers

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 ap-

proach has a particular significance investment bankers at

bankers at this time.
We find ourselves, at the conclusion of this great war, facing a number of situations and confronted by confronted by confronted by
many of the
problems that
existed after
World War I.
It is often
said that history has a
way of re-

eating 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 fer-

\*An address by Mr. Snyder be-fore The Investment Bankers Association of America, Chicago, Ill., Nov. 27, 1945.

Director of War Mobilization and Reconversion

Prominent Administration Official Recounts Economic Errors After Last War Which He Says Were Due to Ignoring Warning "Sign Posts." Stresses the Important Role of Investment Banking in Re-establishing a Sound Economy and Predicts Rapid Removal of Restraints and Government Withdrawal From Business. Says Our Corporate Business Structure Will Require Annually \$31/2 Billions of Additional Financing and That Business Will Need More Working Capital. Urges Financing Geographical Decentralization of Industry and Small Business Venture Capital and Predicts Large Scale Private Financing of Foreign Industry. At New York He Tells Marketing Executives Reconversion is Almost Complete.

That we shall see neither the boundless optimism that was shattered in 1929, nor the bottomless despair of the early '30s.

I believe that it is healthful 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: frightening fact:

Our brakes would not work. As we look back we can see

vently that we shall see no repetation of those times.

That we shall see neither the boundless optimism that was shattered in 1929, nor the bottomless saw them at all in our headlong. I would like to recommend for

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 is was the same old hill. Nothing is gained by indulging in recriminations or in attempting to lay the blame at this door or

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 difficult years, assimilated the lessons they contain. We have walked over the road We have walked over the road and identified the old warning signals—and erected a few new

I am confident that you and I are determined to watch for those sign posts 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.

know it, would cease to exist.

The greatest safeguard is selfpolicing. It entails the establishment of standards that will endure, and adherence to those
standards. It will require cautious
treading to escape the pitfalls in
your path. I think that you, like
any good merchant, will not succumb to the fallacy of lowering cumb to the fallacy of lowering 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

Of course you will compete in obtaining business, but not out of a desire to show the greatest volume of sales, but 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 in-

vestment bankers of this country

vestment 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 advise.

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 adding our economic tance in the financing of new in-dustry, in aiding our economic growth and in meeting the re-sponsibilities of participation in international progress. We will need to expand to provide the jobs, the income and the purchas-ing power without which we can-not hope to maintain or enhance our living standards

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

You have helped to make available to existing industries the easier rates made possible by an unprecedented abundance of sav-ings and other bank deposits, and by the wise course of the Treas-ury's war finance program. To keep pace with the demands

of our times, it is entirely possible that our corporate business structure will require as much new money in one postwar year as was put into capital assets in apwas 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 and one-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 new plants, better machinery, new safety devices and many other "musts" for modern business. To handle the expected increase in volume of sales, business enterprises will need more working capital than ever before.

capital than ever before.

The need of industry for new corporate financing is accompanied 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 in the hands of individuals

(Continued on page 2764)

Hallgarten & Co.

Established 1850

New York

Chicago

London



Established 1812

Trust Agency Services

Head Office: 55 WALL STREET NEW YORK CITY STATE

MUNICIPAL BONDS

Municipal Bond Department

The National City Bank of New York

- SPECIALISTS IN -

United States Government Securities

Federal Land Bank and Other Agency Issues

State and Municipal Bonds

C. J. DEVINE & CO.

48 Wall Street, New York 5

· Boston · Philadelphia · Pittsburgh · Cleveland

Cincinnati . St. Louis . San Francisco

ditized for FRASER //fraser.sttoursfed.org/

#### **Forecasts** Saltonstall Government

Senator speaking at the luncheon at the Investment Bankers Convention in Chicago on Nov. 27, told his audience that

"the interest of the invest-ment banker in the future of our coun-try is the same as that of every in-dividual; namely, a good home in a good commu-nity where he can raise his children and send them to good schools. He wants to save. He wants an easier old



Sen. L. Saltonstall

age. He will work hard. 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 have made America the industrial and agricultural giant of the world with the highest standard of living ever the highest standard of living ever known. You who are investment bankers had 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 secure work, our country will

Massachusetts Republican Senator Tells Investment Bankers There'll Be No Balanced Budget Until 1948 and High Taxes Will Continue. Sees More Regulation of Business Than Previous to War and More Social Security Enact-Warns Against Government Undertaking More Than It Can Fulfill and Urges a Democratic Settlement of Labor-Management Relations With a Minimum of Government Action.

business for you investment bank-

ers."
He further stated that he believed that what the Convention expected to hear from him was what its 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 exment in order to work that expectancy into your plans."

#### No Balanced Budget Until 1948

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 billion or more rather than less. Until balance is achieved, deficit financing must be continued. The recent tax bill, from all I 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 questions: First, is it in anyone's interest to cut tax receipts substantially until the budget is balstand still and there will be no anced and the debt reduced? Sec-

at a higher level until the budget 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 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 dropped as rapidly as possible.

ond, isn't it worse to cut taxes and wants the veteran to be prop-and then be forced later on to put them back than to keep them at a higher level until the budget benefits of his interrupted educaproper security in order to get started. 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

This, he felt, was the attitude of

Congress.

He further said that social security was here to stay and would Old age assistance, unemploy-ment compensation, an increase in the number of hospitals, and pos-sibly new benefits such as health insurance would increase the costs 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. of government.

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-eastern section of the country. Government should have the at-

(Continued on page 2763)

## In Selling

### LARGE BLOCKS OF SECURITIES

## **Experience Counts**

Determining the best method of selling large blocks of outstanding securities without adversely affecting the market during the operation is an important function of our

In deciding whether to follow the normal procedure of selling on the exchange where the security is listed, or by private placement, or by Secondary or Special Offerings, the firm of Smith, Barney & Co. brings to the problem the real advantage of broad experience.

Typical of the many large blocks of preferred or common stocks which we have distributed in recent years were those of the following important corporations:

Aluminum Company of America The American Tobacco Company Armstrong Cork Company The Atlantic Refining Company The Chase National Bank The Chesapeake and Ohio Railway Co. Consolidated Edison Co. of N. Y., Inc. The Dow Chemical Company E. I. duPont de Nemours & Company Eastman Kodak Company General Electric Company Great Atlantic & Pacific Tea Co. Great Northern Railway Company Hercules Powder Company The Hoover Company Kennecott Copper Corporation Liggett & Myers Tobacco Company

R. H. Macy & Co., Inc. J. P. Morgan & Co. Incorporated National Biscuit Company Norfolk and Western Railway Co. The North American Company Phelps Dodge Corporation Philadelphia Electric Company Philco Corporation Pittsburgh & Lake Erie R.R. Reading Company The Standard Oil Co. (Ohio) The Superheater Company Swift & Company Swift International The Timken-Detroit Axle Company The Youngstown Sheet & Tube Company The Youngstown Steel Door Company

In the placement of these securities we have had the cooperation of hundreds of dealers throughout the country.

If you, as an individual or corporate trustee, an owner of securities yourself, or the manager of the funds of others, have the problem of disposing of a large block of stock, we would be glad to have you discuss it with us.

### SMITH, BARNEY & CO.

Members New York Stock Exchange

14 WALL STREET, NEW YORK 5 522 FIFTH AVENUE, NEW YORK

PHILADELPHIA

CHICAGO

Industrial, Utility and Municipal Financing Securities Bought and Sold on Commission

Trading Markets in Industrial, Utility, Railroad Bonds and Stocks Foreign Dollar Securities

## KIDDER, PEABODY & CO.

Members New York and Boston Stock Exchanges and New York Curb Exchange

New York

Philadelphia

Chicago BALTIMORE SCRANTON

READING

ALBANY NEW BEDFORD

PROVIDENCE NEWPORT SPRINGFIELD

LOWELL

New York Teletupe NY 1-193

Clark, Dodge & Co.

**MEMBERS** 

New York and Boston Stock Exchanges New York Curb Exchange

61 Wall Street, New York 5, N.Y. BOSTON NEWARK LONDON

CORRESPONDENTS

Cleveland · Cincinnati · Philadelphia · Pittsburgh · St. Louis

## 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 C h a irman,



called atten-tion to pro-posals 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 ap-propriate arrangements be made to in-

sure that the Association representation at the Recommends That if Civil Aeronautics Board Is Given Control Over Sale of Air Line Securities, They Should Be Exempted From Registration Requirements. In Reviewing Corporate Financing, Committee Points Out That Industrials
Have Taken More "New Money" Than Rails or Utilities and That More
Venture Capital Is Going Into This Field. Holds Private Placements Will Increase in Volume and Calls for Amendment to Securities Act to Require Registration of These Offerings to Equalize Competitive Position With Public Offerings. Urges Passage of Act Authorizing Price Control During Syndicate Operations and Definitely Fixing Effective Date of Securities Registrations. Advocates Government Withdrawal From Industrial Financing and Removal of Unnecessary and Burdensome Restrictions.

the views of the investment bank- ceived from the Committee on healthy, and independent civilian ing business be effectively pre-sented. The full text of the Committee's report, which covers present problems of industrial finance, follows:

In September, the headquarters office of the Association referred nearings on this proposal and that to your Committee a request re-

of the House of Representatives for an expression of the views of the Investment Bankers Associa-tion in connection with the "Post-war Transportation Survey" which has been undertaken by the Congressional body.

Your Committee was requested to deal with the subject in its reort from the standpoint of its relation to civilian air transporta-

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.

cerning 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 regulation of civil aviation, as follows:

(1) The existence of military air power is chiefly dependent on the aviation industry and on the airmindedness of the civil population. It is essential that a strong,

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 politi-cal interference and executive control. The Civil Aeronautics Board, as established under that Act, should be continued as the 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 not be curtailed. Appointments to the Board should be given only to men of the highest integrity, possessing the technical knowledge and experience essential to the proper discharge of their responsibilities.

(3) In general, the 1938 Act

(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 beworked out in conferences be-tween the Congressional commit-tees having jurisdiction and rep-resentatives of the civilian avia-tion industry, the Civil Aeronau-tics 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; and almost wholly by the sale of equity securities. The air lines have experienced no difficulty in obtaining needed capital and no problems have arisen which call for legislating action or for furfor legislative action or for fur-ther regulation in this field. We note that a proposal has been made to Congress that the Civil Aero-nautics Board be given authority to control the issuance and sale of securities by air transportation companies, including authority to

require compulsory competitive bidding. But these are matters which should be left to managerial which should be let to managerial judgment. The Civil Aeronautics Board now has all of the regulatory authority it needs to accomplish its proper purposes. When they sell securities to the public, the air line companies must register under the Securities Act. the air line companies must regis-ter under the Securities Act. The public interest would not be beff-efited 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 Act by amending Section 3 (a) of the latter Act to include an exemption for air line companies regulated by the C. A. B., substantially identical to the exemption now available under Section 3 (a) (6) of the Securities Act to railroads operating under I. C. C. jurisdiction.

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 should, in the opinion of your Committee, express a desire to be heard by these Congressional Committees when questions relating to the sale of securities by air transportation companies are under consideration. Appropriate ar-rangements should be made to en-sure that the Association is represented on such occasions and that the views of the investment banking business are effectively

No industry has done more than the aviation industry to achieve victory in the War. And there are few fields in which the investment banking business has had a 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. No industry has done more than our views.

#### The New Financing

It is the function of your Committee to deal with matters relating to industrial finance in general. As we look over the field, it appears to us that certain recent trends and developments merit attention and comment.

1944 and 1945 have been years of great activity in the investment banking business. Of what has it consisted?

In the period of four years and seven months from Jan. 1, 1941, (Continued on page 2761)

## LAURENCE M. MARKS & Co.

Members of the New York Stock Exchange

INVESTMENT SECURITIES

**NEW YORK** 

**ALBANY** 

## Francis I. du Pont & Co.

Underwriters, Distributors, Dealers in

CORPORATE AND MUNICIPAL SECURITIES

#### **MEMBERS**

New York Stock Exchange : New York Curb Exchange : Chicago Board of Trade
New York Produce Exchange : New York Cocoa Exchange : New York Cotton Exchange New York Coffee & Sugar Exchange New Orleans Cotton Exchange

#### ONE WALL STREET

NEW YORK 5, N. Y.

Tel.: BOwling Green 9-6000

Cable: Rhetpont

Teletype: NY 1-1181

Wilmington, Del.

Newark, N. J.

Philadelphia, Pa.

White Plains, N. Y.

Charleston, S. C.

## Stocks · Bonds · Commodities

U. S. GOVERNMENTS AND MUNICIPALS FOREIGN AND CORPORATE BONDS

Special and Secondary Offerings

Private Wires to Branch Offices and Correspondents in Principal Cities in the United States. Foreign connections in Europe.

#### E. F. HUTTON & COMPANY

ESTABLISHED 1904
MEMBERS NEW YORK STOCK EXCHANGE AND OTHER
PRINCIPAL SECURITY AND COMMODITY EXCHANGES

61 BROADWAY, NEW YORK 6 BELL SYSTEM TELETYPE NY 1-1675

WHITEHALL 4-2100 CABLE ADDRESS: TONHUTEF

LOS ANGELES

Albuquerque Beverly Hills • El Paso • Hollywood • Long Beach
Pasadena • Phoenix • San Dieao • San Jose • Santa Barbara • Santa Mo

## Railroad Committee Notes Further Gains in Carrier Credit

In its report to the 34th Annual Convention of the IBA, the Railroad Securities Committee, headed by Fairman R. Dick as Chairman took an optimistic



Fairman R. Dick

view of the railroads, but pointed out that earnings are bound to fall below the wartime lev-els, and that higher wage rates to employees are in the offing. Higher rail charges to offset these conditions, are held to be essential. but

irman R. Dick in view of the OPA policies 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:

port for 1945 follows:

The Report of the Railroad Securities Committee for 1944 described the extensive improvement in railroad credit that took place in the preceding year. Improvement has continued at a rapid pace for another 12 months.

The Report for 1944 measured

The Report for 1944 measured the gains by the prices of a large number of 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 Unif. 41/2s, 1964\_\_ 

\* Called—replaced by 4½s. † Called—replaced by 3%s. ‡ Called—replaced by 3%s.

‡ Called—replaced by 3%s.

The continued improvement in credit is evidenced not only by a rise in the prices of bonds and the increased number of roads able to refund debt at lower interest cost, but likewise by the increased market value of the stock equity of the railroads, the prices of many railroad stocks having increased in the last 12 months 50 to 100% or more.

The principal causes of the continued improvement in railroad credit outlined in the 1944 Report remain fundamentally unchanged:

(a) A level of net earnings that

(a) A level of net earnings that permits the building up of safety cushions in current assets and makes possible important reducSays Confidence in Rails as Backbone of Transportation System Continues Despite Factors Pointing Toward Traffic Declines and Reduced Earnings. Sees Possibility of Offsets in Improved Equipment, Greater Efficiency and Elimination of Overtime Pay, and Holds Freight Rate Increases Essential if Higher Wages Are Granted Employees, but Warns That Political Pressure on ICA May Thwart Action. Concludes "Railroads Are Prepared as Never Before to Live Off Their Fat."

(c) Increasing recognition of the importance of our railroads as the very backbone of our domestic transportation.

A year ago it was difficult, in fact impossible, to determine the extent to which cerdit improvement was based on the increased recognition that our railroads are, recognition that our 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 clear evidence that this factor is a most important ingredient in the composite credit picture.

Confidence in Railroads Continues

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 Fapid rise in operating ratios that has already taken place, not to mention the possibility, if not the probability, that wages and costs will in the near future increase to still higher levels. Moreover, un-Nov. 15, 1944

Nov. 15, 1944

Nov. 15, 1945

Nov.	15, 1944	Nov. 1	5, 1945
Price	Yield	Price	Yield
903/4	5.25%	111	3.67%
831/2	5.41	99	4.55
83 1/8	6.07	105	3.40
991/4	6.05	**	* **
101	4.44	+ -	+
991/2	5.02	#	1
an Hart (A)			

favorable factors affecting future railroad earning power are not limited to declines in traffic; increases in wage rates, and the cost of materials and supplies, because wartime earning power re-flects abnormally favorable con-ditions which in all probability will change for the worse in the

will change for the worse in the next 12 months.

One of these factors is the abnormal passenger earnings per passenger train mile, resulting from the unusual loading of passengers into cars, and the other is the abnormally heavy loading of freight cars due to the wartime shortage of cars and the Office of Defense Transportation rules requiring maximum loadings. quiring maximum loadings.

FOUNDED 1913

## THOMSON & MCKINNON

SECURITIES • COMMODITIES 11 Wall Street, New York

Private wire system connecting our offices in 35 cities in the United States and Canada

MEMBERS NEW YORK STOCK EXCHANGE AND OTHER PRINCIPAL SECURITY AND COMMODITY EXCHANGES

tions in debt and fixed charges.

(b) The removal of maturity dangers by anticipatory payments or refunding operations.

(c) Increasing recognition of are over and the private automobiles 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 equipment is available it 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 operations and the use of improved power and equipment. 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 time. 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 is the size of the required increase. Definite forecasts in this 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 negotiated agreement, it would seem probable that a decision would not be reached until the late spring, due to the procedure and requirements of the Railroad

requirements of the Railroad Labor Act. In all probability, applications for higher freight rates would await such a settlement. If so, applications for freight rate increases may be expected to be initiated in early summer, which case a decision could be ex-

This tentative time schedule can of course be expedited or delayed. Much 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. 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

basic materials prior

manufacture.

Judging from the past, an up-ward readjustment of the railroad reight rate structure to correspond with the present conditions will not be a matter of mere routine. It would be wishful thinking to expect that the Interstate Commerce Commission would be free from the heaviest kind 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 in rates now suspended temporarily. The recent speech of President Tru-man 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 such as occurred

(Continued on page 2765)

#### F. EBERSTADT & CO.

INVESTMENT BANKING

39 BROADWAY

NEW YORK 6, N. Y.

## EASTMAN, DILLON & CO.

15 Broad Street, New York 5, N. Y.

PHILADELPHIA • CHICAGO • LOS ANGELES • HARTFORD

PATERSON • READING • EASTON

Private Wires to Correspondents in

LOS ANGELES • ST. LOUIS • SAN FRANCISCO

## **Urges Larger Private Holdings of Governments**

ment 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 terest. The sale of United States Gov-ernment se-curities to over 85,000,000 people is an accomplishment



that speaks for itself. We must now vigor-ously turn our attention to the formulation of sound policies for IBA Government Securities Committee Asks for Periodic Offerings of 21/2% Bank Ineligible Issues and Curtailment of Movement Toward Lower Interest Rates. Says Government Adherence to Sound Principles of Fiscal Management Is Essential to Public Confidence.

lic debt approaching three hundred billion of dollars.

With skillful and competent fis-cal management this debt can doubtless be serviced and even-tually reduced considerably with-out undue disturbance to our economic system. The problem to-day is so great that we cannot af-ford to undertake short-sighted or

inept experiments.

The Federal public debt today calls for au 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

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 im-mediately 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 the future management of a pub- charges alone to so affect the that the Treasury may continue

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 structure of 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 cosis of the

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 unattracive the investment of the savings of the people.

The course of government postwar 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 85,000,000 of our people demands your best thoughts and constant attention.

Governmental Securities Committee-Herbert N. Repp, Chairman; Eugene R. Black, George Buffington, Robert H. Craft, Edward B. Hall, Leo A. Kane, Francis M. Knight, Aubrey G. Lanston, Jay N. Whipple.

GOVERNMENT, STATE, MUNICIPAL AND CORPORATE SECURITIES

## BLAIR & CO.

44 WALL STREET, NEW YORK 5, N. Y.

Boston

Buffalo

· Chicago · Philadelphia

U. S. Government Municipal Public Utility Industrial Railroad Canadian Government

## SALOMON BROS. & HUTZLER

Securities

SIXTY WALL STREET NEW YORK 5, N. Y.

Private wires to

BOSTON

PHILADELPHIA CHICAGO CLEVELAND

Federal Intermediate Credit Bank Consolidated Debentures Offer...

## Desirable Short Maturities

THEY AFFORD a popular medium through which institutional funds, earmarked for temporary employment, may be invested securely at favorable term rates. These obligations of the twelve issuing banks are made available regularly for subscription in denominations ranging from \$5,000 to \$100,000, due at convenient intervals up to one year. Debentures which mature within six months are acceptable as collateral security for fifteen-day borrowings by member banks of the Federal Reserve System.

#### THE FEDERAL INTERMEDIATE CREDIT BANKS

Requests for other salient information respecting the above described issues should be addressed to

CHARLES R. DUNN, Fiscal Agent 31 NASSAU STREET NEW YORK 5, N. Y.

## Sees Enlarged Public Utility Financing

The IBA Public Service Securi-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 con-

Chicago. The report contained an optimistic view for enlarged public utility financing but



ing rights of equity stock-holders are still facing the The industry Albert T. Armitage text of the report follows:

The year under review by this report has witnessed the largest volume of utility financing since 1936. New issues of bonds and debentures of the electric and gas industries reached a total of \$1,-145,000,000 on Nov. 10, compared to \$925,000,000 for the entire year 1944 and \$337,000,000 for 1943. In addition, the Bell system entered the capital markets for a sum of \$455,000,000 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 \$1,600,000,000 more than \$1,400,000,000 was for refunding issues which in turn 1936. New issues of bonds and defor 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 to-tal 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 reports 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 vol-ume 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 their merchandising departments

Public Service Securities Committee of IBA Reports Largest Volume of New Issues Since 1936. Though This Is Largely Due to Accelerated Refundings Because of Lower Interest Rates, There Is Prospect for Large New Utility Capital Investment, Represented in Part by Common Stocks. Utilities Faced With Labor and Reconversion Problems, and Fair Adjustment of Rights of Stockholders Has Not Yet Been Accomplished Under Public Utility Holding Act

pointed out that problems of reconver-sion and wages as well the SEC's at-titude regardof 1942 and is slightly above the highs of 1937 and 1933. The utility bond market, which showed very little change during 1943 and 1944, advanced substantially argely depend on the success in 1945. Moody's Composite Average of Yields on Public Utility Bonds, which remained close to 3.00% throughout 1943 and 1944, money will appear in sufficient which there is some ground for feeling that demand for new money will appear in sufficient up for lost three years ago. The 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

Management Problems

The management problems facing the utilities, 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 reconversion. 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 wishful thinking to suppose the 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 pay ments for overtime. Electric trillities in 1944 paid \$388 millions to 201,000 employees. In 1941 they paid 376 millions 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 gurrent by pay for a reduced working week in the use of electric current by war industry. Electric utilities, however, will have to rebuild

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.

Plight of Equity Shareholders From the point of view of utility holding company security

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 Holding Company Act and yet we are lacking judicial determination of some of the basic issues. A review Adolphe H. Wenzell.

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. Brandi; John G. Flint; Hugh D. MacBain; Robert Mason; Nathan D. McClure: Clay H. Sorrick; Edward K. Van Horne;



SALMON P. CHASE

## State and Municipal Bonds

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

BOND DEPARTMENT

Pine Street Corner of Nassau

Tel. HAnover 2-6000

Bell System Teletype NY 1-1010

Dealers In

U. S. Government Securities

State — Municipal Bonds

Housing Authority

HARVEY FISK & SONS

**SINCE 1863** 

40 WALL STREET, NEW YORK 5, N. Y.

HAnover 2-2900

Bell Teletype-NY 1-1860

INDUSTRIAL, RAILROAD, PUBLIC UTILITY and FOREIGN SECURITIES

UNLISTED TRADING DEPARTMENT

WERTHEIM & Co.

Members New York Stock Exchange NEW YORK

igitized for FRASER o://fraser.stlouisfed.org/

## New Education Progarm Under Way

IBA Education Committee Tells of Efforts to Attract Capable Young Men to

"The program of the Investment Bankers Association of America to attract young men to the in-vestment banking business and

to offer them comprehensive courses of training, has been carried forward with considerable success since our last meeting," reports Julien H. Collins, Chai man of the IBA Education Committee. The report contin-

wes:
More than 250 men have already been

250 men have already been Julien H. Collins 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



Investment Banking, Has Issued Booklet on Training for Career in Finance and Has Established School at Northwestern University-Will Extend Education to Smaller Centers.

About 5,000 copies of the book-let 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 than 1,500 copies of our vocational booklet have been sent to colleges and universities, while various separation centers of the Army, Navy and Marine Corps 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 satisfac-

It is with considerable satisfac-tion that your Committee may 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.

the attention of the Association, of Commerce of Northwestern

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 epened on Nov. 14 with one over its full limit of So, and the course of the c

11 of 50 students, registered by 12 member houses. Those who satisfactorily complete the 126-hour course will receive from the Association, an appropriate Certificate of Achievement on April 6. 1946, the date on which the

26, 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 In cooperation with the School Government and Municipal Bonds, Portfolio Management for both

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.

University, a carefully planned insurance companies and banks 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 lation. The Association is insurance companies and banks training course in Investment Central States Group of the Association in Chicago, and our members in Los Angeles have lation. The Association is insurance companies and banks training course in Investment Central States Group of the Association in Chicago, and our members in Los Angeles have lation. The Association is insurance companies and banks training course in Investment Central States Group of the Association in Chicago, and our members in Los Angeles have lation. The Association is insurance companies and banks training course in Investment Central States Group of the Association in Chicago, and our members in Los Angeles have lation. The Association is insurance companies and banks training course in Investment Central States Group of the Association in Chicago, and our members in Los Angeles have lation. Analysis of Railroad and Public Utility Bonds, Operation of the Stock Exchanges, and special Stock Exchanges, and special studies of State and Federal Regulation. The Association is indebted to the men who have agreed to conduct these discussions because they are expected to be a 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 for genlines and course manuals for gen-

Ilines and course manuals for general distribution to our members. During the past six menths, 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 the program. It now appears likely is enthusiasm and support for the program. It now appears likely that training courses similar to the one established in Chicago, will be opened in at least five or six other centers early in 1946.

Member houses in smaller communities have been no less an

munities have been no less en-thusiastic about our plans than those in the larger centers. The unit cost of a training course, however, appears to make it im-practical to establish a school un-less at least 25 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 references, which has been prepared during recent months should also prove helpful to many of our members. The Association should give further consideration to the spensorship of a new textto the sponsorship of a new text-book in investment banking as recommended in the report of this Committee last June.

We have made a good begin-ning in organizing 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 wide. 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 carcept as one of his important duties, the responsibility of carrying forward an extensive program of field work with 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 ethiand of further advancing its ethical and professional standards, will be theirs.

will be theirs.

Education Committee — Julien II. Collins, Chairman; Andrew M. Baird; Howard M. Biscoe, Jr.; Merle Bowyer; W. T. K. Collier; Samuel K. Cunningham; Allen C. Ewing; W. Yost Fulton; Harper Joy; Waldo W. Mallory; John. W. Pancoast; Clyde L. Paul; Donald Royce; Lawrence E. Shaughnessy; Burdick Simons; R. McLean Stewart; Allen B. Tilghman; Adolph art; Allen B. Tilghman; Adolph El Weltner; Leroy A. Wilbur; W. W. Wittenberg.

# Dick & Merle-Smith

Investment Securities

30 Pine Street New York 5, N.Y.

30 State Street Boston 9, Mass.

## Reynolds & Co.

INVESTMENT BANKERS

Members

New York Stock Exchange Philadelphia Stock Exchange Chicago Board of Trade

New York Curb Exchange Chicago Stock Exchange Commodity Exchange, Inc.

120 Broadway

**Empire State Building** The Sherry-Netherland **NEW YORK CITY** 

BRANCH OFFICES

PHILADELPHIA, PA. SCRANTON, PA. EAST ORANGE, N. J.

ALLENTOWN, PA. POTTSVILLE, PA. MORRISTOWN, N. J.

LANCASTER, PA. BRIDGETON, N. J. Commercial Trust Co. of New Jersey First National Bank of Jersey City

New Jersey Bank Stocks

Bought - Sold - Quoted

#### **OUTWATER & WELLS**

15 Exchange Place, Jersey City 2, N. J. NEW YORK Telephone: REctor 2-2881 Teletype: JCY 102

## McLAUGHLIN, BAIRD & REUSS

Members New York Stock Exchange

#### **BOND BROKERAGE SERVICE**

Specializing in Railroad Securities

ONE WALL STREET

NEW YORK 5

Telephone HAnover 2-1355

Teletype—NY 1-2155

## **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



charged principally with three duties

1. To keep

itself inform-ed of newly conceived or ending legislation.
2. To aid in

having new legislation soundly 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

IBA Federal Legislation Committee, Aside From Boren Bill, Sees No Immediate New Enactments. Reminds Membership of Liability Section of Securities Act, Plus Common Law Penalties.

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 become effective New legislation was practically within a fixed period of time

curities Committee.

Meanwhile, your Committee ward. Our membership must not Stewart, Lyle F. Wilson.

become complacent with respect to the liabilities of the Securities Federal Legislation Committee

t, Plus Common Law Penalties.

after the date of filing, except feels it within its proper scope to when an extension is requested by the registrant. This point will be developed to some extent in as common law are till as well be developed to some extent in as common law are till as the law of the remainder.

Federal Legislation Committee—Charles S. Garland, Chairman; Albert T. Armitage, Hazen S. Arnold, James Coggeshall, Jr., Hal H. Dewar, Richard P. Dunn, Newton P. Frye, Stewart S. Hawes, Carey S. Hill, Edward H. Hilliard, be developed to some extent in as common law are still operative Edward Hopkinson, Jr., Joseph T. the Report of the Industrial Se- and that these liabilities are in- Johnson, James H. Lemon, John creasing as markets surge for- K. Starkweather, R. McLean

## W. E. HUTTON & CO.

ESTABLISHED 1886

Members New York Stock Exchange

MARKETS

IN

OVER THE COUNTER SECURITIES

> SINCE 1914

HOIT ROSE & TROSTER

Established 1914 Members New York Security Dealers Association

74 Trinity Place, New York 6, N. Y. Telephone:

BOwling Green 9-7400

Teletype: NY 1-375

First National Bank Building, Atlanta 3

Cincinnati, Ohio

Philadelphia, Pa. Baltimore, Md. Boston, Mass. Portland, Me.

Lexington, Ky.

New York, N. Y.

Easton, Pa.

Dayton, Ohio

Concord, N. H.

Underwriters — Distributors — Dealers

PUBLIC UTILITY, RAILROAD and INDUSTRIAL SECURITIES

W. C. Langley & Co.

Members New York Stock Exchange

115 Broadway

New York 6, N. Y.

## 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 volu m e a n d prices in new municipal fi-nancing the Committee, headed by Hazen S. Ar-nold of Braun, nold of Braun,
Bosworth &
Co., Toledo,
called attention to the
unsettled
questions
which have been overhanging the municipal



bond market. Hazen S. Arnold 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 which the Boren Bill now before Congress seeks to have

clarified.
The text of port follows: text of the Committee's re-

This year prices of municipal bonds again set an all-time record high. The Bond Buyer's index of yields of twenty-year general ob-ligation bonds of twenty large cities reflected an average yield Volume of Financing Also Gains. Question of Taxability of "Authority Issues" Still Awaiting Decision of Supreme Court. Boren Bill Not Yet Enacted By Congress and Threat of Federal Fingering in Transactions of Municipals Not Removed. Municipal Securities Committee Condemns Attitude of SEC and Urges Boren Bill Passage

of 1.35% as of last May. Each year starting with 1940, with the exception of 1942, a new record high 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 low of 5.69% in May 1933.

Year	Month	Yield
1940	December	2.18%
1941	November	1.90
1942	November	2.14
1943	November	1.69
1944	August-September	1.59
1945	May	1.35

During the twelve-month pe-During the twelve-month period ending Oct. 31, 1945, the amount of new issues of state and municipal securities, including those of U. S. Territories and insular possessions, 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 reflects:

12-Month Period	Ending Oct. 31-
Long-term financin Short-term financin	

\$1,247,517,928 Total

These volume figures were compiled from the The Bond Buyer's record of monthly sales. Reconstruction Finance Corpo-

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

That portion of Section 5d 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 and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to

1944

1945 \$834,393,924 639,289,469 \$620,128,087 627,389,841

\$1,473,683,393

make loans to, or contracts with States, municipalities, and politi-cal subdivisions of States, with public agencies and instrumental-ities of one or more States, mu-nicipalities, and political sub-divisions of States, and with public corporations, boards, and com-missions, to aid in financing proj-ects authorized under Federal ects authorized under rederal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. \* \* \*"

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, revenue bonds, notes or other valid obligations that prospective borrowers may be authorized to issue under applicable local law issue under applicable local law to obtain funds for the proposed projects. The obligations shall payable from such sources and shall be secured in such manner as may be acceptable to the RFC. The loans may be made for such 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 in our industry as to whether the RFC might be contemplating entering the field of state and municipal security financing in a way that would reflect competition with private industry. We inquired of Mr. Charles B. Honder 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. In response Mr. Henderson 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 latter dated Oct. 26, follows:

"I have your letter of Oct. 15 Corporation to public agencies, the U.S. Circuit Court of Appeals,

which loans are described in our

which loans are described in our former and present revised Circular No. 22 to which you refer.

"In our announcement to the press on Oct. 2 that loans are available from RFC to public agencies to aid in financing public construction projects, we pointed out, what was omitted from some shortened press 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 assistance to municipalities to displace that provided by municipal bond dealers.

"As in the past, this Corporation

mspace that provided by municipal bond dealers.

"As in the past, 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 on the part of municipal bond dealers that we are now about to start upon a policy of competing with, on encroaching upon private enterprise is groundless.

"As you know that a start and the start upon a policy of competing with a start upon a policy of competing with, on encroaching upon private enterprise is groundless.

"As you know, there are many situations in the municipal con-struction of public facilities where bond dealers cannot or do not bond dealers cannot or do not desire to make needed loans, which we can make on a sound basis, and thus make possible the carrying out of needed and desirable municipal projects. Such situations mainly occur in marginal projects where estimated between contractive expenses only eligibily. situations mainly occur in marginal projects where estimated future revenue only slightly exceeds debt service requirements, and where bond dealers will not buy bonds before a project is completed and in operation. Such loans, which can be made by us on a sound basis, supplement and do not displace private financing facilities, and we are authorized by law to continue to make available such assistance to public able such assistance to public agencies in order to aid the con-struction of necessary and useful public facilities.

"I shall be pleased to furnish you with any additional informa-tion you would like from us con-cerning our policy with regard to municipal loans.'

#### Maricopa County, Arizona

In our Annual Report of Nov. 28, 1944, we recited developments in the case of the State of Washington et al vs. Maricopa County, to me in regard to loans by this Arizona et al, pointing out that

## Hemphill, Noyes & Co.

15 BROAD STREET, NEW YORK 5

INDIANAPOLIS

PHILADELPHIA

PITTSBURGH

TRENTON

WASHINGTON

## CARL M. LOEB, RHOADES & CO.

Members New York Stock Exchange and other leading Exchanges

61 BROADWAY

NEW YORK 6, N. Y.

#### CORRESPONDENTS

	있다면 어린다면 사고 20.000 마른 하는 사람들이 가득하다면 생각하다면 하는데 모르다다면
	Betts, Borland & Co
	Beer & Co
	J. C. Bradford & Co
	Chaplin & CoPittsburgh
	E. W. Clark & Co Philadelphia, Lancaster, York
. (4	Cooley & Co
	A. G. Edwards & SonsSt. Louis, Springfield, Ill.
	Farwell, Chapman & Co
	Waller C. Hardy & Co Charleston, Parkersburg, W. Va.
	YI

아니는 물리 나는 물에 들어 가장 살아 있다면 하시면 사람들이 되었다면 하시면 하지만 하시면 하시면 되었다면 가장이 되었다면 하시면 되었다면 하시면 되었다면 하시면 되었다면 하시면 하시면 하시면 하시면 하시면 하시면 하시면 하시면 하시면 하시	
Johnston, Lemon & Co	
W. L. Lyons & CoLouisville	2
H. O. Peet & CoKansas City, Omaha, Wichita	1
Piper, Jaffray & Hopwood Minneapolis, St. Paul	1
Prescott & Co	1
T. A. Richardson & Co	0
Wm. C. Roney & Co Detroit, Grand Rapids, Saginau	υ.
Sutro & Co	S
H. C. Wainwright & CoBoston	1.
Westheimer & Co	2

LONDON, ENGLAND BUENOS AIRES, ARGENTINA HOTEL ST. REGIS, NEW YORK, N. Y. MEMPHIS, TENN. CHATANOGGA, TENN. AUBURN, N. Y. ELMIRA, N. Y. GENEVA, N. Y. HORRELL, N. Y. ITIRACA, N. Y. MIDDLETOWN, N. Y. SYRACUSE, N. Y. UTICA, N. Y. WATERTOWN, N. Y.

FEDEL CLASS CALCALITATE CARRESTED AND CALLACTERS CALCALACTERS CALCALAC

### Consultants on Municipal Finance

#### A Constructive Service to Municipalities

As Consultants on Municipal Finance we render a constructive planning service for Cities, States and other governmental units. This service includes experienced assistance in development of plans for new financing, reorganization of existing debt structures, planning the financing of self-liquidating projects, and financial public relations. WE DO NOT BUY OR SELL SECURITIES. We are pleased to cooperate with financial institutions and investment houses.

### Wainwright, Ramsey & Lancaster

70 Pine Street

New York 5, N. Y.

Telephone WHitehall 4-3540

Ninth District (to which an earlier decision of the District Court had been appealed) did not pass on the merits of the case, but held that the motion which had been made in the District Court by the county for a summary judgment. made in the District Court by the county for a summary judgment was not well founded and should have been denied because the pleadings showed that there were genuine issues of material fact involved in the case which should have been decided by the District Court

nave been decided by the District Court.

The case was then again brought before the U. S. District Court for the District of Arizona and arguments and testimony were heard by that Court on Nov. 14, 1944. On Jan. 5 of this year, the judge of the lower court announced that he would decide in favor of the county. On Feb. 27, he rendered his decision holding that the plaintiffs, i.e., the State of Washington and the Equitable Life Insurance Company of Iowa, are not entitled to the relief sought and that the defendants are entitled to judgment, which, we understand, was entered at the time.

the time.

The State of Washington and associate plaintiff, the Equitable Life Insurance Company of Iowa, again appealed the decision of the lower court to the U. S. Circuit Court of Appeals. The case was argued before the last mentioned court on Nov. 15, 1945. At the time of writing this report, we have not been advised of the conclusions of the Circuit Court of Appeals.

#### Port of New York Authority and Triborough Bridge Authority

By way of review, we pre-

of New York Authority and the Triborough Bridge Authority cases. It will be recalled that both the U. S. Tax Court (Jan. 28, 1944) and the U. S. Circuit Court of Appeals (Aug. 24, 1944) upheld the exemption of the interest on the bonds of these authorities from federal income taxes. It will also be recalled that the decisions also be recalled that the decisions of both of these courts were based upon the statutory provision and that neither court found the need to go into the constitutional phase of the subject.

phase of the subject.

During the latter part of 1944, the Treasury Department (Commissioner of Internal Revenue) petitioned the U. S. Supreme Court to review the cases. On Jan. 2, 1945, the U. S. Supreme Court denied the Treasury's petition for review; thus the decisions of the U. S. Tax Court and the Circuit Court of Appeals stand, and the interest from the stand and the interest from the bonds of these authorities is ex-pressly exempt under the law in its present form.

#### Delaware River Joint Commission

Somewhat over eight years ago the Treasury Department asserted the power to assess a federal stamp tax upon the bonds issued by the Delaware River Joint Commission—a joint Commission of the States of New Jersey and Pennsylvania. The Commission declined to now the seasons Pennsylvania. The Commission declined to pay the assessment and sharp controversy followed. Developments were closely observed by state and municipal officials throughout the country as the procedure was considered as a step in the direction of federal taxation of all state and municipal bonds. Originally the Treasury Department demanded payment from the Commission of viously reported on two important, payment from the Commission of decisions during 1944 in the Port \$41,000 stamp tax plus a penalty

of \$2,050 and interest of \$129.83 upon bonds issued by the Commission in 1933. Conferences were held between the Commission and the Treasury Department in Washington. In 1939 the Treasury Department admitted that close to \$31,000 of the assessment had been erroneously made; however, it insisted upon payment of about \$10,413 and interest which the Commission declined to pay. In August of 1943, the Treasury Department attached \$10,497 of the funds of the Commission paid the levy under protest and commenced legal proceedings in the Federal Court.

About the middle of October

About the middle of October this year, the Delaware River Joint Commission was advised that the Treasury Department would the Treasury Department would refund the entire amount of the tax which the Commission had paid under protest along with interest. At the same time, it solicited the Commission to dismiss the suit pending in the Federal Court. We understand that counsel for the Commission either has or will move to have the case dismissed. While the amount finally involved in this particular situation was not material, the principle involved was deep seated and far reaching.

### Other Court Actions and State Legislation

Appended to this report are references to certain other court decisions rendered and to state legislation enacted during the year. Only decisions and state legislative enactments considered to be of general interest to the to be of general interest to the municipal trade or of special significance locally are mentioned. Your attention is directed to these decisions and enactments. See Appendix 1, Court Decisions, and Appendix 2, State Legislation.

#### The Boren Bill

The Boren Bill
In our Interim Report of last
June, we reported on the hearings
on the Boren Bill, H. R. 693 held
Feb. 20 and 21, 1945 by the Interstate and Foreign Commerce
Committee of the House. We understand that the House Committee discussed the bill on May 1,
last. On May 4, Congressman,
Boren introduced an alternate

substitute bill, H. R. 3129: One of the SEC's objections to H. R. 6933 expressed at the hearings by Chairman Purcell was that he felt the statute would be unfortunately confusing in that particular form. Mr. Purcell said that if it is the desire of the Committee to amend the law to carry through the philosophy of the bill, some means could be found to make a simpler exemption form.

H. R. 3129 is a simplified expression of the principle contained in

H. R. 3129 is a simplified expression of the principle contained in H. R. 693. The enactment of either of the two bills would afford the processes of state and municipal security financing the needed protection from SEC regulatory jurisdiction. A copy of H. R. 3129 was shown in our Interim Report of last Jpune and for immediate reference it is act forth below.

#### A Bill

To amend the Securities Exchange Act of 1934 so as to limit the power of the Securities and Exchange Commission to regulate transactions in exempted securities.

Be it enacted by the Security

securities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Securities Exchange Act of 1934, as amended, is amended by adding at the end thereof the following new subsection: section:

section:

"(d) No provision of this title, shall be held to confer upon the Commission the power to prescribe rules or regulations imposing any restrictions or requirements with respect to the purchase, sale, hypothecation or negotiation of, or otherwise regulating transactions in, exempted securities; except that this subsection shall not apply with respect to section 8 (c) of this title."

this title."

SEC. 2. The second sentence of section 15 (c) (1) of the Securities Exchange Act of 1934, as amended, is amended to read as follows: "The Commission shall, for the purposes of the application of this subsection in the case of securities other than exempted securities, by rules and regulations define such devices or contrivances as are

manipulative, deceptive, or otherwise fradulent."

otherwise fradulent."

During the hearings last February on H. R. 693, Congressman Wolverton suggested a meeting of the SEC and the affected parties before the Committee took final action on the bill under consideration. Subsequently in keeping with this suggestion. Chairman Purcell of the SEC called such a meeting for July 10, in Philadelphia. In attendance were Chairman Purcell and two of his associate Commissioners and several members of the staff of the SEC. Also present were those repre-

members of the staff of the SEC. Also present were those representing states and municipalities, the American Bar Association and our industry.

Mr. David M. Wood of Wood, Hoffman, King & Dawson, New York, representing states and municipalities at the meeting reported to Congressman Wolverton as follows:

"The conference between the Securities and Exchange Commission and representatives of the States and municipalities and of

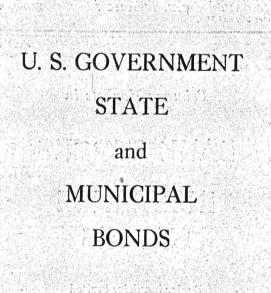
mission and representatives of the States and municipalities and of investment bankers, which you suggested at the hearing on the Boren Bill be held, was held in Philadelphia on July 10. The meeting was attended by a number of representatives of the States and municipalities, as well as by representatives of the investment banking fraternity. As you will no doubt be advised in detail of the attendance at the meeting, I will not attempt in this letter to mention the names of those present. The Chairman and two members of the Commission were present, as were several members of the Commission's staff.

members of the Commission's staff.

"Chairman Purcell opened the conference by stating that the purpose of the meeting was not to discuss the Boren Bill, but to consider what action the Commission might take under the existing act with reference to State and municipal securities. Where-upon, speaking on behalf of the States and municipalities, I stated that they were strongly opposed to any regulation of their financial affairs by any Federal agency, and that they were just as much opposed to indirect regulation as they were to direct regulation.

(Continued on page 2734)

(Continued on page 2734)



BOND DEPARTMENT-

CHEMICAL BANK: TRUST COMPANY

165 Broadway, New York 15, N. Y.

MUNICIPAL and CORPORATION **BONDS** 

PHELPS, FENN & CO.

## **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 of United States and Canada. Mr. Purcell disclaimed any intention or claim of authority on the part of the disclaimed 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 whether regulation of the secondary market in State and municipal bonds adversely affected the bonds adversely affected the States and the municipalities. The representatives of these public agencies aserted that it did affect them most adversely, in which position they were supported by the representatives of the invest-ment bankers. The Commission seems to be of the contrary opinion.

curities, 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. might be perfectly legitimate.

representatives of these public agencies ascreed 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"

"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.

and municipal securities or with reference to corporate securities. Its staff and all other persons All agreed that the Commission present at the conference. Both had power to prosecute those who sides, in my opinion, are perfectly commit frauds in the sale of securities, both public and private.

"The Commission, however,

"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 laid down by the State, while 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) "We are really confronted with

(Continued on page 2735)



\*Abrams, James S. Acheson, A. Glen Adams, William M. Agee, Rucker Ainsworth, Walter W. Answorth, Walter W Aldworth, Richard J. Allen, E. Ray Alley, William M. Allyn, Arthur C. Altgelt, E. J., Jr. Andersen, Jonas C. Anderson, Edward C. Anderson, Edward E. Andrews, Edmund L. Andrews, Rollin G. Angle, J. B. Angle, J.B.
Applegate, George G.
\*Arnold, Hazen S.
\*Arnold, H. Wilson
Arnstein, Frederic A.
\*Arthur, J. Howard Asch, Jules Ascher, H. Albert Ashplant, Fred'k B. Ashmun, Clifford S. Atwill, William, Jr. Augustine, Floyd Ayers, William L.

Bacon, William T. Baird, Andrew M. Baker, Dudley F.

Ballman, John P. Barbour, Phillips Barcus, J. S. Barcus, J. S.
Barclay, George A.
Barclay, Wm. K., Jr.
Bargmann, Fred A.
Barr, W. Manning
\*Barrow, Wm. Russell
Barrowclough, George Barry, Eugene P. \*Bass, Jack M. \*Bateman, Henry M. \*Bateman, Henry W Baum, Alvin H. \*Baxter, Mark \*Bayne, William Beebe, Harry W. Beissner, Henry M. Bennett, Wayne R. Bent, Maurice H.

Berblinger, Henry T Bickmore, J. Franklin Bigger, Richard A. Billett, L. Raymond Bingham, W. G. \*Bitting, Kenneth C. Bixby, William H.

\*Denotes Mr. and Mrs.

Allen & Co. Allen & Co.
Lazard Freres & Co.
Lazard Freres & Co.
Braun Bosworth & Co.
Sterne, Agee & Leach
Metropolitan St. Louis Co.
Salomon Bros & Hutzler
Stranahan, Harris & Co.
A. E. Ames & Co.
A. C. Allyn & Co.
Harris Trust & Savings Bank
Blair & Co. Blair & Co.
Scott & Stringfellow
Discount Corporation
American National Bank J. M. Dain & Co Morris F. Fox & Co. Geo. G. Applegate Braun, Bosworth & Co. Weil & Arnold Stix & Co. First National Bank Hirsch & Co. Wm. E. Pollock & Co. F. B. Ashplant & Co. C. S. Ashmun Co. Atwill & Co. C. J. Devine & Co.

Bacon, Whipple & Co. A. B. Becker & Co. Bosworth, Chanute, Loughridge & Co. ridge & Co.
Ballman & Main
First Boston Corporation
Barcus, Kindred & Co.
Kean, Taylor & Co.
Stein Bros. & Boyce
Braun, Bosworth & Co. Barr Brothers & Co. Barrow, Leary & Co. First of Michigan Corp. First of Michigan Corp.
Shields & Co.
Jack M. Bass & Co.
Bateman, Eichler & Co.
E. H. Rollins & Sons
Parker Corporation
F. S. Moseley & Co.
Harriman Ripley & Co.
Moroney, Beissner & Co.
Continental Illinois Bank
Merrill Lynch Pierce. Merrill Lynch, Pierce,

Fenner & Beane Sills, Minton & Co. Boettcher & Co. R. S. Dickson & Co. Kebbon, McCormick & Co. Bingham, Sheldon & Co. Bitting, Jones & Co. G. H. Walker & Co.

New York Detroit Birmingham St. Louis Chicago Chicago New York Chicago New York New York Richmond New York Chicago Minneapolis Milwaukee Pittsburgh Toledo New Orleans St. Louis Pittsburgh New York New York New York Minneapolis Miami Beach New York Chicago

Chicago Chicago Denver

Chicago New York Chicago New York Philadelphia Detroit New York Shreveport Chicago New York Nashville Los Angeles Chicago Chicago Boston New York Houston Chicago New York

Chicago Chicago New York Chicago Milwaukee St. Louis St. Louis

Primary Markets in

# BANK STOCKS INSURANCE **STOCKS**

Dealer inquiries invited

#### GEYER & CO.

Chicago 4 231 S. La Salle Street FRanklin 7535 CG-105 **NEW YORK 5** 67 Wall Street WHitehall 3-0782 NY 1-2875

Boston 9 10 Post Office Square HUbbard 0650 BS-297

PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, PHILADELPHIA, ST. LOUIS, LOS ANGELES

TELEPHONES TO HARTFORD, Enterprise 6011 PORTLAND, Enterprise 7008
PROVIDENCE, Enterprise 7008



As a pioneer in the underwriting and distributing of industrial securities, the facilities of our firm will be helpful to dealers interested in financing or refinancing on behalf of clients.

Our nearest office will be glad to assist you in working out details.

### HORNBLOWER & WEEKS 40 WALL STREET, NEW YORK 5, N. Y.

Members Important Exchanges

Offices: New York; Boston; Chicago; Cleveland; Philadelphia; Detroit; Portland, Me.; Providence; Baltimore; Bangor.

#### MUNICIPAL — RAILROAD PUBLIC UTILITY - INDUSTRIAL SECURITIES

We maintain active trading departments Direct contact with Markets in principal financial centers

## E. H. Rollins & Sons

BOSTON

PHILADELPHIA

40 Wall Street (5)
Tel. WHitehall 4-4860
Bell System Teletype NY 1-490
Bell System Teletype BS 142
Bell System Teletype PH 268-269

CHICAGO

NEW YORK

135 South La Salle Street (3) Tel. Central 7540 Bell System Teletype CG 530

SAN FRANCISCO

Russ Building (4) Tel. Exbrook 7900 Bell System Teletype SF 370

Offices or Representatives in Other Principal Cities Throughout the Country

Blair, William-McC. Blake, John L. Blake, Fred \*Blakely, W.H. \*Blanchett, Frederic J. Blankenship, Fred M. Blosser, Joseph Blunt, John E. 3rd Bogardus, P. Hurley Boles, Ewing T.
Bolger, John F.
Bonner, Douglas G.
Booker, Y. E. Borkland, Ernest W., Jr Boyce, C. Prevost Bradford, H. A. Bradley, E. Holbrook Bradley, Mahlon O.

\*Bradley, S. Whitney Brand, William H. Brayshaw, Donald B. Brenning, Louise Brent, W. Rufus Bridgen, Clarence J.

Briggs, J. H. Brock, R. M. Brock, R. M.
Broome, Robert E.
Brown, Austin
Brown, Harry
Brown, J. Fred
\*Brown, William T.
Browning, Homer Browning, Homer
Browning, McPherson
Bryce, T. Jerrold
\*Buckley, Walter W.
Buckner, Errol E.
\*Buhr, Oscar L.
Buhse, Howard E.
Bullock, Hugh
\*Burge, John D.
Burgert, Woodward
Burke, William T.
Burlingham, J. Preston
Burrows, J. B.
Bush, Rollin C.
Buttenwieser, Benj. J. Buttenwieser, Benj. J. Buzby, William D., Jr.

\*Cahn, William M., Jr. Caldwell, G. James Callaway, Trowbridge Campbell, Douglas Cannon, Francis A. Carlwell, Marion H. Carson, James H. Carpenter, Frederick B. Carr, Frank C.
Carrington, W. G., Jr.

William Blair & Co. Eaton & Howard Cruttenden & Co. Blankenship, Gould & Blakely Portland Conrad, Bruce & Co. Seattle Blankenship, Gould & Blakely Portland
Straus & Blosser Chicago
Lee Higginson Corporation Chicago
Barr Brothers & Co. New York Chio Company
Shillinglaw, Bolger & Co.
Bonner & Gregory
Alex, Brown & Sons Tucker, Anthony & Co. Stein Bros. & Boyce Calvin Bullock Edward M. Bradley & Co. Paine, Webber, Jackson & Curtis Eaton & Howard

Chicago Chicago New York

Columbus Chicago New York Washington

New York Baltimore

New York

New Haver

Milwaukee Atlanta

Chicago New York Chicago

Chicago

Dayton New York New York

Denver New York

Philadelphia New Orleans

Chicago New York Cleveland Chicago New York

Chicago New York New York New York

Philadelphia

New York

St. Paul New York

New York

Louisville New York

Chicago

Chicago New York

Detroit

Chicago

Buffalo Detroit New York

Chicago

Boston

Wisconsin Company Distributors Group Julien Collins & Co. Eastman, Dillon & Co. Paine, Webber, Jackson & Curtis H. M. Byllesby & Co.

Greene & Brock Guaranty Trust Company Dean Witter & Co. Salomon Bros. & Hutzler Boettcher & Co.
Allen & Co.
Allen & Co.
Marine Trust Company
Detroit Trust Company
Clark, Dodge & Co.
Buckley Brothers
National Bank of Commerce
Detroit Trust Company
Hornblower & Weeks
Calvin Bullock
Ball, Burge & Kraus
Harris Trust & Savings Bank
Bacon, Stevenson & Co.
Bacon, Whipple & Co.
Union Securities Corp. Boettcher & Co. Union Securities Corp National City Bank Kuhn, Loeb & Co. Butcher & Sherrerd

Henry Herrman & Co. Caldwell-Phillips Co.
Dick & Merle-Smith
First of Michigan Corp.
First Boston Corporation
J. J. B. Hilliard & Son Salomon Bros. & Hutzler John Nuveen & Co. John Nuveen & Co. Ira Haupt & Co.

\*Denotes Mr. and Mrs. (Continued on page 2742)

In Attendance at IBA Meeting Municipal Prices Attained Record Highs

(Continued from page 2734)
to keep the peace instead of simply punishing those few who commit disturbances. The Commission seems to be of the opinion that frauds can be preyented, or at least minimized by prescribing the manner in which all transactions in securities shall be conducted. The representatives of the actions in securities shall be con-ducted. The representatives of the public agencies and of the invest-ment bankers believe in punish-ing those who commit frauds, but allowing complete freedom for the transaction of legitimate business.

"It was undisputed that fraudulent transactions in public securities rarely occur. A member of the Commission's staff admitted that the Commission, since its organization in the year 1934, had prosecuted but two dealers for fraud in connection with the purchase or sale of State and municipal bonds. I suggested that in view of that statement the Commission made a very noor case mission made a very poor case for the need for regulation in the field of public securities.

"A member of the Commission's staff suggested a rule declaring it to be a fradulent transaction if to be a fradulent transaction if securities were bought or sold at a price which bore no reasonable relation to the current market, if any. He stated that the courts have declared this to be the law in any event, and that the pro-

posed rule would simply be a codification of the existing law. I stated at the hearing that I did not think such a rule would be objectionable, but upon reflection it seems to me to amount to the enactment by the Commission into law of the interpretation of court decisions made by the Commission's legal staff, regardless of whether such interpretation may be correct, or erroneous. If the interpretation is correct, no such rule is necessary, it is the law in any event. If it is incorrect, it should not be made the law by an administrative agency. That is the function of Congress.

"In my opinion the parties to enactment by the Commission into

"In my opinion the parties to this controversy are as far apart as ever. The Commission has not disclaimed power to regulate disclaimed power to regulate transactions in public securities. It, has merely announced that it has abandoned proposed rule X15C1-. 10, but it is still considering other regulatory measures affecting State and municipal securities. If the Commission does not assert such power of regulation over transactions in State and municipal securities, it seems reasonable to suggest that it announce its approval of the Boren Bill, which simply undertakes to state that it possesses no such power while still leaving it possessed of all the while power it now has to prosecute

fraudulent transactions in securities, public and private.

"A mere disclaimer of the power of regulation over transactions in public securities made by the present Commission is not satisfactory. The States and municipalities take the position that they should not be asked to rely upon the vacillating views of a Commission, the personnel of which changes from time to time. That is personal government. Are the States and municipalities unreasonable in expressing a preference onable in expressing a preference for government by law?

"The position of the States and

"The position of the States and municipalities as set forth at the conference can be stated very simply. They contend:

"1. That it is indisputable that regulation of the secondary market for their securities by a Federal agency adversely affects the primary market, and thereby adversely affects their financial operations. erations

"2. That through such regulation it would be possible for the Fed-eral government to control their

"3. That fraudulent transactions in their securities are so rare and inconsequential in amount that the public interests do not require such regulation.

"4. That in any event regulation.

(Continued on page 2736)

## Goldman, Sachs & Co.

30 Pine Street, New York 5

Investment Securities

Commercial Paper

Commercial & Travelers Letters of Credit

Foreign Exchange

208 So. La Salle St., Chicago 4 1416 Chestnut St., Philadelphia 2

75 Federal Street, Boston 10 314 North Broadway, St. Louis 2

### MUNICIPAL BONDS



LEBENTHAL & CO. MUNICIPAL

135 BROADWAY, NEW YORK 6, N.Y. REctor 2-1737

Oldest House in America Specializing in

ODD LOT MUNICIPAL BONDS

Bell System Teletype NY 1-2272



STOCK & BOND **BROKERS** 

VILAS & HICKEY

Members New York Stock Exchange 49 WALL STREET, NEW YORK 5, N. Y.

TELEPHONE: HANOVER 2-7900 Teletype: NY 1-911

# State, Municipal and Revenue **Bonds**

Lehman Brothers

## ARNHOLD AND S. BLEICHROEDER, INC.

Investment Bankers

**EUROPEAN AFFILIATIONS:** 

Anglo-Continental Exchange Limited, London Adler & Co., A.-G., Bankers, Zurich (Switzerland)

30 BROAD ST.

**NEW YORK 4** 

Bell System Teletype NY 1-515

### Municipal Prices Attained Record Highs

(Continued from page 2735) is not the panacea for all evils, 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 transaction in public securities.

"On hehalf of the States and

transaction 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 1950 public finance officers representing municipalities of forty-eight states, was represented at the conference by Joseph F. Clark, City Treasby Joseph F. Clark, City Treas-urer of Wildwood, New Jersey and Mr. Earl E. Hagerman, Direcand 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

"Are all future bond issues as well as all presently outstanding municipal debts to become sub-

jected to direct or indirect fingering by a Federal commission?"

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

"Local government has the fear "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 sim-ply be an entering wedge for fu-ture and probably other stricter controls of other segments of fis-cal operations of local govern-ment."

"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 stops in the fiscal affairs of local government."

"All powly issued debt as yell."

"All newly issued debt, as well

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."

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 in 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 whatsoer be changed in any way whatso-ever. Dealers in "exempted secur-ities" are now, and upon enact-ment 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 full power to prosecute any violation of the law.

The power to prosecute fraud or

traudulent transactions is not dependent upon SEC'S power to define fraud by rules or regulations nor does it justify the SEC regulating, directly or indirectly, the facilities or markets for state and municipal security financing or dictating the manner of transacting business in such securities.

In our opinion the conference with the SEC resulted in nothing

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.

Municipal Securities Committee
—Hazen S. Arnold, Chairman;
George K. Baum, Edward Boyd,
Jr., Douglas H. Campbell, Walter
W. Craigie, F. D. Farrell, Joseph
H. Fauset, Francis P. Gallagher,
John S. Hasfurther, Hardin H. W. Craigie, F. D. Farrell, Joseph H. Fauset, Francis P. Gallagher, John S. Hasfurther, Hardin H. Hawes, John G. Heimerdinger, Leland M. Kaiser, Walter D. Kingston, Newell S. Knight, John S. Linen, George L. Martin, Stanley McKie, J. W. Means, Milo S. Meier, A. B. Morrison, Louis W. Stayart, Fred C. Ulrich, Williams, Albert J. T. Woll, E. B. Wulbern.

#### Report of the Municipal Securities Committee—Appendix 1 Court Decisions

Court Decisions

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

#### Louisiana

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 the call, prior to maturity, of bonds always considered non-callable, was favorable to the bondholders. We reported this decision quite fully in our Interim Report of last June, advising that the School Board had appealed the decision

to the U.S. Circuit Court of Appeals. At the time of writing this report the case is still pending in that court.

#### Michigan

Michigan
Callahan vs. City of Berkley, 307 Mich. 701, involved special 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 value. About two years ago the same court handed down an important decision in this case which sustained the rights which sustained the rights claimed by bondholders that special assessment bonds and tax anticipation 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. 361, the court held that the village home rule act which provides that no village shall "authorize any issue of bonds except special assessment bonds ... unless approved by three-fifths of the electors voting thereon" did not require an electoral vote on special assessment bonds 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 handed down February 26, 1945 ruled against non-consenting bondholders who were attempting to prevent the Village of Solon, Ohio, from taking its Gallagher Act refunding plan under the Federal Municipal Bankruptcy Act. The court further charged the 4.5% non-consenters with the court costs as a penalty for delaying the proceedings. The U.S. Supreme Court refused to review this decision.

On June 6, 1945, the Supreme

## Canadian Securities

Government

Provincial

Municipal

Industrial

Public Utility

Railroad

# Wood, Gundy & Co.

14 Wall Street, New York 5

Toronto

Montreal

Winnipeg

Vancouver

London, England

#### Primary Markets in Bank & Insurance Stocks

**Connecticut Industrials** 

**American Hardware** Russell M'f'g Standard Screw

Hartford Insurance Companies Automobile

Aetna Fire Aetna Life

Hartford Fire National Fire **Phoenix Fire** 

Bought - Sold - Quoted

## M.Kidder&Co.

1 Wall Street, New York 5, N. Y. BURLINGTON RUTLAND DETROIT
Private telephone to: Conning & Company

Telephone Digby 4-2525 MONTREAL BRIDGEPORT and Ballard, Hartford, Conn.

### UNDERWRITERS — DISTRIBUTORS — DEALERS

Net markets to institutions and dealers on

RAILROAD BONDS · UTILITY BONDS · REORGANIZATION SECURITIES BRITISH and OTHER FOREIGNS

Quotations Furnished - Inquiries Invited

### HIRSCH & CO.

Successors to HIRSCH, LILIENTHAL & CO. Members New York Stock Exchange and Other Exchanges

NEW YORK 4. N. Y. 25 BROAD STREET HAnover 2-0600 TELETYPE NY 1-210

CHICAGO 3, ILL. 135 South La Salle St. State 8770 - Teletype CG 1219

Direct Wire to Chicago and Cleveland

CLEVELAND 14, O. Union Commerce Bldg.

LONDON and GENEVA (Representatives)

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 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 to tax such property would money derived from taxation and to tax such property would amount to taking public money from one pocket and putting it into another, 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 way liable for the payment of the mortgage revenue bonds or for the maintenance of the property. If the operation of the transit system should 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 out-

The above decision is the out-growth of an appeal from a de-cision of the State Board of Tax cision of the State Board of Tax Appeals in which that body held the Cleveland transit system ex-empt from such taxes. Following the decision of the State 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 cision, 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,

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 controversial statutes. Suit is now pending (The State National Bank of El Paso vs. Targett Country in the District rant County) in the District Court of Tarrant County, Texas, 17th 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 refund-ing purposes of Court 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, 187 S. W. 2nd Series). This is in regard to the call of Hospital Refunding Bonds of the

county not issued under the stat-ute directly affected by the Coch-ran decision, but where the counran 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)

### IBA PAST PRESIDENTS

1918-19







Lewis B. Franklin

Roy C. Osgood

BONDS



STOCKS

 ${
m M}$ ARKETS maintained in all classes of Canadian external and internal bond issues.

Stock orders executed on the Montreal and Toronto Stock Exchanges, or net New York markets quoted on request.

DIRECT PRIVATE WIRES CONNECT OUR NEW YORK, BUFFALO, TORONTO AND MONTREAL OFFICES

BELL SYSTEM TELETYPE NY 1-702-3

## Dominion Securities Gregoration

Buffalo Philadelphia London, Eng. Ottawa

40 EXCHANGE PLACE, NEW YORK 5 Telephone WHitehall 4-8161

Montreal Winnipeg Vancouver

# **SECURITIES**

**OVER-THE-COUNTER** 

#### Frank C. Masterson & Co.

Members New York Curb Exchange

64 WALL ST

NEW YORK 5 HAnover 2-9470

Bell Teletype NY 1-1140

Dealers In External

## CANADIAN

Governments **Provincials** Railroads Utilities

### ERNST & COMPANY

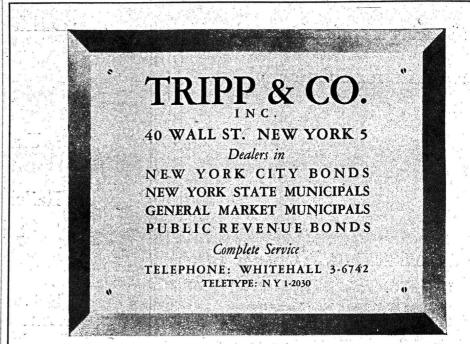
MEMBERS
NEW YORK STOCK EXCHANGE CHICAGO STOCK EXCHANGE CHICAGO BOARD OF TRADE COMMODITY EXCHANGE, INC.

NEW YORK CURB EXCHANGE

120 Broadway New York 5

231 So. La Salle St. Chicago 4

Direct private wires to Chicago, Ill., Los Angeles, Cal.
and Birmingham, Alabama



## Municipal Prices Attained Record Highs

upon the Committee's understand-ing of the legislation, For com-plete information, reference should be made to the full texts of the measures.

#### Connecticut

The law governing the invest-nent of funds of Savings Banks n Connecticut was changed hrough the enactment of Public Act No. 328, which became effec-tive June 26, 1945. Among the important changes is the provision hat 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 on of principal of interest of any obligation issued by such state ince 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 all the form of the principal of the state within the state within the principal of the state within the principal of the state 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 Connective they been increased from 8%

cities in states other than Connecticut have been increased from 8% to 9% 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, instead of the city's proportionate share of county and town debt.

all taxable real property must now be pledged for payment of bonds of out-of-state cities.

The requirements that cities of the states be incorporated 25 other states be incorporated 25 years has been eliminated, but the population requirement of 20,000 has been retained.

A new section has been added

A new section has been added providing that a percentage of its deposits may now be invested by any Savings Bank in "bonds which, in its opinion as entered upon its records, are prudent investments for it to make."

Provisions are also included authorizing the investment of a fixed percentage of assets in Housing Authority bonds which meet the requirements of Section 3 of the

A new Constitution for Missouri was adopted during the year. Leg-islation in the form of enabling acts is necessary to make opera-tive the new constitutional provisions relative to the issuance of bonds by political subdivisions of the State; also with respect to other features. Court decisions may also be necessary before some of the provisions may be ef-

One feature contained in the new Constitution expands the debt limit of cities. Any city, by vote of two-thirds majority, may incur an indebtedness up to 10%

Unlimited ad valorem taxes on of its assessed valuation for such purposes as are provided by law. In addition, the city, by vote of two-thirds majority, may incur an additional indebtedness of 10% of additional indebtedness of 10% of the assessed valuation for the purpose of acquiring rights of way, constructing, extending and improving streets and avenues, and sanitary or storm sewer systems. The governing body of the city may provide that any portion or all of the cost of any such improvement be levied and assessed by the governing body on property benefits. by the governing body on prop-erty benefited by such improve-

Any city, by vote of two-thirds majority, may incur an indebtedness in an amount not to exceed an additional 10% of the taxable tangible assessed valuation for the purpose of paying all or any part of the cost of purchasing or con-structing waterworks, electric or other light plants to be owned exclusively by the city, provided that the total general obligation indebtedness of the city shall not exceed 20% of the assessed valu-

The debt limitation of counties school districts and other politi-cal subdivisions within the state is separate and distinct from the limitations of the cities. Counties may become indebted up to 10% may become indebted up to 10% of their assessed valuation. All other political subdivisions such as school districts, road districts,

as school districts, road districts, townships, etc., are limited in their indebtedness to 5% of their assessed valuation.

Intangible personal property is to be excluded from the assessed valuation of any political subdivision insofar as its debt limitation is concerned. This intangible personal valuation is not to be subject to the regular ad valorem tax rate but to an over-all levy of not to exceed 8% of the income from such property. It is anticipated that the proceeds from this levy will be divided among the overlapping political subdivisions having power to tax the property.

The new Constitution also provides that cities may issue revenue bonds, authorized by a four-sevenths majority vote, for the pur-pose of purchasing, constructing, extending or improving revenue

producing water, gas or electric light works, heating or power plants or airports, to be owned ex-clusively by the city.

clusively by the city.

A feature of the new Constitution about, which there is some concern, that is looking ahead to its practical application, relates to the issuance of refunding bonds by political subdivisions. It provides that bonds may be refunded at maturity or call date at a rate of interest no higher than that carried by the original issue. The concern is, where a municipality may in the future be forced to refund maturing bonds during a period when the prevailing interest rate is higher than contracted for upon the original issuance of the bonds. for upon the bonds. New Jersey

There has recently been enacted Chapter 194 of the Public Laws of 1945 of the State of New Jersey, which amends the law relative to investments by fiduciaries.

As before, the law authorizes investment in obligations of the United States, the State of New United States, the State of New Jersey and municipal subdivisions of the State of New Jersey not in default. In the case of obligations of other states and their subdivisions, the period within which the unit must have been out of default has been reduced by the new legislation from 5 years to 120 days. This default requirement is the only condition applying to the only condition applying to state bonds.

The population requirement for counties in states other than New Jersey remains at 20,000, and that for cities, towns, townships, boroughs, villages and school districts remains at 5,000. However, 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 bonds secured by the revenues of R. 693. The Legislature also cre-

water works systems, gas systems, electric light systems, express or other highways, bridges, tunnels, ferries or other public utility services, or any combination of these. The only restriction on validly issued revenue bonds is validly issued revenue bonds is that the issuing unit be obligated to maintain rates sufficient for operating expenses, maintenance and debt service, and that a suffi-cient 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 pro-vides for eligibility of general ob-ligation bonds which are addition-

ligation 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. 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 Sperial Charters for the issue and sale of bonds by cities, counties, towns, villages, school districts, fire and other districts in the State of New York. The appendix to the Act recites: "This bill is designed to be the exclusive law on the contracting of indebtedness by the municipalities, school dis-tricts and district corporations of this state." In one volume now is found all laws of the State of New York authorizing the issue and sale of bonds by such subdivisions of the State.

The State Comptroller is directed by the law to prescribe the methods of preparation, publication and circularizing of notices of bond sales, not inconsistent with the provisions of the law. In compliance with this requirement the Comptroller on Sept. 1, 1945 issued his order describing these requirements in detail.

#### Ohio

The Senate of the Ohio Legislature adopted, on March 29, last, a resolution memorializing Convery broad in its scope, and covers gress to enact the Boren Bill, H.

## COOPERATION on new issues

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

VAN ALSTYNE, NOEL & CO.

Members

New York Stock Exchange New York Curo Exchange

52 Wall Street, New York (5)

## Bear, Stearns & Co.

Members New York Stock Exchange

**Underwriters and Distributors** Railroad, Public Utility, Industrial, State and Municipal Bonds

T. P. Brook Jack

**NEW YORK** 

CHICAGO

ated a State Taxation Committee ated a State Taxation Committee to make a study of taxation for the state and its subdivisions to be completed by Dec. 31, 1946. Further, it extended the present refunding laws for two years, and changed the right to refund from 100% of maturities to "not more than 75% of bonds which have matured or which are about to mature"

Volume 162 Number 4444

Additionally, the Legislature amended and clarified the law reamended and clarified the law re-lating to the purchase of munici-pal bonds by State banks, par-ticularly revenue bonds. Such purchases must comply with reg-ulations promulgated by the Su-perintendent of Banks and the Banking Advisory Board of the State. The regulations were for-mulated by those officials after conferring with state bodies, bank officers and various municipal 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 purchased meet the requirements specified

Bank investments in direct obligation bonds of municipalities outside of Ohio were formerly limited to those of municipalities with a net debt of not exceeding 10% of assessed valuation. This debt requirement has now been eliminated. Other requirements eliminated. Other requirements as to minimum population, default, etc., remain unchanged.

#### Oklahoma

The Oklahoma Legislature during the early part of the year enacted numerous statutes authorizother bonds for self-liquidating projects of various of the state institutions. Provision was also made by Senate Bill No. 162 for the refunding of outstanding dormitory bonds of such institutions. School districts, authorized to furnish transportation, are now permitted to issue transportation equipment bonds under provisions of House Bill No. 503.

## Portfolio Management in a Changing World

(Continued from page 2698) such great risks that sooner or later serious shrinkage of capital may result.

may result.

On this basis it is clear that portfolio management, to be successful, does not depend upon making a lot of money over either a short or long period of time. Even if this were to be the end result to the satisfaction of all concerned, it would not prove that the portfolio management had been such as to fulfill the responsibilities of the counsellor to the sibilities of the counsellor to the individual. Successful portfolio management means accomplishing management means accomplishing satisfactory results through a pol-icy which greatly reduces the risks over a period of years of taking capital losses, and yet makes it possible to make capital gains when circumstances are propitious. No mechanical meth-

propitious. No mechanical method or analysis can be applied to accomplish such results. More or less mechanical approaches may work out for a while, but in a changing world over a long period of time they are too static to survive. In portfolio management, in the final analysis, it is necessary to apply judgment to the available facts and to recognize as far as possible the broad ecoas far as possible the broad eco-nomic, social and political changes that are constantly occurring.

This does not exclude historical precedents and comparisons of the present with the past. A judicious balance between conclusions based on judgment of the future and historical precedents is in fact often the most successful approach to the problem. Obviously, the conclusions based on judgment as to future events must have prior importance; but successful investment management also demands the proper amount precedents and comparisons of the also demands the proper amount of attention to a comparison of present factors with past historical facts. Too great a reliance on judgment may invite disaster. An anchor to windward is pro-vided by recognizing that judg-ment is fallible and that historic precedents are of some value.

To recapitulate, successful port-folio management is based on cer-tain important investment princi-

If these principles are followed, chances are that a measure of safety will become an inherent factor in policy and that results over a period of years will be better than the judgment of the investment manager however good vestment manager, however good that may be.

### Practical Applications of Basic Investment Principles

Investment Principles

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 highest grade bonds and preferred est grade bonds and preferred stocks, but should be in securi-ties that have much more moderate fluctuations in price than equity type securities.

A balanced portfolio maintained over a period of years reduces risks, gives flexibility to meet changing conditions, and provides insurance against emergencies. It leaves the individual owning the funds in a more relaxed frame of mind and encourages a more de-liberate 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 curities 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. As a general rule it seems desirable that a maximum position should not exceed ples: imum position should not exceed
1. To recognize, measure, and two-thirds to three-quarters of the provide for inevitable errors and total fund when the long range

the risks inherent in managing investments.

2. To use an approach based upon judgment of all factors involved at any given time.

3. To balance judgment of future events with reliance to some degree upon historical precedents.

Another important general apparent in the security of the

that time.

Another important general application of the basic principles of portfolio management is that of maintaining flexibility of point of view. 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 re-appraising possibilities, yet main-taining the degree of firmness necessary to insure continuity of approach and policy. On the one (Continued on page 2740)

## Group Securities, Inc.

A Mutual Investment Company with separate classes of Sh

Steel Shares Railroad Equipment Shares

AN . W Railroad Stock Shares Low Priced Shares

Agricultural . Automobile . Aviation . Building . Chemical

Electrical Equipment Food Industrial Machinery

Investing Company . Merchandising . Mining . Petroleum

Tobacco Utilities

General Bond Shares Railroad Bond Shares

Institutional Bond Shares

Fully Administered Shares

Underwriters and Investment Managers

#### DISTRIBUTORS GROUP

INCORPORATED

63 WALL STREET

BOSTON

NEW YORK 5, N. Y.

Regional Offices

CHICAGO SAN FRANCISCO

ATLANTA

### UNDERWRITING DISTRIBUTING TRADING

#### FIRST COLONY CORPORATION

Underwriters and Distributors of Investment Securities Members New York Security Dealers Association

70 Pine Street

New York 5

Hanover 2-7793

Teletype NY 1-2425

BOND and STOCK BROKERS

**Railroad Securities and Reorganization Securities** 

Publishers of

"GUIDE TO RAILROAD REORGANIZATION SECURITIES"

PFLUGFELDER, BAMPTON & RUST

Members New York Stock Exchange

**61 BROADWAY** 

NEW YORK 6. N. Y.

Telephone—DIgby 4-4933

Bell System Teletype-NY 1-310

gitized for FRASER p://fraser.stlouisfed.org/ Trading Markets in

### Eastern, Mid-Western

### **Pacific Coast** SECURITIES

#### J. F. REILLY & CO.

40 Exchange Place, New York 5, N. Y. Bell Tele. NY 1-2480-2494 HAnover 2-4785

Direct Wires To CHICAGO and LOS ANGELES

#### Reorganization **Securities**

#### **Called Securities**

#### **Rights and Scrip**

Brokers and dealers in general unlisted bonds and stocks and in particular specializing in "WHEN-ISSUED" securities.

#### JOSEPHTHAL & CO.

York Stock Exchange New York Curb Exchange ago Board of Trade Commodity Exchange, Inc.

120 Broadway, New York 5, N. Y.

Bell System Teletype NY 1-319

19 Congress St., Boston 9, Mass.

Bell System Teletype BS 360

Direct Telephone New York to Boston and Private Wire System to Correspondents in Principal Cities

## 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 far enough ahead to insure that a broad perspective to insure 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. confidence.

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 curities 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 does not have to be confined to "Blue Chips" or names that have become familiar in everyday life. Equities of medium or small sized concerns, with greater than average promise 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 counteracts 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 lerger element of risk. It is The selection of indivddual se enough to offset very substantially enough to offset very substantially the larger element of risk. It is essential to bear in mind this larger element of risk, particu-larly during periods when condi-tions are favorable and many speculative stocks become "re-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 pathan 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 view of accumulation of income and from the point of view of capital gains. Patience is also required in making 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 it is important that a fundamental shift in policy does not take place so early that important opportunities are lost. Therefore, portfolio management should be based on 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 maning of risks in investment management.

To recapitulate, certain general applications of the fundamental principles of portfolio management should include:

- 1. Maintenance of a balanced portfolio to include only a certain proportion in equity type securities.
- 2. Changes in the proportion of equity type securities within pre-determined maximum and minimum limits.
- 3. Maintenance of a flexible point of view to recognize changing conditions.
- 4. Judging conditions far enough ahead to permit the application of a consistent and broad policy.

  5. Diversification of investments but not diversification for its own cashe along.
- sake alone.
- 6. Investments in young and growing concerns as well as well known concerns and in speculative securities when
- 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 be considers relevant in determined. he considers relevant in deter-mining the most likely future

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 the situation. He has to weigh their relative importance and to determine the net effect likely to accrue from their combined action. This of course makes it difficult to arrive at accurate and dependable conclusions. curate and dependable conclusions

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 these factors and to judge their combined effect on security prices.

Without going into the details as to the outlook at 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 do so for some period ahead, say for at least another year. I also hold the opinion that interest rates will continue low and, in fact, that long term rates may even be lower than they are at the present time.

In my judgment, therefore, a portfolio manager should continue

my judgment, therefore, portfolio manager should continue to maintain a substantial proportion of funds in equity type securities, but this proportion should be smaller than during the last three years because of the high level of stock prices. The proportion of equity type securities under today's conditions should be no more than 50%. The common stocks should be built up gradually in view of the large recent rise in stock prices which can at any time be followed by a reaction of some magnitude. Such portfolio manager should continue

can at any time be followed by a reaction of some magnitude. Such a reaction should be utilized to complete the buying program.

Bearing this in mind I have set up the following portfolio for \$100,000, which illustrates the application of the investment principles discussed. This portfolio could just as well be \$500,000 or \$1,000,000.

The securities included in this portfolio are not necessarily those

portfolio are not necessarily those which I, as a portfolio manager, recommend to individuals at the recommend to individuals at the present time, and neither do the proportions shown necessarily reflect the policy that I would recommend. Also the number of common stocks is greater than I would normally include.

There are several observations to be made with respect to this portfolio. The stable "reserves" include only Government bonds,

## LUCKHURST & CO.

Members N. Y. Security Dealers' Assn.

We are interested in block offerings of unlisted securities for distribution through our organization.

**40 EXCHANGE PLACE** 

NEW YORK 5, N. Y.

HENRY LOCAL INCOME.

# Mitchell & Company

Membero Baltimore Stock Exchange

120 BROADWAY NEW YORK 5. N. Y. Tel. Worth 2-4230 . Bell Teletype N. Y. 1-1227

OVER-THE-COUNTER SECURITIES

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 lend price stability; and three good to high grade preferred stocks, including one convertible preferred with capital gain potentials.

preferred with capital gam potentials.

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.

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 securities can be selected to give the same overall results and individual portfolio managers would undoubtedly make somewhat different selections.

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 selected may increase their dividends during the next two years.

The yields by groups follow:

The yields by groups follow: Stable securities 2.5%
Relatively stable securities 3.3%
Securities with some price risk 3.9%
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 no more, or at least only a little more, than 3%. Also, that it is no longer possible to include

preferred stocks and bonds to "sweeten" very much the overall income from the portfolio without inviting risks that appear exces-

The yield from this portfolio can be increased by purposely selecting high yielding common

S	UGGESTED	INVESTM	ENT PO	RTFOLIO	
-	Securities O	ther Than	Commo	n Stocke	

TT : 4	the state of the s		Approx.	
Units	Stable Securities:	Price	Value	Income
25,000	U. S. 21/2 %, 1967-1972	100	\$25,000	\$625
6.85.35	Relatively Stable Securities:			2.5%
\$2 000	Penn Central Airlines conv. 3½%,	1. 1. 11.	1111111111	
φ2,000	1960		\$2,420	\$70
Vo. Sha	ares		Ψ2, 120	\$10
10	Car. Clinchfield & Ohio stock	133	1,330	50
25	Commercial Credit conv. 3.60 pfd.	1131/4	2,831	90
20	N. Y. Power & Light 3.90 pfd		2,140	78
20	Tide Water Assoc. Oil 3.75 pfd	1063/4	2,135	75
			\$10,856	\$363
* 4. O.	Yield		\$10,650	3.3%
lo. Sh		अर्थ ५ प्रमुख	Section of the	3.0 /0
	Securities With Some Price Risk:	A. Marin		State Of St
25	American Power & Light \$6 pfd. Armour & Co. \$6 prior preferred.	101	\$2,525	4
20	Armour & Co. \$6 prior preferred_	125	2,500	\$120
50	Aviation Corp. conv. 2.25 pfd	56	2,800	112
40	Blue Ridge \$3 preferred	55 1/8	2,235	120
20	Commonwealth & Southern \$6 pfd.		2,480	100
30	El Bond & Share 4.20 preferred	73	2,190	126
Mar M			\$14,730	\$578
	Yield		177191	3.9%
	Total	1-11-14-14	\$50,586	\$1,566
	Yield			3.1%
To Ch	Common Stock			
Vo. Sha 25	ires American Airlines	Price	Value	Income
20	American Can	85 105	\$2,125 2,100	\$25
20	American Home Products	100	2,100	60 60
100	Bucyrus Erie	18	1,800	70
60	Carrier Corporation	30	1,800	
20	Chrysler	128	2,560	60
40	Chrysler Columbia Broadcasting "A"	48	1,920	72
10	DuPont	183	1,830	52
65	Engineers Public Service	33	2,145	
35	Ex-Cell-O	61	2,135	91
20	Great Northern preferred	61	1,220	60
25	Green (H. L.)	75	1,875	62
20	International Harvester	96	1,920	60
20	Johns Manville	140	2,800	55
50	Kennecott Montgomery Ward	48	2,400	125
25	Montgomery ward	71	1,775	50
100 150	National Gypsum	22	2,200	25
30	Pantapec Oil	14	2,100	72
30	Philip Morris Phillips Petroleum	68 56	2,040 1,680	68 60
50	Pensi-Cola	36	1,800	42
40	Pepsi-Cola St. Joseph Lead Standard Oil Indiana Underwood Corporation	53	2,120	80
50	Standard Oil Indiana	42	2,120	7
25	Underwood Corporation	74 5	1.850	6
50	Union Bag & Paper	24	1,200	3
			* <del>*****</del>	A
11:11	Yield Grand Total	1/44	\$49,495	\$1,424 2.9%
		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	\$100,081	4.0 /

when an abnormal return is of faced with a difficult task. Comparamount importance such a mon stocks generally are high in procedure does not square with the basic principles formulated. (Continued on page 2742) the basic principles formulated. It reduces the quality of the investments and may easily eliminate opportunities that the portfolio manager should take advanage of.

Yield \_\_\_\_\_

In conclusion, it is evident that stocks. Except in individual cases the portfolio manager today is

UNDERWRITERS

WHOLESALE DISTRIBUTORS

**DEALERS IN** 

Railroad · Public Utility · Industrial **Bonds and Stocks** 

J.G.WHITE & COMPANY Telephone HAnove

Bell System

37 WALL STREET . NEW YORK 5 2-9300 ESTABLISHED 1890

In association with

Kirchofer & Arnold, Inc.

RALEIGH, N. C.

CHARLOTTE, N. C.

### R. H. Johnson & Co.

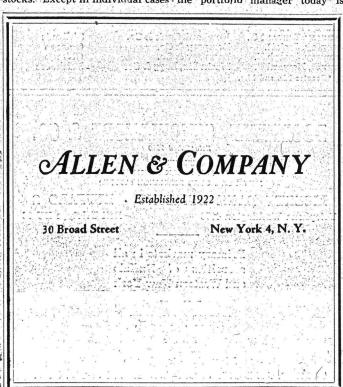
INVESTMENT SECURITIES

64 WALL STREET

**NEW YORK 5** 

Philadelphia Boston Buffalo Albany Washington Baltimore Pittsburgh Dallas Syracuse Troy Woonsocket, R. I. Springfield, Mass. Wilkes Barre

We are specialists in the retail investment field. Our retail salesmen in 10 states enable us to distribute, among real investors, large blocks of attractively situated bonds and stocks.





#### IBA PAST PRESIDENTS

1925-26

1924-25

1922-23







Ray Morris

Thomas N. Dysart

John A. Prescott

#### GEORGE D. B. BONBRIGHT & CO.

100 POWERS BUILDING ROCHESTER 4, N. Y.

Telephone Main 4830

Bell Teletype RO 180

NEW YORK CITY

SYRACUSE

UNDERWRITERS and DISTRIBUTORS

of

INVESTMENT SECURITIES

Special Interest in All Western New York Issues

### Schoellkopf, Hutton & Pomeroy, Inc.

70 Niagara Street, Buffalo 2 63 Wall Street, New York 5

Washington 8060

BOwling Green 9-1860

#### **Portfolio Management** In a Changing World

(Continued from page 2741)
ly exists that before the fundamental trend has exhausted itself even higher and very unsound 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 individual, 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 inhas already increased or will increase before the long term up-ward movement terminates, it 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 tried principles of investment management. The responsibilities of the portfolio manager may begreater than usual, and competent management of portfolios may be at a premium.

#### Sept. Steel Payrolls **At Higher Hourly Rate**

Hourly earnings of wage earners in the steel industry in September averaged 123.4 cents per hour, compared with 121.0 cents per hour in September, 1944, according to the American Iron and Steel Institute, which further answered. nounced:

"Every month this year the average earnings of employees re-ceiving hourly, piecework or tonnage wages have been above 123 cents an hour. In August the figure was 125.3.

"Meanwhile, the average num-ber of employees in the industry ber of employees in the industry in September was close to the level of early 1940. The employ-ment average of 521,200 in Sep-tember was below the August average of 542,700 employees, partly because of the temporary period of adjustment which fol-lowed V-J Day. In September, 1944 the employment average was 1944, the employment average was 565,200.

"Monthly payrolls declined dur-ing September to a total of \$119,-107,500, compared with \$128,117,-000 in August and \$142,209,500 in September, 1944.

"Wage earners worked an average of 40.9 hours per week in September against 40.4 hours per week in August and 47.2 hours in September, 1944."

#### In Attendance at IBA Meeting (Continued from page 2735)

Carter, DeWitt Carter, Hugh D., Jr. Carter, John A., Jr.

Cartwright, Todd Casey, J. Douglas Casserly, Thomas D., Jr. Channer, George S., Jr. \*Chapla, John

Chapel, Harold R. Chapel, Harold R.
Chapman, Pwight W.
Chapman, Ralph
Christophel, Arthur A.
Christopher, William
Clapp, John J.
Clark, Sydney P.
\*Clarke, Hagood
Clarke, James H Clarke, James H. Cleave, Walter Cloyes, Fred O. Cobden, Edward A. M. Cochrane, Loren A. Cohu, Henry W. Collins, Julien H. Condon, Joseph P. \*Conlon, Raymond V. Connely, Emmett F. Cook, Henry M. Cooper, Walter W. Corns, O. G. Corrington, John W.

Coughlin, Walter J. \*Couffer, James C. Courts, R. W. Courtney, William Cox, Claire \*Cox, M. J. M. Coyler, Charles M. \*Craft, Don M. Craft Robert H Craft, Robert H. Crago, John H. Craigie, Walter W. Cronin, C. R. Cronin, Dominic C. Cronin, John F. \*Crosby, Roy B. Cross, Louis J. Cross, Milton C. Crouse, Charles B. Crowell, Warren H. Cruttenden, Walter W. Cullen, John J. Cummings, Patrick J. Cunningham, Sam'l K. Curry, Andrew G. Currey, Brownlee O.

Dain, James M. Daniels, George I Dahlberg, Henry E. Davis, Arthur G. \*Davis, Clarence F. Davis, DeWitt Davis, George W. Davis, Joshua A. Davis, Paul H. Davis, Ralph W. Day, James W. deBronkart, Eugene H. Delano, Hon. Preston Dempsey, Dumont G. Dempsey, Jack R. Dempsey, Joseph E. Demuth, Howard E. \*Denotes Mr. and Mrs.

Nashville Securities Co. Courts & Co.
Vance, Sanders & Co.
Blair & Co. A. C. Allyn & Co. Doyle, O'Connor & Co. Channer Sccurities Company Paine, Webber, Jackson & Curtis McDonald-Moore & Co.

American Trust Company Farwell, Chapman & Co. Reinholdt & Gardner R. W. Pressprich & Co. R. W. Pressprich & Co. E. W. Pressprich & Co. E. W. Clark & Co. Johnson, Lane, Space & Co. American National Bank Blyth & Co. Blyth & Co.
Geyer & Co.
Kean, Taylor & Co.
William Blair & Co.
Cohu & Torrey
Julien Collins & Co. McDougal and Condon Chicago B. J. Van Ingen & Co. Chicago First of Michigan Corporation Detroit Newhard, Cook & Co. Newnard, Cook & Co.
Lazard Freres & Co.
H. M. Byllesby & Co.
Paine, Webber, Jackson
& Curtis
Coughlin & Co.
B. J. Van Ingen & Co.
Courts & Co.

Allen C. Ewing & Co. United Press United Press
Curtiss, House & Co.
Central National Bank
Collin, Norton & Co.
Guaranty Trust Company
Smith, Moore & Co.
F. W. Craigie & Co.
Allison-Williams Co.
A. C. Allyn & Co.
Cincinnati Enquirer
First Boston Corporation
Paul H. Davis & Co.
Harriman Ripley & Co. Harriman Ripley & Co.
Crouse, Bennett, Smith & Co.
Crowell, Wedon & Co.
Cruttenden & Co. R. W. Pressprich & Co. Bear, Stearns & Co. S. K. Cunningham & Co. A E Ames & Co Equitable Securities Corp.

J. M. Dain & Co. City National Bank Henry Dahlberg & Co.
Investment Bankers Assn.
First Cleveland Corporation
Welsh-Davis & Co. Davis, Skaggs & Co. Reynolds & Co. Paul H. Davis & Co. Paul H. Davis & Co. C. J. Devine & Co Amott, Baker & Co. American National Bank deBronkart, Paul
Decker, O. Paul
de La Chapelle, Richard
Delafield, Richard M.
First Boston Corporation
First National Bank

First National Bank Comptroller of Currency Newhard, Cook & Co. Dempsey & Co. Dempsey & Co. Mackubin, Legg & Co.

Atlanta Los Angeles Chicago Chicago Chicago Chicago Cleveland

Detroit San Francisco Chicago St. Louis New York New York Philadelphia Atlanta Chicago Chicago Chicago New York Chicago New York Chicago Chicago Chicago St. Louis New York Chicago Chicago

Denver New York Atlanta Wilmington Chicago Cleveland Cleveland Toledo New York St. Louis Richmond Minneapolis Chicago Cincinnati Boston Chicago New York Detroit Los Angeles Chicago New York Chicago Pittsburgh New York Nashville

Chicago Tucson Chicago Cleveland Chicago San Francisco New York Chicago Chicago Chicago New York Chicago New York Chicago St. Paul Washington St. Louis Chicago Chicago Baltimore

Minneapolis

MEMBERS NEW YORK STOCK EXCHANGE ASSOCIATE MEMBERS NEW YORK CURB EXCHANGE

BROKERS and DEALERS in LISTED and UNLISTED SECURITIES

> Complete Trading Facilities Retail Distribution

MARINE TRUST CO. BUILDING, BUFFALO 3

Telephone: Washington 4035

Bell Teletype BU 145

Branches: Rochester, N. Y. - Norwich, N. Y. Private wire to Kidder, Peabody & Co., New York

## DOOLITTLE, SCHOELLKOPF & CO.

NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE (ASSOC.)

LIBERTY BANK BUILDING . BUFFALO 2

Telephone Washington 4970

Bell Teletype BU 48

Primary markets in all securities of Buffalo and Western New York

TRADING DEPARTMENT JOHN A. BRADT Manager

Direct Private Wires to

TUCKER, ANTHONY & CO.-WERTHEIM & CO., N. Y.

Denison, John W. \*DeStaebler, E. L.
DeSwarte, Bruce H.
Detmer, Howard F.
Detmer, John F.
Devlin, Paul G.
Dewar, Hal H. Dickhuth, H. Eugene Dickson, Rush S. Dickson, Rush S.
Dickman, Elmer F.
Dictrich, Henry J.
Dillman, David
Dixon, Joseph W.
\*Doerge, Carl H.
\*Donnally, J. P.
Doolittle, Roy W.
Dorbritz, Ernest O. Downey, Norman Doyle, Leo J. Drobnis, George J. Drummond, Kenneth DuBois, Allen C. DuBois, Wilbur C. DuBosque, Clayton Ducournau, Jackson P. Duhme, Herman Dunbar, John B.
Duncan, S. V.
Dunn, S. A.
Durand, Eugene
Duval, Gordon B.
Dwyer, John E.

Eakin, Paul J. Eakin, Paul J.
Easterberg, Carl J.
Eaton, Charles F., Jr.
Eble, Howard
\*Edwards, John H.
Ellis, B. Winfield
Elworthy, Mark C.
Elwood, Lester B.
Emerson, Sumner B.
Emrich, Milton S.
Enyart, Charles E.
Ergood, Bussell M. Jr. Ergood, Russell M., Jr. \*Evans, Clement A. Evans, Clyde H. Evans, Harold C. Evans, Henry C. Everts, Albert P.

\*Denotes Mr. and Mrs.

Continental Illinois Bank F. S. Moseley & Co. Continental Illinois Bank Howard F. Detmer & Co. Howard F. Detmer & Co. Blyth & Co. Dewar, Robertson & Pancoast Herald Tribune R. S. Dickson & Co. Glore; Forgan & Co. L. F. Rothschild & Co. Journal of Commerce Graham, Parsons & Co. Wm. J. Mericka & Co. Wm. J. Mericka & Co.
Peoples National Bank
Doolittle, Schoellkopf & Co.
Moore, Leonard & Lynch
Union Securities Corporation
Doyle, O'Connor & Co.
69 W. Washington St.
Calvin Bullon Calvin Bullock Wertheim & Co. Dillon, Read & Co. F. Eberstadt & Co. White, Hattier & Sanford Reinholdt & Gardner Cruttenden & Co. Cruttenden & Co.
R. S. Dickson & Co.
C. J. Devine & Co.
Durand & Company
Guaranty Trust Company
Otis & Co. Hornblower & Weeks

Hornblower & Weeks
Riter & Co.
Eaton & Howard
Wm. J. Mericka & Co.
R. J. Edwards, Inc.
Lee Higginson Corporation
Elworthy & Co.
Woodard-Elwood & Co.
Morgan Stanley & Co.
Julien Collins & Co.
Enyart, Van Camp & Co.
Stroud & Co. Enyart, van Camp & Co. Stroud & Co. Clement A. Evans & Co. Ames, Emerich & Co. Commerce Trust Co. Stein Bros. & Boyce Paine, Webber, Jackson & Curtis

FIFTY-FIFTH YEAR OF DEALING IN

CONNECTICUT

**SECURITIES** 

**Primary Markets** Statistical Information

Everett, F. Dewey Chicago Chicago Chicago Ewing, Allen C \*Ewing, R. W. Chicago Chicago New York Fahey, Leslie J.
Faison, J. D.
Farrar, Holden K.
Farrell, Arthur E.
Farrell, F. D.
Felske, C. Longford
Fenn, William H. M.
Fennelly, John F.
Fiedler, William A.
Finger, Clarence L.
Fish, Irving D.
Fisher, Charles N.
Fleek, John S.
Fleischer, Fred O. Fahey, Leslie J. San Antonio New York Charlotte New York Boston ! Chicago New York Cleveland Charlottesville Buffalo Pittsburgh New York

Chicago Chicago

St. Louis New York New York New York New Orleans

St. Louis

Los Angeles New York

New York Tucson New York Chicago

Cleveland Chicago Boston

Cleveland Oklahoma City Chicago San Francisco

Minneapolis New York Chicago

Chicago Philadelphia

Kansas City Baltimore Boston

Atlanta Chicago Fleischer, Fred O.
\*Flint, John G.
Flower, Wallace M.

Hornblower & Weeks Allen C. Ewing & Co. A. E. Masten & Co.

Fahey, Clark & Co. Bankers Bond Co. Smith, Barney & Co. H. M. Byllesby & Co. City National Bank Harris, Hall & Co. Phelps, Fenn & Co. Glore, Forgan & Co. H. M. Byllesby & Co. Milwaukee Company Smith, Barney & Co. Singer, Deane & Scribner Hayden, Miller & Co. First Securities Co Kidder, Peabody & Co. William Blair & Co.

\*Denotes Mr. and Mrs.
(Continued on page 2748)

New York Wilmington Wheeling

Cleveland Louisville Chicago Chicago Kansas City Chicago New York New York Chicago New York St. Paul New York Pittsburgh Cleveland Chicago Boston Chicago

Pays U. S. Seizure Claims

Under date of Nov. 20 Associated Press advices from Washington stated:

Mexican Ambassador Espinosa de Los Monteros today presented to Secretary of State Byrnes a payment of \$2,500,000 as the fourth annual instalment due from his Government on a \$40,000,000 settlement of claims by citizens of the United States.

The claims were lodged as a result of Mexican Government seizure of American private property, other than oil properties, several years ago. With today's payment, the balance due stands at \$24,000,000.

### **COFFIN & BURR**

Purchasing and Distributing State, Municipal, Corporation and Public Service Company Securities

BOSTON

**NEW YORK** 

HARTFORD

**PORTLAND** 

BANGOR

MEMBER OF BOSTON STOCK EXCHANGE

Dealers in

### INVESTMENT SECURITIES

Members of

New York, Boston and Chicago Stock Exchanges New York Curb Exchange

F. S. MOSELEY & CO.

New York

Chicago

CHAS. W. SCRANTON & CO.

Members New York Stock Exchange 209 CHURCH STREET, NEW HAVEN 7, CONN. Bell Teletype-NH 194

Telephones: New Haven 6-0171 New York CAnal 6-7870 Hartford 5-2410

DISTRIBUTORS

DEALERS

#### RHODE ISLAND SECURITIES

WE ARE AT ALL TIMES INTERESTED IN RECEIVING OFFERINGS OF SECURITIES SUITABLE FOR RETAIL DISTRIBUTION.

### MacCOLL, FRASER & CO.

HOSPITAL TRUST BUILDING

PROVIDENCE 3. RHODE ISLAND

TELEPHONE GASPEE 8950

BELL TELETYPE PR 77

### R. L. DAY & CO.

Members New York & Boston Stock Exchanges

High Grade Bonds

· Municipal · Public Utility · Government

Railroad

111 Devonshire Street BOSTON 9, MASS.

14 Wall Street NEW YORK 5, N.Y.

#### INVESTMENT SECURITIES

### CHACE, WHITESIDE & WARREN

MEMBER BOSTON STOCK EXCHANGE 24 FEDERAL STREET, BOSTON 10, MASS.

Telephone Hubbard 9500

Bell Teletype BS 282

## A Gold Coin Standard for U. S.?

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;

BOSTON

31 Milk Street

LYONS & SHAFTO

State and Municipal Bonds

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 and repeated changes in the standard monetary unit, and (2) the provisions for bimetallism constitute a denial of the value of the lessons taught by the world's experiences with bimetallism. Obviously the bill, regardless of

what the other intent of its au-thor may have been, would pro-vide 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 is a relic of barbarism.

"The Wall Street Journal" of ov. 17 reports Administrative opposition to these bills in the following words, among others

"The Taylor-Murray Bill to put gold in circulation and re-store the Government's authority to alter the gold content of the dollar is getting no Admin-istration support."

"Administration monetary ex-

"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 coins and to the provisions for bimetallism, that opposition is of course encouraging. But the is of course encouraging. But the reported grounds of opposition to a return to a gold-coin standard, assuming that the devaluation and bimetallic 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 standsoundness of our monetary stand-ard. Furthermore, the reported opposition is in harmony with the nature of the Administrative opposition 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 rency should not be made directly convertible into gold coin, chiefly because there might 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. Their unsoundness should be understood since they constitute basic considerations in the issue of a gold-coin standard versus a "managed" coin standard versus a "managed" paper money system.

Since, under our present international gold bullion standard, peo-ple 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

our Government cannot control the foreigner as it does our cit-izens. 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 inclustry and professions. 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

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 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 varieties of our paper money also varieties of our paper money also served as lawful reserve against deposits in the Reserve banks and could, as part of this reserve, be paid out. Today, they can be paid out only as non-reserve cash but not as part of the lawful reserve. But when they were used as re-serves, there was little fear of a hoarding demand for them since they were very different from, and inferior to, gold.

### Administration's Objections to the Acid Test

Does not the Administrative opposition to the gold-coin standard answer to this question is that demonstrate a fear of subjecting

# Shares of Capital Stock of

NEW YORK

70 Pine Street



Prospectus of Incorporated Investors may be obtained from investment dealers or

> THE PARKER CORPORATION ONE COURT STREET ... BOSTON, MASSACHUSETTS

Boston

Massachusetts Investors Trust

Write for prospectus relating to the shares of either of these investment funds, each of which is managed independently of the other by a different management group.

#### VANCE, SANDERS & COMPANY

111 DEVONSHIRE STREET

BOSTON

NEW YORK

CHICAGO

LOS ANGELES

We specialize in all

Insurance and Bank Stocks **Investment Trust Issues** 

Industrial Issues **Public Utility Stocks and Bonds** 

TEXTILE SECURITIES

Securities with a New England Market

### FREDERICK C. ADAMS & Co.

Specialists in New England Unlisted Securities

24 FEDERAL STREET, BOSTON 10

ESTABLISHED IN 1922

Telephone HANcock 8715

Teletype BOston 22

the Administration's monetary and fiscal policies to the acid tests which such a standard could, and perhaps would, apply? Many in the Administration and in Congress have been asserting that inconvertible paper currencies are superior to gold. If their contention be sound, then these advocates of such paper money should welcome the test 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 a 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 Administration's monetary 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 in so far as economics is concerned.

gold to go around is naive in so far as eccnomics is concerned. There is not enough of anything to go around if it has value. Anything that has value is scarce. There is enough only of those things that have no value! Germany put this simple principle to a thorough test when she printed enough inconvertible paper marks! 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 could not use it at the same time. The same is true of railroads, ships, airplanes, and highways. All who have a "right" to use the elevators in a

building could not use them at once in case of a panic. Therefore fire escapes are 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 issued by banks or the Government of the consequently, over the fire escapes have 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 in its opposition to a gold-coin standard is that it really amounts to contending that an inferior currency is more desirable than the best domestically. Foreign exchange rates, which reveal the various rates of discount at which nongold currencies pass in terms of gold, would seem to provide ample proof of the unsoundness of the

gold, would seem to provide ample proof of the unsoundness of the Administrative position.

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 his savings in the object of his choice? If one prefers to sell his products or services for gold instead of an inconvertible paper money or high-priced, low-interest-bearing securities, or an over-valued silver, why should he not be permitted why should he not be permitted to do so? On what logical or legitimate ground can a Government justly say to the citizens:
"You cannot invest in gold, we shall take that; you must take inconvertible paper money, an overvalued 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.

Weakness of Present Currency When this Administration de-

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 control by the people of this country over the public purse was swept away. trols 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 When a negligible importance. Government can deprive a peo-(Continued on page 2746)

IBA PAST PRESIDENTS 1927-28







Trowbridge Callaway

Henry R. Hayes

Pliny Jewell

### FOLGER, NOLAN & CO.

**Investment Bankers** 

730 Fifteenth Street, N. W.

Washington 5, D. C.

## AUCHINCLOSS, PARKER & REDPATH

Members New York Stock Exchange

\*Hugh D. Auchincloss

\*CHAUNCEY G. PARKER, JR. ALBERT G. REDPATH

ALFRED PUTNAM PAUL D. HOWE

HAROLD C. PATTERSON JOHN E. PARKER FREDERICK H. CLARKSON \*Eckley B. Coxe III

RICHARD P. DUNN \*Armed Services

CHARLES K. DICKSON \*Limited Partner

Washington

New York

Philadelphia

Baltimore

Wilkes-Barre

1853

1945

### STEIN BROS. & BOYCE

6 S. Calvert Street, Baltimore 2, Md.

**NEW YORK** 

PHILADELPHIA

LOUISVILLE

Hagerstown, Md.

Cumberland, Md.

Washington, D. C.

MEMBERS NEW YORK STOCK EXCHANGE and other leading exchanges.

#### STOCKS

Industrial — Insurance — Bank

BONDS

Corporate — Municipal — Real Estate

# MACKUBIN, LEGG & COMPANY

RALTIMORE, MD.

New York Stock Exchange

NEW YORK, N. Y.

Members New York Curb Exchange (Assoc.)

DIRECT WIRES TO CRUTTENDEN & CO., CHICAGO.

CONRAD, BRUCE & CO., SAN FRANCISCO—LOS ANGELES

#### C. T. WILLIAMS & CO. INCORPORATED

#### INVESTMENT BANKERS

United States Government and Municipal Bonds

Railroad, Public Utility and Industrial Issues

FIDELITY BUILDING

BALTIMORE 1, MD.

Telephone Plaza 2484

Private Telephones to New York and Philadelphia Branch Office-Easton National Bank Bldg., Easton, Md.

### BAKER, WATTS & Co.

Established 1900

Government and Federal Land Bank Bonds Maryland County and Municipal Bonds Listed and Unlisted Stocks and Bonds Active Markets In Local Securities

CALVERT AND REDWOOD STREETS **BALTIMORE 3** 

West Virginia Representative, Union National Bank Bldg. Clarksburg, W. Va.

Baltimore Telephone: Calvert 6200

New York Telephone: CAnal 6-7162

Teletype BA 395

## 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 the nation's gold assets, there is almost no limit either to this debt or to the supply of money that can be issued against it. Germany, during and following World War I, presented the world with a shocking illustration of this great truth. Issuing money against the issuer's debt instead at the disposal of the people,

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 dangrous factors in a patient's wellgerous 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

Specializing in

Philadelphia Transportation Co.

Philadelphia Real Estate Issues

ESTABLISHED 1904

SAMUEL K. PHILLIPS & Co.

Members Philadelphia Stock Exchange

Packard Bldg. Philadelphia 2,
New York Telephone - REctor 2-0037 — Bell Teletype - PH 375 Philadelphia 2, Pa.

of against good liquid assets of the banks should issue notes or cre-issuer is a dangerous device which ate deposits of questionable value ate deposits of questionable value, the people would demand pay-ment in gold, and, by this action, they would reveal their fear of ment in gold, and, by 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; and it is the people's automatic and it is the people's automatic the red flag of warning to the banks and to the Government; and it is the people's automatic check on bad banking practices. When they are deprived of the right to demand gold, this automatic check is gone; all they can do is to accept what the banks give them. This is the position in which our people find themselves today.

today,

If, when a gold-coln standard is at the disposal of the people, the Government should issue a currency of doubtful value, the people would demand gold rather people would demand gold rather than this currency and thus reveal the exient to which the Government's currency lacks the value of gold. This manifested preference for gold would compel the Government to correct the situation. uation.

A gold-coin standard requires that the Government maintain all its currency on a parity with gold, through direct convertibility of the currency into gold at par,

with the consequence that such a non-gold currency cannot suffer a discount. Thus the existence of a gold-coin standard tends to guarantee at all times the quality of all circulating Government currency. The fact that our people today cannot obtain gold coin domestically deprives them of the power to test the quality of our Government-issued paper and silver currency, as it would be tested in free world markets, and to force the Government to avoid an excessive or extreme issuance with the consequence that such an excessive or extreme issuance an excessive or extreme issuance of such currency. This desirable and needed pressure cannot be exercised effectively today. Our Federal Administration has been and is running this country's monetary car without brakes.

#### Foreign Loans and Our Gold

A mounting danger today, which needs much more attention which needs much more attention than it seems to be receiving, is the tendency of our Government, through leans to foreign countries, to create large foreign claims against our gold. If these should be converted into demands for gold in any great degree, a large proportion of our gold reserves could be swept out of this country, leaving little or nothing but inconvertible paper money but inconvertible paper money and silver to support our huge volume of paper money and credit. Should tihs happen—and we seem to be moving recklessly in this direction—our monetary and fiscal affairs would be in a state of collapse and we would be in a position quite like that of various European and other countries who cannot support their currencies by adequate gold re-

If under a gold-coin standard. the Government should attempt to issue securities at prices deemed too high, or if they bore a rate of interest deemed too low, by investors, many people would invest in gold rather than run the ricks involved in investing in such risks involved in investing in such securities—they would prefer the safety of gold and the loss of in-terest to the small interest return on securities with the risks of a sharp drop in price or the repay-ment at par in a currency having little purchasing power. Such preference for gold would compel the Government to pay a higher rate of interest and to sell its securities at lower prices in order to induce savers to invest their savings in Government securities. This would have the virtue of making Government borrowing more difficult which, in turn, would put a brake on Government This would put a brake on Government spending. In this manner the people would have control over the public purse because of the existence of the gold-coin standard. This enforced higher interest rate would also have the additional virtues of providing investors with a better return and of enabling them to purchase securities at more reasonable prices, thus

reducing the risk of a sharp drop

#### Have No Control Over Public

Today the people of this country have lost this control over the public purse, and those who purchase Government securities find themselves earning a small interest return and assuming great risks.

Since people cannot get gold, many of them invest in what is widely regarded as the next best thing—Government securities But many private savers do not invest in these securities for the reason that they cannot afford to accept the low interest, considering the risks involved; they prefer to let their funds lie idle. A large proportion of these securities is taken by institutional investors which must earn such interest returns as they can; and since many of them are restricted by law or policy to such investments or cannot find other adequate and safe outlets for their funds, there is a great demand for these securities. But if we could compile the losses sufif we could compile the losses suf-fered by savers and these institu-tional investors, as a consequence of these monetary and low-inter-est-rate policies of the Federal Government, we would find that the social costs have been tre-mendous.

The gold standard, as the people's automatic brake on their banks and Government, places limits on the speed and recklessness 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 Ropke in his Crises and Cycles (William Hodge and Co., Ltd., London, 1936). He says (p. 175): "The automatic safety brake provided by the gold standard has to "The automatic safety brake pro-vided by 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 personal economic interests of his at stake, and that his own per-sonal safety depends on his sense of responsibility. How much less of responsibility How much less can we do without automatic safety appliances in the case of Governments whose affairs are Governments whose affairs are conducted in an atmosphere not entirely free from personal economic interests, and whose leaders are responsibile only 'before God and History,' writing their memoirs if anything has gone wrong! It is desirable that all planners all perpulse writters all planners all perpulses with the second conductive to the conductive t

#### DEHAVEN & TOWNSEND. CROUTER & BODINE

New York and Philadelphia Stock Exchanges and New York Curb Exchange

PACKARD BUILDING, PHILADELPHIA 2 LOCUST 6770

NEW YORK PRIVATE TELEPHONE RECTOR 2-3300

NEW YORK OFFICE 30 BROAD STREET HANOVER 2-3550

## **BUCKLEY BROTHERS**

1529 WALNUT STREET PHILADELPHIA 2, PA.

New York — Los Angeles — San Diego — Pittsburgh — Hagerstown

NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE PHILADELPHIA STOCK EXCHANGE LOS ANGELES STOCK EXCHANGE

Private Wire System New York, Philadelphia, Los Angeles and San Diego

Bell Teletype-PH 265

N.Y. Telephone WH 3-7253

Philadelphia Telephone-Ritt. 4488

UNLISTED Railroad, Public Utility and Industrial SECURITIES

We are interested in block offerings of listed and unlisted securities either for our own account or for distribution through our organization.

ESTABLISHED 1914

BOENNING

MEMBERS PHILADELPHIA STOCK EXCHANGE MEMBERS NEW YORK CURB EXCHANGE (ASSOCIATE)

1606 Walnut Street PHILADELPHIA 3, PA.

PENnypacker 8200 Race 3266

Bell System Teletype PH 30

New York Telephone COrtlandt 7-1202

gers of economic planning, here is a lesson also for the more en-thusiastic 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, and are being, taken for a wild ride.

A most important point to bear in mind here regarding the pres-ent currency situation of the United States is that even though United States is that even though our domestic currency may not depreciate, or be depreciated, further 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 have been mentioned. Therefor to point out, as some do, that, be Therefore cause our inconvertible 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 versus our present system or some similar system of "managed" inconvertible paper currency misses these essentials.

After all, "managed" currencies cause our inconvertible paper and

After all, "managed" currencies of the type now popularly advocated are but one feature of dictatorship and Socialism in which political valuations are substituted for the objective non-political valuations, which are inlitical valuations which are in-herent in the gold standard, and for the true values reflected by the free operation of the forces 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. Just as 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! When a nongold "managed" currency is substituted for a gold-coin standard gold "managed" currency is sub-stituted for a gold-coin standard and the management appropriate to it, political values replace true economic, objective values, and when this is done the people suf-fer serious consequences.

The agitation for a "managed" inconvertible 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 but it rests upon unsound grounds.
There is apparent today something like a fanatical determination to try economic expedients and fiscal affairs.

## The Investment Banker's Dilemma

(Continued from page 2702) world war one? Are the prospects for investment obligation being met as well? Are the interest rates of today sufficient inducement for the risks involved? The average return on investment capital today is less than half that of the decade of the 20s. Do the capital today is 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 more safe if the lending is socialized and made by the Government with the invol-untary tax payers' money?

# Cheap Money, Low Interest Rates, and the Investment Banker'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 debillions of savings have been de-stroyed in the past decade, cheap money has been multiplied by deficit financing and the un-paralleled 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 who pursue these plans should know full well that there is after all such a thing as the impossible, they will not recognize that it applies to attempts to make a less valuable currency equal in value to a more valuable one. They will not admit that they cannot make something out of nothing; that a fixed objective unit like gold is as desirable as an unchanging bushel; that a stable untilike 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 in the price level for long or in the economic system as any level, that the gold-acin standlong 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-wide suspension of specie payments is nothing more than a fairly-common, but always temporary, episode in the history of metallic currencies. currencies.

The agitators for a "managed" paper currency and the critics of a gold-coin standard are definitely wrong, and, in the light of history, it would seem to be merely a question 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

this era of cheap money new? It is not. Europe has had many experiences with cheap money. A period in the French history of cheap money only exceeded by the present was that of the John Law's schemes in 1870 which promised France wealth and prosperity through monetizing the promised France wealth and pros-perity through monetizing the national debt and which soon ushered into France a whole gen-eration of poverty instead of prosperity.

England and other countries in Europe have had their experience with cheap money and its con-

t sequences. As described by Walter Bagehot almost 100 years ago, when the people are provided with excesses of cheap money "At intervals, from causes which are not to the present purpose, the money from these people—the blind capital, as we call it, of the country—is particularly large and craving; it seeks for some one to devour it, and there is 'plethora'; it finds some one, and there is 'speculation'; it is devoured, and there is 'panic'." The United States had its experience with cheap money and inflation after

sequences. As described by Wal-ter Bagehot almost 100 years ago, when the people are provided with excesses of cheap money "At stability we fortunately had the stability we fortunately had the determination to pay our debts and return to sound money. Investors had some very thrilling experiences during this period and not all of them were fortunate by any means. What the consequences might have been if we had adopted a John Law's scheme of finance will never be known. But from the evidence in other countries from such schemes (Continued on page 2748)

In addition to being members of the

NEW YORK. PHILADELPHIA and CURB EXCHANGES,

and doing a general security business,

we specialize in

OPERATING PUBLIC UTILITY COMMON STOCK ISSUES

MUNICIPAL AUTHORITY BONDS CITY OF PHILADELPHIA BONDS

## YARNALL & CO.

Members of the New York Stock Exchange Philadelphia Stock Exchange New York Curb Exchange (Assoc.)

1528 WALNUT ST., PHILADELPHIA 2, PA.

Bell System Teletype - PH 22

## STROUD & COMPANY

Underwriters and Distributors

Railroad, Public Utility and Municipal Security Issues

Maintaining Active Trading Positions in

Guaranteed & Leased Line Stocks

**Equipment Trust Obligations** Underlying Railroad Bonds Pennsylvania and General Market Municipal Bonds

**Public Utility Stocks Public Utility Bonds** 

PHILADELPHIA 9, PA. 123 S. BROAD STREET Pennypacker 7330

NEW YORK 5, N. Y. 120 BROADWAY **REctor 2-6528** 

11

Bell System Teletypes—PH 296 & PH 297 N. Y.-Phila. Private Wires—REctor 2-6528 & 2-6529

"Semi-Annual Valuation of Railroad & Industrial Equipment Certificates" and "The Bond of the Week"—a series of articles on railroad bonds.

WELLINGTON

A Mutual Investment Fund INCORPORATED 1928

> W. L. Morgan & Co. General Distributors

REAL ESTATE TRUST BUILDING

PHILADELPHIA 7

Washington

Detroit Des Moines

Nashville

Chicago New York St. Louis

Chicago Chicago Charleston

Chicago Chicago Washington

Cleveland San Antonio

Chicago
Philadelphia
New York
St. Louis (
Baltimore

Dallas Philadelphia

Philadelphia Philadelphia Chicago Rochester New York

Chicago Davenport New York

Chicago Los Angeles St. Paul

Chicago Los Angeles

New York New York New York Chicago Chicago

Minneapolis Louisville Minneapolis

San Francisco

New York Chicago

Chicago Chicago Pittsburgh

Chicago

Toronto

Chicago

Chicago

St. Louis

Hartford

### The Investment Banker's Dilemma

(Continued from page 2747) we were very fortunate in choos ing 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 debasement 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

In this era of low money rates, inconvertible currencies, social-ized and nationalized credits the investment bankers have a responsibility far greater than mere salesmen. What are safe invest-ments 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 and aid in restoring the free enthe world return to sound money? How high will interest rates rise

INVESTMENT

SHERIDAN, BOGAN CO.

1616 WALNUT ST., PHILADELPHIA 3, PA.

**SECURITIES** 

credit are paid off and sound terprise system because this sysmoney restored? Will cheap tem has produced the highest and money be maintained by further most desirable standard of living inflation, causing further increases in prices and declining purchasing power of income and investment capital?

The investment banker has a responsibility to his customers in responsibility to his customers in 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 will take a long time to get over this operation and heal the sores. But the sooner we begin the quicker we will recover.

#### Some Obligations of the Investment Banker

In addition to correctly informing his customers and aiding the

tem has produced the highest and most desirable standard of living known to the world.

Take the greatest possible care in selecting and distributing securities as described and understood to protect the investor according to the risks he is willing

Encourage saving and invest-ment and keep the door of oppor-tunity and free markets open.

Encourage the largest and most efficient production, and educate the investor to the risks and opportunity of free enterprise.

Discourage inflation and en-courage the increase in real wages through the increased purchasing power of money.

Help build a sound money and banking structure. Discourage the use of borrowed money for unproductive purposes or for unconservative risks.

Promote individual initiative, freedom of enterprise, and a careful understanding of risks and responsibility in using borrowed money or the taxpayers' money.

#### J. D. Harrison Elected to Richmond Reserve

James D. Harrison, President of the First National Bank of Baltithe First National Bank of Baltimore, Md., has been elected a class A director of the Federal Reserve Bank of Richmond, Va., it was announced on Nov. 16 by Robert Lassiter, chairman of the Board of the Reserve Bank.

The Baltimore "Sun" in reporting this also said:

Mr. Harrison succeeds Charles E. Rieman, President of the West-ern National Bank of Baltimore, who had served as a director of the Federal Reserve Bank 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 2743)

Folger, John Clifford Fordon, Ralph Fowler, Sherman W. Frederick, Paul O. Fredman, Herbert French, Jo M. Frick, Banjamin F., Jr. Froman, Celeste Frost C. L. Frost, C. L.
\*Frost, J. P.
Frye, Charles D.
Frye, Newton P.
Fuller, William A.
Fulton, Wailace H.
Fulton, W. Yost
Funk, Creston H. Furlong, Thomas

Gable, Laurence J. Gaerste, John L. Gall. Ralf Gall, Ralf
Gallager, Herbert V. B.
Gallagher, Frank
Gardner, Fred
Garland, Charles S.
Garrett, P. B.
Gates, Thomas S., Jr.
Geis, Leonard B.
George, Edward C.
Gerner, Philip H.
Gernon Frank E. Gernon Frank E Geruldson, Nils Gerwe, J. T. Geyer, George Gilbreath, W. Sydnor,
Gillies, George J.

\*Gleason, Thomas F.

\*Glover, W. Wayne
California Bank

\*Gochenour, Warren, Jr. Irving J. Rice & Co.
Cruttenden & Co.
Pacific Company
Ira Haupt & Co.
Webster an \*Gochenour, Warren, Jr Godie, A. L. Goldschmidt, Paul Goldsmith, Bertram M. \*Golliday, Gail Gordon, Albert H. Govan, J. F. Graf, Robert J. Graf, Robert J.
Graham, J. S.
Graham, Thomas
Grandin, Charles L., Jr.
Grant, George H.
Gregory, William H., Jr.
Grimes, John P.
Grimm, Edgar F. \*Grimm, Willard T. Grossman, Arthur Grubbs, M. M.

Gundy, Charles L. Hagan, John C., Jr. Hagemann, E. Kenneth Hagemann, H. Fred'k Jr "Hagerman, Clyde L. Haight, C. M. Mason-Hagan, Inc. G. H. Walker & Co. Boatmen's National Bank Wm. C. Roney & Co. Tripp & Co. Nashville Securities Co. Hale, R. Walter, Jr. Hall, Edward B. Hall, Herbert S. Hallowell, Henry R. Nashville Securities Co.
Harris, Hall & Co.
Morgan Stanley & Co.
Hallowell, Sulzberger & Co.
B. J. Van Ingen & Co.
Braun, Bosworth & Co.
Chicago Tribune
Stern Brothers & Co. Hallowell, Henry R.
\*Halsted, J. D.
\*Hammond, Wm. H.
Hampson, Phillip
\*Handler, Manning E.
Hansel, Douglas R.
Hanson, Col. Murray
Happ, William A.
\*Harder, William
Harding, Charles B.

\*Denotes Mr. and Mrs.

Folger, Nolan, Incorporated Watkins & Forden Iowa-Des Moines Bank Commerce Union Bank Journal of Commerce Blyth & Co. Stix & Co. Investment Bankers Assn Investment Dealers Digest Frost, Read & Simons -The Economist Central Republic Co. William A. Fuller & Co. Nat'l. Assn. Sec. Dealers Maynard H. Murch & Co. Creston Funk Chicago Tribune

Taussig, Day & Co. Cooley & Co. Chicago Daily News Yarnall & Co. Kidder, Peabody & Co. Reinholdt & Gardner Alex. Brown & Sons Texas Bank & Trust Co. Drexel & Co.
Newburger & Hano
Harriman Ripley & Co.
Geo. D. B. Bonbright & Co.
Carl M. Loeb, Rhoades & Co.
Paul H. Davis & Co.
Quail & Co.
Gever & Co. Drexel & Co. Geyer, George
Gibson, Jo Jr.

Gibson, W. C.

Gilbson & Co.

Gilbreath, W. Sydnor, Jr. First of Michigan Corp.

Gillies, George J.

\*Gleason, Thomas F.

B. J. Van Ingen & Co.

Chicago

California Bank

Los Angele

Trying J. Rice & Co.

Chicago

Chicago

Chicago Pacific Company
Ira Haupt & Co,
Stone & Webster and Blodget
Kidder, Peabody & Co.
City National Bank
H. M. Byllesby & Co.
Allison-Williams Co.
Bankers Bond Co.
Piper, Jaffray & Hopwood
First California Company
Ronner & Gregory Bonner & Gregory Bear, Stearns & Co Kidder, Peabody & Co. Kidder, Peabody & Co. Kidder, Peabody & Co. Straus & Blosser Grubbs, Scott & Co. Wood, Gundy & Co.

> Richmond St. Louis St. Louis Detroit New York Nashville Chicago New York Philadelphia Washington Chicago Chicago Omaha New York Washington St. Louis New York

Wertheim & Co. Investment Bankers Assn. Globe-Democrat Allen & Co. Smith, Barney & Co.

Dealers and Brokers in

Public Utility · Railroad · Industrial SECURITIES

New Jersey and General Market Municipal Bonds Electronic and Television Securities Guaranteed and Leased Line Stocks Equipment Trust Obligations Bank and Insurance Stocks

Charles A. Taggart & Co.

Investment Securities

1500 Walnut Street, Philadelphia 2

KINgsley 1716

Race 5596

# BUTCHER & SHERRERD

Underwriters, Distributors, Dealers in

CORPORATE AND MUNICIPAL SECURITIES

New York Stock Exchange

Philadelphia Stock Exchange

New York Curb Exchange (Associate)

1500 WALNUT STREET . PHILADELPHIA 2, PA.

Philadelphia Telephone Pennypacker 2700

Teletype: PH 4

New York Telephone Barclay 7-4641

gitized for FRASER o //fraser stlouisfed orga Hargrave, Homer P.

Harkness, Edward M. Harkness, Edward I Harmon, Robert R. Harper, Paul C. Harper, W. Paul Harris, David J. Harris, John S. Harris, Norman W. Harrison, George G. Harter, Robert L. Hartshorne, Ernest F. Hassman, Elmer G. Hatcher, Robert L. Hawes, Hardin H. Hawes, Theodore W. Hayes, W. Kenneth Hazelwood, Charles F. Heffernan, Paul \*Heimerdinger, John G.

Heller, James M. \*Hemenway, Charles F. Hemphill, Clifford Hemphill, Clifford
Hemphill, James C.
Henderson, Kenneth A.
Henderson. T. C.
Hendrix, W.R.
Henshaw, Edwin C.
Herbert, T. J.
Herne, Jack Herne, Jack
Hernen, S. Davidson
Hettleman, Phillip
Hewitt, Charles L.
Hewitt, Max
Heywood, Gene B.
Hibben, Joseph W.
Hickey, Matthew J., Jr.
Hickey, Thomas J.
\*Hildreth, William S.
\*#Hill. Albert S. \*Hildreth, William S
\*Hill, Albert S.
\*Hill, Carey S.
Hill, Douglas W.
\*Hill, Jay W.
\*Hill, J. Gordon
Hilliard, Edward H.
Hilliard, Richard D.
\*Hinghap Robert \*Hinchman, Robert M. Hipkins, C. A. Hodge, Charles J. Hodges, Ransom F. Hoffmann, Arthur M. Holt, R. L. Honnold, C. Edgar Hopkinson, Edward, Jr. Horning, Bert H. Horton, Leonard M. Horner, Edwin B. Houston, J. C. Hovorka, Robert J. Howe, James M. Howe, L. L. J. Howe, L. L. J.
Hughes, Albert R.
\*Hughes, William S.
\*Hulme, Milton G.
Hunt, E. Jansen
Hunt, James R.
Hunter, W. F.
\*Hunter, W. F. \*Hunter, Norman W. Hurry, Harry W.

\*Denotes Mr. and Mrs

Merrill Lynch, Pierce, Fenner & Beane Mason, Moran & Co. Shields & Co. Shields & Co.
Wm. P. Harper & Son & Co.
Boatmen's National Bank
Sills, Minton & Co.
Stranahan, Harris & Co.
Harris, Hall & Co.
Harrison & Austin First Boston Corporation Bacon, Whipple & Co. A. G. Becker & Co. Chase National Bank Harris Trust & Savings Bank Wertheim & Co. Journal of Commerce E. H. Rollins & Sons New York Times Walter, Woody & Heimerdinger

J. C. Bradford & Co. J. C. Bradford & Co.
Illinois Company
Hemphill, Noyes & Co.
Goldman, Sachs & Co.
Bank of Canada
T. C. Henderson & Co.
Equitable Securities Corp.
Brush, Slocumb & Co. American National Bank Hill & Co. Mellon Securities Corporation Pittsburgh Mellon Securities Corpo Hettleman & Co. Francis I. du Pont & Co. Blyth & Co. Harris, Hall & Co. Kidder, Peabody & Co. Hickey & Co. Vilas & Hickey Peoples National Bank Nashville Securities Co. Hill Richards & Co. Hill & Co.
Hill, Crawford & Lanford
Watling, Lerchen & Co.
J. J. B. Hilliard & Son J. J. B. Hilliard & Son
J. J. B. Hilliard & Son
Ira Haupt & Co.
Braun. Bosworth & Co.
Glore, Forgan & Co.
First Boston Corporation
Morris Mather & Co.
A. C. Allyn & Co.
C. Edgar Honnold
Drexel & Co.
Stifel, Nicolaus & Co.
Chemical Bank Chemical Bank Scott, Horner & Mason Calvin Bullock Calvin Bullock
First Boston Corporation
Farwell, Chapman & Co.
John Nuveen & Co.
Lord, Abbett & Co.
Wagenseller & Durst
Glover & MacGregor
White, Weld & Co. Lee Higginson Corporation H. M. Byllesby & Co. Camn & Co Bingham, Walter & Hurry

Chicago

Chicago Seattle St. Louis Chicago Toledo Chicago South Bend San Francisco Chicago Chicago New York Chicago New York New York New York New York Cincinnati

New York

Chicago New York Chicago Ottawa Des Moines Nashville San Francisco Chicago Cincinnati New York New York New York Chicago Chicago Chicago New York Charlottesville Nashville Los Angeles Cincinnati Little Rock Detroit Louisville Louisville New York New York New York New York Chicago Chicago Oklahoma City Philadelphia St. Louis New York Lynchburg Chicago Chicago Chicago Chicago Chicago Los Angeles Pittsburgh New York New York

Los Angeles

Canada's Prospective Trends

(Continued from page 2701)
fifth of the number of days on
which the worker, and his employer, made contributions in the preceding five years. In other words, if he worked for five years uninterruptedly, he is entitled to a full year's benefit. Few are a full year's benefit. Few are likely to be that favorably situ-

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

5. Most important, the benefi-

ciary can refuse twice a job offered to him by the governmental employment 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 workers 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

from some of the political pressure 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 is literally tied up with the volume of exports. "Three dollars' worth of exports add just about five dollars to the national income," as an outstanding Toronto economist (Dr. Jackson) puts it. The high prosperity of the war years, e. g., the doubling of the national income to some \$7½ billions, was based on a rise of the total of exports and imports to roughly \$5 billions. Extravagant labor demands are doomed almost, at once in the cold light of this fact. By contrast, total war-time exports plus imports of this country, fantastic as ports of this country, fantastic as they were, amounted to less than 10% of our national income, Even in England, the ratio of international 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 thinking.
Other factors contribute to

to dampening radicalism and maintaining wages below the level in the U. S. as well as in Britain. For one thing, the block of four million Frenchmen in the eastern provinces is strongly under the sway of the Church even in its trade-unionism. For another, intrade-unionism. For another, industrial workers constitute only about 10% of the gainfully occupied, reducing their political weight accordingly. So does the fact that industry, and of course mining, are dispersed over wide rural areas, inhibiting the spread of centralized unionism. Also, of centralized unionism. Also, labor is recruited to a large extent from farmer and middle class strata, with traditions colored by its origin. The fact that it is racially more homogeneous and better "disciplined" than American labor, may have some influence, too. At any rate, the political color in Canada that was highly socialistic two and three years ago, is rapidly shifting back to "normal."

Be that as it may, the only militant labor group of national importance is the CIO, with a comparatively weak foothold, and still weaker finances. It depends financially on the American CIO, 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 correct to say that in terms of pressure groups, labor's position in Canada is similar now to what labor's position was in the U. S. after the last war. But it is certain that unionism has no such power-hold there as it possesses

Most important, monetary inflation has not reached the same proportions as in this country, the national debt having risen by \$11 \$200 billions in six years, against some \$200 billions here, while the population ratio is less than 1 to 12, and with a somewhat higher percentage of the debt in "permanature". nent" hands than on this side of border. Less inflationary the

(Continued on page 2750)

W E solicit offerings from dealers and others seeking retail distribution of blocks of securities.

BATTLES & COMPANY-

1528 WALNUT STREET PHILADELPHIA 2

O BROAD STREET NEW YORK 4

Union Trust Building PITTSBURGH 19. PA.

THOMAS & COMPANY

(Continued on page 2753)

Distributors of MUNICIPAL and CORPORATION **BONDS** 

ALLEY & CO. EMBERS PHILADELPHIA STOCK EXCHANGE

UNLISTED SECURITIES

rd Building, Philadelphi nch Offic

40 Exchange Place, New York 5, N. Y



PITTSBURGH 19. PENNSYLVANIA

UNDERWRITERS AND DISTRIBUTORS

GENERAL MARKET SECURITIES

## Canada's Prospective Trends

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 mechanization has not reached as far as in this country and cannot reach that far, given the narrowness of the Canadian titudes and inexcusable insomarket. But that is only part of lence." This is a trade union edi-

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: "Countless instances have come to our less instances have come to our observation of crude inattention, sloppy workmanship, flippant atthe story. What is more irritating torial, mind you, addressed to the

"unwarranted incompetence." Just like in British coal mines, absen-teeism 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 restore labor efficiency at least to its pre-war standing. No doubt, fifter a provided of rest and restored to the standing of the s its pre-war standing. No doubt, after a period of rest and reshifting, 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 bein manufacturing productivity be the manufacturing productivity between Canada and the U. S. is presumably more than compensated by the wage-differential; minimum rate 25¢ there, against the pending legislation to raise it to 65¢ 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 wartime accumulation of per capita liquid sav ings 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 prob-lem of the Dominion's post-war economy. In the fiscal year 1936economy. In the fiscal year 1936-1937, which may be regarded as normal, roughly 46% of her com-modity exports went to the Em-pire, 39% to the United Kingdom, and 40% to the U. S. (The Em-pire's pre-war share had been ris-ing slowly.) Obviously, Canada lives not just on exports—on ex-ports to those two areas. What is more, her trade with the neighbor more, her trade with the neighbor is more than compensated by imports, with a \$50 to \$100 millions ports, with a \$50 to \$100 millions average pre-war import surplus, while the trade with Britain gave her a surplus of exports ranging up to \$200 millions. Theoretically, i.e., in view of international up to \$200 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 foregon the Conadian dellar rate manipulations: so far as can be foreseen, the Canadian dollar is bound to be kept 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 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, in thirty years, of "raw materials" from 51 to 18% of total exports, and the simultaneous rise of "fully or chiefly" manufactured products from 33 to 66% or so. In other words, Canada manufactured products from 33 to 66% 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 postwar 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, and transportation 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 even now) and 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 tune of \$200-\$300 millions, the western prairies may keep up their position, and may even improve it for the emergency year ahead. 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 rais-ing is out of the question, since ing is out of the question, since the prairies are scarcely fit for grassland, and it would necessi-tate the elimination of a large number of farming families. It takes years to develop a substitute for wheat, such as soy-beans, suit-able for the arid soil and the short season. Anyhow, shifting from one crop to another would mean merely to change from one unsalable

crop to another would mean merely to change from one unsalable surplus to another.

Lately, Canada is extending long-term credits of \$25 millions to the Netherlands, \$13 millions to Czechoslovakia, etc. The total is supposed to be stepped up to \$500 millions, most of it presumably to finance farm exports. This means, 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 the answer to the farm crisis for many years to come, just as in this country. At present price levels, the cost may be held to \$200 millions annually, less than 5% of the national income, a burden that may be carried without inflationary consequences. But the implication is ried without inflationary consequences. But the implication is

## MASON-HAGAN INVESTMENTS

Members Richmond Stock Exchange

UNDERWRITERS AND DISTRIBUTORS

Investment Securities

1108 E. MAIN ST., RICHMOND 10, VA.

Teletype-RH 460

Telephone 2-2841



### VIRGINIA-WEST VIRGINIA NORTH and SOUTH CAROLINA **MUNICIPAL BONDS**

CRAIGIE & CO.

STATE and MUNICIPAL BONDS

616 East Main Street - RICHMOND 15, VIRGINIA

Bell Teletype RH 83 & 84

## Corporate and Municipal **Securities**

**Dealers** 

Underwriters

### R. S. DICKSON & COMPANY

**NEW YORK** RALEIGH

CHARLOTTE RICHMOND

CHICAGO COLUMBIA

Direct Wire Between Charlotte, New York and Chicago Offices

#### SOUTHERN TEXTILE SECURITIES

#### A. M. LAW & COMPANY

(Established 1892)

SPARTANBURG, S. C.

Long Distance 51

Bell Teletype SPBC 17

52 YEARS IN THE SOUTH

Georgia, South Carolina,

Tennessee, North Carolina,

Alabama, Louisiana & Florida

STATE AND MUNICIPAL BONDS

CORPORATE BONDS AND LOCAL STOCKS

### The Robinson-Humphrey Company

RHODES-HAVERTY BLDG.

Walnut 0316

Western Union Phone

Teletype AT 288

Long Distance 108

that agricultural products (mainly wheat and flour, to a minor extent also barley, cattle, raw leather and cheese), which constituted even in the late "30s as much as three-fifths of the export total (in dollars); will have to play a rap-idly declining role.

#### Mining Prospects

Mining Prospects

The subsoil, disregarding gold (to be discussed below), is a more stable source of export values. Nickel, lead, platinum, asbestos and uranium, temporarily also tin and silver, may hold their own. In nickel, especially, the Dominion has a virtual monopoly as the cheapest producer. Even a decline by as much as 6c of the traditional price need not affect either the output or the profitability of International Nickel Co. But copper, which is the largest single item, zinc and other materials, including aluminum that has 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 asphalt strip-mining in Alberta are very promising, but have not yet reached beyond the stage of minor growth and major hopes. In both cases, new transportation has to be developed, too.

All told, subsoil products may

cases, new transportation has to be developed, too.

All told, subsoil products may account in the first post-war years for scarcely 15% of Canadian exports, if the latter should maintain anything like a two billion dollar level, to say nothing of the recent three-and-a-half billion volume, as against less than one billion in the late '30s, and 2.4 billions in 1928 (at present gold prices).

prices).
The paper shortage in the United States, combined with totally depleted lumber reserves, provides Canada with extraordinary vides Canada with extraordinary chances. Since Europe's shortage is much more acute; Scandinavian competition is not likely to play a major role on this side, perhaps for years, even after tomage difficulties are overcome. As a matter of fact, consumption is rising on a world-wide scale. Of course, the muless evaluation of the the ruthless exploitation of the Dominion's vast forest resources will reach its limit some day. The will reach its limit some day. The current expansion of paper and cardboard capacity in this country may bring the boom to a halt 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), may rise substantially in volume and value, most of it in processed rather than in raw form. That brings up the question of industrial exports, the core of the country's foreign trade in merchandise. chandise.

#### Manufacturing Progress

Manufacturing Progress
Industrialization has been vastly accelerated during the war by the sinking of several billions into new plants and equipment (such as machine tools, chemicals and is not only the direct source of substantial exports, but also the foundation of low-cost manufacturing. In this respect, Canada

BELL TELETYPE-OR 10

will enjoy a comparative advantage over most other industrial countries, especially Britain.

2. The geographic proximity and easy access to the world's richest country, and to its "know-how," plus close interrelation with the Empire, provide an unusually favorable position.

3. Most important is the fact that compared to both the United Kingdom and the United States, Canada operates on much less in-Canada operates on much less in-flated monetary 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% devaluation of her currency, can-not fail to show its effects on the international markets especially for finished consumers' goods, in which the American technique of mass production can be dupli-cated.

cated.
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 relaxing on industrial (not on agrarian) protectionism.

5. The old and the new industrial capacity of the Dominion is being reconverted. Its output will being reconverted. Its output will be forthcoming at a time when everywhere an unparalleled accumulation of pent-up demand coincides with depleted inventories, resulting in inflated values for manufactured articles, particularly for capital goods. On the other hand, the major part of its imports, consisting of raw materials, will become available at falling (or lagging) prices.

iais, will become available at falling (or lagging) prices.

6. So long as Canada retains the favorable balance of payments on current accounts, and remains a

favorite outlet for U. S. invest-ments, her ability for continued capitalistic expansion at home and abroad is another factor strengthening her export position. 7. The apparent size of Cana-da's foreign trade problem is un-

daly magnified by the rise of prices. In physical volume, it needs only a 60% rise to maintain a 100% increase in dollar volume over the level of the late '30s.

In the past, Britain's need for raw materials, especially foodstuffs, used to be the prime factor determining Canadian exports. In the visible future, U. S. demand for processed materials (mostly fabricated and semi-fabricated products of bar farms (mostly fabricated and semi-fabricated products of her farms, mines and forests) will have to take the leading role, and do so on a magnified scale. Indications are that for years to come, our market may absorb a billion dollar slice of the Canadian output, or more. This is not an overly optimistic prognosis in view of the labor pains, inventory and obsoor more. This is not an overly optimistic prognosis in view of the labor pains, inventory and obsolescence troubles, reconversion delays, pent-up demands, international commitments, and excessive cash accumulations under the shadows of which our own industry operates—in the face of Canada's comparative cheapness and in view of the fact that her industry has been well-integrated into the American system of production and distribution.

Invisible exports add other feathers to Canada's economic cap. Tourist traffic brought in 1938 a round \$180 millions net in foreign exchange, equal to that year's gold exports. It promises further growth, after the war-time lull, as a substitute for a 10-15% decline of commodity exports. Shipping, with the Dominion's tonnage multiplied, is likely to turn from a pre-war unfavorable item of about \$20 millions (net) into a

#### IBA PAST PRESIDENTS

1931-32

1932-33





Frank M. Gordon

Allan M. Pope

Henry T. Ferriss

1930-31

substantially larger favorable one. In insurance, banking and com-the mines. What is more, new exsubstantially 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 such prospects are overshadowed by the spectacular development of gold mining.

Gold exports reached as high as 2000 add millings in 1941 and de-

\$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

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 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)

UNDERWRITERS - DEALERS - BROKERS

Municipal and Corporate Securities

## WEIL & ARNOLD

NEW ORLEANS 12, LA.

Phone Raymond 0711

Bell Teletype-NO 175

### Louisiana and Mississippi Municipal Bonds

#### JOHN DANE

Members New Orleans Stock Exchange

NEW ORLEANS 12, LA.

Harold H. Dane . Abner K. Northrop .

James J. Plauche

Underwriters

Distributors

Corporate and Municipal Securities

Nusloch, Baudean & Smith

NEW ORLEANS 12, LA.

TELETYPE

BUSINESS ESTABLISHED 1924

TELEPHONE

### **FLORIDA** MUNICIPAL BONDS

## LEEDY, WHEELER & CO.

ORLANDO, FLORIDA LONG DISTANCE 27

### MUNICIPAL and CORPORATE SECURITIES

## Scharff & Jones

TELETYPE

WHITNEY BUILDING NEW ORLEANS 12

MAGNOLIA 1271

SHREVEPORT, LA. — JACKSON, MISS.

UNDERWRITERS

DISTRIBUTORS

DEALERS

## FLORIDA BONDS

MUNICIPAL COUNTY DISTRICTS ALL ISSUES

Firm Bids — Firm Offerings — Quotations

Inquiries Invited on Florida Corporate Issues and Local Securities

### CLYDE C. PIERCE CORPORATION

Rell Teletype JK 181

JACKSONVILLE 1, FLORIDA

Branch Office - - - ST. PETERSBURG

## Canada's Prospective Trends

(Continued from page 2751)
But there is little danger of serious labor troubles in the remote mining districts with their highest paid working population (around paid working population (around \$40 a week, against an average of scarcely over \$30 in manufactures), and the Dominion is in the process of reducing taxes, including the elimination of a 10% wartime duty on imported machines. Lowering the gold price has become a political impossibility in view of the vested interests grown up around the 10% discount on the Canadian dollar, while a rise

of it is a distinct international possibility in view of the current inflationary trends. Nor is Canada swept by anti-mining sentiment which has led South Africa at times to repressive action against absentee owners. Wellower 600,000 persons are supposedly shareholders in the Dominion's gold production, most of them its citizens.

Indeed, the expansion of gold

cost of production would be met by governmental relief action.
Merely raising the depletion allowance to the level which U. S.
oil producers enjoy would compensate at present for a conceivable increase a cart. able increase of costs.

Canada's balance of payments n "current" transactions—visible optical glass production), and the expansion of old. To keep a vir-tually duplicated industrial apparatus going, and to maintain and improve further the enhanced 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 her ability to find 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 ma-terials.

#### Imperial Preferences

The problem fills the Canadians with anxiety, and naturally their eyes are focused on the Empire. Discriminatory Empire preferences, which originated in the Dominion, have become lately a sort of political idol.

The problem of Canada's industrial exports cannot be solved by imperial preferences, the importance of which is easily over-estimated. They may amount on the average to a 6 or 7% tariff reduction, an advantage that is relavant in individual cases, but is minor on the whole in view of "modern" trade impediments of the exchange restriction type. However, they have acquired an emotional status which has a great deal to do with nationalistic sentiment, in addition to protectionist motives, reinforced by the Canadian desire to cash in on the billions of "mutual aid" provided to Britain, and the fear that loss of The problem of Canada's indus-

the preferential rates may mean the loss of the U.S. subsidiary plants.

The Empire-advocates seem to overlook the narrowness of the British market under early post-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 naturally tend to canalize British purchases 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. cannot be ignored.

#### Industrial Exports

Canada will have to re-orientate her foreign trade in non-British directions. An impoverished lowing figures (in billions) shows:

Imports from:	1944	%	1943	%
nited States	\$1.447	82.2	\$1.424	82.0
nited Kingdom	.111	6.3	.135	7.8
ast Indies	.032	1.8	.023	1.3
ther Empire countries	.078	4.4	.081	4.6
ll other countries		5.3	.073	4.3
Total	\$1.760		\$1.736	
Exports to:				N. S. C. W.
nited States	\$1.301	37.8	\$1.149	38.7
nited Kingdom	1.235	35.9	1.033	34.8
ast Indies		5.3	.142	4.8
ther Empire countries		8.9	.227	7.6
ll other countries		15.1	421	14.1
Total	\$3,439		\$2.972	Jan Jan

Note that the Dominion received no lend-lease, while its export figures include the substantial "mutual aid" and similar items.

England cannot buy at a billion dollar rate, or anywhere near, un-less Canada continues to make less Canada continues to make presents or swallows an equivalent quantum of English exports, both of which are out of the question, Markets in other parts of the Empire, especially India and South Africa, may expand. Western Europe and Latin America are likely to be much more significant. But the United States has become, and is bound to stay, the biggest (cash) buyer of Canadian goods, replacing the Empire all goods, replacing the Empire all along the line. Whether she likes it or not, Canada is in effect a non-regis-

tered member of the trading area

.111	6.3	.135	7.8
.032	1.8	.023	1.3
.078	4.4	.081	4.6
.092	5.3	.073	4.3
\$1.760		\$1.736	
\$1.301	37.8	\$1.149	38.7
1.235	35.9	1.033	34.8
.181	5.3	.142	4.8
.204	8.9	.227	7.6
,518	15.1	.421	14.1
\$3,439		\$2,972	
d   ternation	onal bala	nce, too,	because

ternational balance, too, because its greatly enlarged import volume could not contract without further depressive effects.

Imports have come to consist largely of three major groups: raw and processed farm and plantation products for the consumer (sugar, tobacco, fruits and vegetables, spirits, vegetable oils, tea and coffee); industrial raw materials (oil, coal, rubber, cotton, wool, iron and steel, etc.); capital goods such as machines and boilers, electrical and agricultural implements, motors and parts, etc. In other words, Canada's ability to export \$3.00 worth of finished products is based now on her importing, say, \$1.50 worth of means to do so. The larger the first, the more favorable its excess over the second. On the other hand, a decline of the first is not followed automatically by a proportionate compression of the second, because the latter serves for internal purposes as well. the latter serves for internal purposes as well.

poses as well.

All of which adds up to two conclusions: that the maintenance of an export volume approximating the war-time average is vital to Canada's prosperity, and that for these exports, and even more so for the concomitant imports, Canada has to rely on the United States. Uncertain as the outlook may be beyond the next few years, the scales are weighed definitely in her favor.

1. A wealth of natural re-

1. A wealth of natural resources on an extraordinary scale and invisible trade, including gold movements as well as interest and dividends to foreign creditors (over \$200 millions annually)—is likely to show a favorable surplus, except in utter depressions. The surplus varied between some \$190 millions in 1938 and an estimated \$1,200 millions in 1944. mated \$1,200 millions in 1944. Normally, it serves to reduce her debt or to acquire assets abroad.

#### Balance of Indebtedness

Balance of Indebtedness

During the war, this balance was used largely to finance Britain, and partly to repatriate much British-owned and some American-owned Canadian securities, in addition to strengthening the monetary reserve held in U. S. dollars (probably \$1,000 millions). Disregarding "mutual aid" and war credits, she is now year for year on the receiving end of the flow of credit funds. The net sale of securities to the U. S., not counting "direct investments," amounted to \$113 millions in 1944, \$181 millions in '43, and \$109 millions in '42.

As a result, foreign investments

As a result, foreign investments in Canada have risen to the new high of an estimated \$4.5 billions; they tend to rise further. This in-

#### R. A. Shillinglaw & Co. Formerly Gray, Shillinglaw & Co.

15TH FLOOR AMERICAN TRUST BUILDING

NASHVILLE 3. TENNESSEE

TELEPHONE 6-5661

TELETYPE NV 164

We Invite Inquiries in all

SOUTHERN SECURITIES

BRANCH OFFICE FIRST NATIONAL BANK BUILDING MEMPHIS 3, TENN.

#### FIRM BIDS AND OFFERINGS

Mississippi—Tennessee Arkansas

and

St. Francis Levee of Arkansas Municipals



BOND DEPARTMENT

#### UNION PLANTERS NATIONAL BANK & TRUST CO.

MEMPHIS 1. TENNESSEE

LONG DISTANCE 218

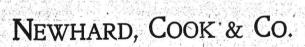
BELL TELETYPE - ME 99



Firm Bids . Firm Offerings . Quotations

MEMPHIS 1, TENNESSEE

TELEPHONES 5-3637 . 5-3638 . LD-311 . LD-312 TELETYPES ME-283 . ME-284



NEW YORK CORRESPONDENT

14 WALL STREET

State and Municipal

**Bonds** 

BOND DEPARTMENT

MERCANTILE

-COMMERCE

Members New York Stock Exchange

Underwriters and Distributors Listed and Unlisted Securities Municipal Bonds

FOURTH & OLIVE STREETS

ST. LOUIS 2, MO.

New York Correspondent, Clark, Dodge & Co., 61 Wall Street

cludes the ownership of branch and assembly plants of some 300 major and many other American corporations, making Canadian industry a virtual subsidiary to ours—and a partner, so to speak,

ours—and a partner, so to speak, in our post-war boom.

But a weakness of the Canadian economy, from the point of view of investors, arises from this growing indebtedness. However, it should be weighed in the light of the circumstances. For one thing, past records suggest that Canadians will not miss opportunities to repatriate outstanding securities and to acquire foreign assets to offset a growing debt. Of course, exchange control covers all foreign claims, including the increasing American participation in Canadian mining and industrial stocks, and in direct ownership of enterprises. The conand industrial stocks, and in direct ownership of enterprises. The control over the outflow of capital has been strictly enforced during the war. Since, a progressive relaxation is taking place. Dividend and interest payments were forthcoming without difficulty, but the repatriation of American capital invested previous to 1939 is still subject to special permission which is available now "within limits."

It may be safe to assume that Canadian exchange policy will closely follow the American, and that an independent devaluation, or a severe tightening of foreign exchange restrictions would be

exchange restrictions would be resorted to only in an extraordi-nary emergency, such as a crisis in exports, and cessation of capiin exports, and cessation of capital influx from abroad, plus the flight of funds from the Dominion. Such a combination of adversities, or of many of them, could occur, but it does not appear to be "in the cards." Short of catastrophic occurrences, C a na d a should remain what she is at present: the leading, nay, the one outstanding, area serving as an outlet for American private and corpofor American private and corpo-rate capital seeking sound invest-ment abroad.

#### **Reorganization Bill** Passes Senate

The Senate passed on Nov. 19 the bill granting extraordinary power to the President to reorganize the Federal government, the Associated Press reported from Washington, but the measure as before a joint Senatefrom Washington, but the measure must go before a joint Senate-House conference committee in order that a piece of legislation may be drawn up from the Senate bill and a separate reorganization bill approved by the House on Oct. 4. Numerous differences exist between the two measures to be adjusted; in addition, just before final approval of the Senate bill, Senator Harry F. Byrd (D.-Va.), according to the Associated Press, discovered what he termed a "loophole" that might allow scores of departments, agencies and buof departments, agencies and bu-reaus legally to oppose any reor-ganization, and the ambiguous wording will have to be changed in the legislation as finally draft-

Senator Byrd's reference was to a clause that would prohibit the President from touching agencies with "quasi-judicial" powers, and, the Virginia Senator told the Senate, "This would permit a wholesale exemption, it appears to me." The Associated Press also

said:

In addition to its language exempting "quasi-judicial" agencies, the Senate bill specifically removes fifteen agencies from the scope of the bill. They include the following Federal commissions: Interstate Commerce, Trade, Communications, Securities and Exchange, Power, Maritime and Tariff; three agencies dealing with railroad labor; the Federal Land Bank System; the Federal Deposit Insurance Corporation; District of Columbia municipal government, Columbia municipal government, General Accounting Office, and the Army Engineers civil functions.

## In Attendance at IBA Meeting

(Continued from page 2749)

Huston, Harold H. Hutchinson, Herbert A. Hutton, James M., Jr. Hutton, William E. Iglehart, J. A. W.

Jackson, Charles J. Jacobs, Irving P. Jaffray, C. Palmer Jammer, L. R. \*Jardine, J. Earle, Jr. Jarvis, W. H. R. Jenner, Austin Johanigman, S. E. John, Robert S. Johnson, Joseph T. Johnson, R. H. \*Johnson, Thomas M.
\*Johnson, Wilbur E.
\*Johnson, William A.
Johnston, Edwin S. Johnston, James M. Johnston, John R. Jones, Elisha Riggs Joseph, Herman B.

Kalb, John Kales, Davis Kandlik, Edward Kane, Leo A. Kaufman, C. G. Kealty, Joseph L. \*Kebbon, Richard A. Kennedy, Frank T. Kent, Russell A. Kerwin, John A Kerr, William D. Ketcham, Tuthill Kidd, William E.

\*Denotes Mr. and Mrs

Harold H. Huston & Co.
McMaster Hutchinson & Co.
W. E. Hutton & Co.
W. E. Hutton & Co. W. E. Hutton & Co.

Newsweek Newsweek
Sutro & Co.
Piper, Jaffray & Hopwood
R. S. Dickson & Co.
William R. Staats Co.
McLeod, Young, Weir, Inc.
First National Bank
Milwaukee Company
Woodard-Elwood & Co. Milwaukee Company R. H. Johnson & Co. Johnson, Lane, Space & Co. Johnson & Johnson Mazon, Moran & Co.
Wood, Gundy & Co.
Johnston, Lemon & Co.
McDonald & Co. E. R. Jones & Co. Joseph & Co.

Lewisohn & Co. Commerce Union Bank Chicago Sun National City Bank National City Bank
Shields & Co.
O. H. Wibbing & Co.
Kebbon, McCormick & Co.
C. J. Devine & Co.
Bank of America
Kerwin, Fotheringham & Co.
Bacon, Whipple & Co.
Stifel, Nicolaus & Co.
J. C. Bradford & Co.

Chicago Cincinnati New York New York

THE COMMERCIAL & FINANCIAL CHRONICLE

Chicago San Francisco Minneapolis Chicago Los Angeles New York Chicago Chicago Minneapolis Milwaukee New York Savannah Pittsburgh Milwaukee New York Washington Cleveland Baltimor Cleveland

New York Chicago New York Chicago St. Louis Chicago New York San Francisco St. Louis Chicago Chicago Nashville

Kiep, R. J. Kimball, P. C. Kimball, Ronald M. King, Joseph H. King, William P \*Kingsbury J. Wallace Kingsley, Mabon Kinloch, Bohun B. Kirkland, S. N. Kirkpatrick, S. R. Kirtley, Arthur E. Kistner, W. E. Kitchen, John H. Kitchen, John H, Klute, Roy H, Kneass, George B, Knies, Arthur C, Knight, Augustus Knight, Newell S, \*Knopp, Bernard B, Knowles, James H, Kobler B, M. Kohler, B. M.

Guaranty Trust Company William Blair & Co. Sills, Minton & Co. Continental Illinois Bank Union Securities Corporation Harris, Hall & Co. Kingsbury & Alvis Mabon & Co. Kinloch, Huger & Co. Jenks, Kirkland & Co. Kirkpatrick-Pettis Co. First Boston Corporation A. C. Allyn & Co. Geo. D. B. Bonbright & Co. Geo. D. B. Bonbright & Co.
Mason, Moran & Co.
Philadelphia National Bank
Vilas & Hickey
Bacon, Whipple & Co.
Mercantile-Commerce Bank
First National Bank
Mellon Securities Corporation H. C. Speer & Sons Co.

\*Denotes Mr. and Mrs (Continued on page 2755)

New York Chicago Chicago Chicago New York New York New Orleans New York Charleston Philadelphia Omaha Chicago Chicago Rochester Chicago Philadelphia New York Chicago St. Louis St Paul Chicago

#### ST. LOUIS MARKETS

Our Trading Department Is Active In All Local Listed And Unlisted Securities

We Specialize In Orders For Banks and Dealers

## EDWARD D. JONES & CO.

New York Stock Exchange
St. Louis Stock Exchange
Chicago Stock Exchange
o Board of Trade
New York Curb Exchange, Associate

300 North Fourth St. Central 7600

Saint Louis 2. Mo. Bell Teletype SL 593

Direct Private Wire Connections with James E, Bennett & Co. and Josephthal & Co.

#### STIX & Co.

INVESTMENT SECURITIES 509 OLIVE STREET

ST.Louis 1, Mo.

Members St. Louis Stock Exchange

### Reinholdt & Gardner

St. Louis 2, Mo. 400 Locust Street Telephone Central 6640 Telephone Bell Teletype—SL 174 Bell Teletype—SL 174 Sell Telephone Cong Distance 395, 396 & 310

New York 5, N. Y. 14 Wall Street Telephone REctor 2-1853 Bell Teletype—NY 1-2748 Teletype

Members New York Stock Exchange St. Louis Stock Exchange Chicago Stock Exchange New York Curb (Assoc.) Chicago Board of Trade

### **Investment Securities**

## WHITE & COMPANY

PRIMARY MARKETS IN

BANK & INSURANCE STOCKS

OF THE NATION

ALL MIDWESTERN AND LOCAL ISSUES

MISSISSIPPI VALLEY TRUST BLDG.

SAINT LOUIS 1, MO.

CENTRAL 0282

Private wires to: New York, Chicago and Kansas City

UNDERWRITERS and DISTRIBUTORS

INSTITUTIONAL and CORPORATION BONDS and STOCKS

TRADING SERVICE IN ALL LOCAL ISSUES , . . .

### O. H. WIBBING & CO.

319 North Fourth Street, St. Louis 2, Mo.

Long Distance 71

Teletype SL 158

D

S

T

R

B

u

T

0

R

N E R W R

T

E

R

S

U

Municipal — Industrial — Public Utility and Railroad Bonds **Bank and Corporation Stocks** Catholic Institutional and **Real Estate Bonds** 

F. H. A. Mortgage Loans Made, **Bought and Sold** 

Approved F. H. A. Mortgagee

Metropolitan St. Louis Co. 718 Locust Street Saint Louis. Mo.

BELL TELETYPE - SL 499

LONG DISTANCE 207 & 208

gitized for FRASER o://fraser.stlouisfed.org/

### **Commerical Bank Installment Credit Plans**

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 to borrowers for the purchase of automobiles, household appliances, and other goods, and for repairs and modernization.

Some seven thousand banks expect to purchase retail installment paper from dealers. That more banks will engage in consumer installment lending than in financing through dealers is quite understandable; dealer figures and modernization. quite understandable; dealer fi-nancing is more complex and re-quires more specialized person-nel, 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

to establish new consumer credit

The Association has also com 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 as a of installment payments. The collections will be handled on a reciprocal basis at established 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 mutual interests. Similar 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 Massachusetts Bankers' Associa-

(Continued from page 2704)
In the page 2704)
Consumer Credit Departments of number intending to purchase all installment paper. Nearly Charges, Automobile Financing of professional services. Charges, Automobile Financing of professional services of that state for the financing of professional services. The Association has also come to make direct consocieties of that state for the financing of professional services. The Association has also come to make direct consocieties of that state for the financing of professional services. The plan for nancing of professional services of that state for the financing of professional services. The plan for nancing of professional services of the financing of professional services of the financing of professional services. The plan for nancing of professional services of the financing of professional services of the financing of professional services. The plan for nancing of professional services of the financing of professional services of the financing of professional services of the financing of professional services. The plan for nancing of professional services of the financing of professional services of the financing of professional services of professional services. The plan for nancing of professional services of the financing of professional services of the financing of professional services of the financing of professional services. The plan for nancing of professional services of professional servi auto dealers' associations, farm implement dealers' associations, appliance and furniture dealers' 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 reappearance of consumers' 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 those meeting its credit and other requirements and who wish to become memits credit and other requirements and who wish to become members of the plan are franchised. Such dealers are provided with all necessary forms, rate charts, application blanks, notes, and the like. They also receive appropriate emblems, for example, "Centrust Purchase Plan — Registered Dealer," to display in their places of business and thereby indicate their participation. The emblem is also featured in advertisements of the bank to the public.

The buyer of an automobile or an appliance finances it through the dealer, signing an installment note. The dealer, in turn, sells the note to the bank, which credits his account with the proceeds. The buyer of the article then makes his installment payments direct to the bank. The bank banks. These manufacturers wish

consumer installment lending.

The appeals used in the advertising are low-cost rates, convenience in making payments at any of the bank's offices in the community, the value to the consumer of establishing bank credit which builds his standing in the community and may prove of value at some time when he needs to borrow and the dignified busito borrow, and the dignified, business-like basis upon which purchases are made.

The desire to meet the need for The desire to meet the need for financing floor plans of dealers and providing manufacturers and distributors with cash payments for shipments is leading to the formation of national or regional "bank syndicates." These syndicates are organized by large banks, in manufacturer and distributor cities, utilizing close relationships with their correspondent local banks in dealer towns.

National and regional sales

ent local banks in dealer towns. National and regional sales finance companies, with their many branch offices, have been providing complete wholesale and retail installment sale financing, including insurance where needed, for the process of distribution from manufacturer or distributor through to the ultimate consumer. Banks have not been able to provide such a service in the past.

It would be impractical for a manufacturer whose products are

assurance of payment on some uniform plan for their goods before shipment, and distributors dealing with a large number of retail outlets have a similar problem. A solution is being attempted through the development of correspondent bank relationships.

ships.

For example, a manufacturer for example, a manufacturer distributing his product to several thousand retail dealers through several dozen wholesale branches might select a large bank in each of the trade areas handled by a branch and serving the same region. Contracts would be made branch and serving the same region. Contracts would be made for each of these banks to purchase the wholesale documents of the dealers in its area. The large banks acquiring floor plan credit in this way from manufacturers and distributors might offer their correspondent banks in the towns of the various retail dealers the opportunity of handling this credit if they so desire. Local banks acquiring this floor plan credit would be enabled to secure the retail installment paper created

would be enabled to secure the retail installment paper created by the dealers' sales to consumers. In case a local bank was unable or unwilling to purchase the retail paper, the credit could be handled by the large bank, thereby assuring the manufacturer of handled by the large bank, there-by assuring the manufacturer of a regional or national financing service for his dealers. Where manufacturers work through dis-tributors rather than through their own branches, the financing plan would operate similarly ex-cept that the distributor would select the large banks with which contracts would be made. Under such arrangements, lead-

contracts would be made.

Under such arrangements, leading banks in large cities could direct profitable business to the small banks and thereby improve and strengthen their correspondent bank relationships. The large banks would assist their correspondents by furnishing information and advice upon the detailed procedures involved in handling the wholesale and retail installment sale financing business to be carried on. The first syndicate to be organized is headed by the Bank of America, San Francisco, and includes 60 state and national banks in 11 western and west

and includes 60 state and national banks in 11 western and west coast states. Among the 60 participating institutions, 10 have more or less extensive branch systems, which considerably expand the territories they cover.

Participation in this "Bankredit Time Payment Plan" does not involve fees or "franchises," although as the plan has worked out so far the participants include only one bank in a given city. The banks are informally linked by a voluntary agreement city. The banks are informally linked by a voluntary agreement for the exchange of services and experience to obtain the mutual advantage of being able to offer manufacturers, distributors, dealers, and consumers a uniform fiverence conviction over a wide tradnancing service over a wide trad-ing area for all types of consumer goods and various types of commercial equipment and machinery on the installment repayment

It is reported that several major manufacturers have arranged to have the facilities of the group made available to their distributors and dealers. The first step in the program was a series of "clinics," conducted by a group of Bank of America executives at important cities, to acquaint banks new to the business with the mechanics of intallment financing.

A second syndicate is the "National Sales Finance Plan" which will cover a large section of the It is reported that several major

will cover a large section of the country (around two-thirds or more of the territory not served by the first syndicate) containing perhaps 85% of the population.

### Bank-Agent Plans for Expanding Consumer Installment Loans

Along with these plans for fa Along with these plans for fa-cilitating the purchase by banks of both wholesale and retail in-stallment paper, programs are be-ing promoted throughout the country for increasing bank con-sumer installment loan business. One of these programs is the

#### Fifty-Five Years of Investment Banking

#### UNDERWRITERS . DISTRIBUTORS . DEALERS

UNITED STATES GOVERNMENT STATE and MUNICIPAL SECURITIES INDUSTRIAL, PUBLIC UTILITY, RAILROAD REAL ESTATE, BANK and INSURANCE SECURITIES LISTED and UNLISTED BONDS & STOCKS

## Stifel, Nicolaus & Company

ST. LOUIS

CHICAGO

### Taussig, Day & Company, Iss

MEMBERS ST. LOUIS STOCK EXCHANGE ESTABLISHED 1924

Underwriters—Distributors Dealers

506 OLIVE STREET, ST. LOUIS 1, MISSOURI

**GArfield 1721** 

#### OFFERING

COMPLETE INFORMATION AND SERVICE ON ST. LOUIS SECURITIES



#### G. H. WALKER & CO.

New York Stock Exchange

Chicago Stock Exchange k Exchange Gommodity Exchange, Inc. New York Curb Exchange Associate

BROADWAY AND LOCUST ST. - ST. LOUIS 1, MO.

1 WALL STREET NEW YORK 5, N. Y.

15 WESTMINSTER ST. PROVIDENCE 3, R. I.

I. M. SIMON & CO.

#### Mid-Western and Southern Securities

MEMBERS

New York Stock Exchange New York Curb (Associate)
St. Louis Stock Exchange Chicago Board of Trade

315 North Fourth Street

ST. LOUIS 2

## A. G. EDWARDS & SONS

409 NORTH EIGHTH STREET, ST. LOUIS 1, MO.

TELEPHONE: CENTRAL 4744 61 BROADWAY, NEW YORK, N. Y.

TELEPHONE: WHITEHALL 3-9394 MYERS BLDG., SPRINGFIELD, ILL. TELEPHONE: 7826

Members

New York Stock Exchange . Chicago Stock Exchange New York Curb Exchange . St. Louis Stock Exchange Chicago Board of Trade

### Brennan, Kinsella & Co.

Investment Securities 418 OLIVE STREET ST. LOUIS 2, MISSOURI CHESTNUT 6111

EMMET J. BRENNAN

J. R. KINSELLA

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 in so-

the community compete in so-liciting the dealer accounts, that is, in getting the dealers to sell them the retail installment paper. them the retail installment paper. A bank, or other institution, depending on a few dealers for business may suddenly lose these sources to competitors. Under the installment sale credit method, the ear buyer is the dealer's customer, not the bank's. If he buys his next car from a dealer who does not sell his paper to the bank, the business is lost to the bank.

Furthermore, the bank, as a rule, will be obliged to split its gross charge with its dealers, paying them a "reserve," "bonus," or 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 mine" paper, the poor as well as the good, in serving the dealer, instead of accepting only selected, choice risks.

The most common practice of

The most common practice of the automobile buyer has been to sign an installment sale contract with the dealer, who either holds it 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 plan is to "re-educate" the buyer to borrow on a direct consumer installment. on a direct consumer installment loan from the bank and pay cash for his purchase. The insurance agent is to cooperate with the bank in inducing buyers to use installment loan credit instead of installment sale credit for financing their sutproblies purchase. ing their automobile purchases, and the agent is expected to do the work involved at no cost to the bank.

the bank.

At the end of the peak year in 1941, there was a total of almost two billion dollars of retail installment paper outstanding covering the sale of automobiles. Of this, the commercial banks held only a little over 400 million dollars, but they had in addition slightly more than 300 million dollars of retail automobile direct loans, primarily made for the purchase of cars. The bank-agent plan's purpose is to increase this consumer installment loan business at the expense of the business of purchasing retail automobile paper, which has been largely in the hands of the sales finance companies. the hands of the sales finance companies.

In their purchasing of retail in stallment paper on automobiles, the sales finance companies have furnished not only the funds needed for financing the sale but also, through their insurance subalso, through their insurance sub-sidiaries, the insurance required on the automobiles. Banks gen-erally are not permitted to enjoy commissions on insurance pre-miums, which have been a very large source of income for the sales finance companies. The sales finance companies. The banks, without the benefit of com-missions on insurance premiums, missions on insurance premiums, probably will not be in a position to give generous rebates or bonuses to automobile dealers out of 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 a direct dealer. The bank makes a direct loan to the car buyer covering the unpaid balance and the insurance unpaid balance and the insurance premium. Some local insurance agent writes the insurance coverage and gets the premium, and thus is induced to urge his clients to borrow from the bank and pay cash instead of buying from the automobile dealer on a regular installment sale contract. In this way, it is said, the bank gets its profit from the rent of money, the (Continued on page 2756)

### In Attendance at IBA Meeting

(Continued from page 2753) Kramer, Alvin F. Krans, John G. Kraus, Harry G

Kreutzer, Knox

Kuhn, R. Parker Labouisse, John P. Ladd, Edward H. 3rd Laemmel, William G. Laing, C. W. Lang Walter F.

Lang, Walter E.
Larson, Hugo H.
Lanston, Aubrey G.
LaRocca, Harry B.
Lawshe, Emmett
Leach, Edmund C.
Leathers, Harry

Leathers, Harry Ledyard, Q. R.

Lee, James J. \*Legros, Emile A. Leggett, Marvin C. \*Lemon, James H.

Leonard, A. T. Leonard, John M.

Levy, Herbert

Lewis, David J

Lewis, McDaniel

Lillis, Donald C. Limbert, Lee M. Linch, Dale F.

\*Lestrange, George E.

Lewis, Mohan Lewis, Reuben A., Jr.

Lewis, Robert J. Lewis, Salim L. Liebenfrost, Conrad H. Liginger, J. W. D.

Lincoln, Mary R. Lineberry, Kenneth W. Linen, John S. Linn, W. Scott

Linsley, Duncan R. Little, Alden H. \*Loewi, J. Victor

Loftus, E. J. Longmire, John R. Longstaff, Ralph S.

Lofft Hubert W

Loomis John S.

ord, Andrew J

Loudon, Paul W. Lucke, Frank L. Ludin, Joseph Lunt, Samuel D.

Lyons, W. L.

Lyklema, Walter C Lynch, Lawrence J. Lyons, Kevin T.

MacArthur, Reginald

MacArthur, Reginald
MacBain, Hugh D.
Macdonald, Ransld H.
Macfadden William S.
Macferran, J. S.
\*MacLaughlin, A. M.
Main, Charles O.
\*Mallory, Waldo W.
Marks, Laurence M.
\*Denotes Mr. and Mrs.

Eastman Dillon & Co. Mfr's & Traders Trust Co. Ball, Burge & Kraus Merrill Lynch, Pierce, Fenner & Beane

First Boston Corporation Lamar, Kingston & Labouisse First Boston Corporation First Boston Corporation
Chemical Bank
John Nuveen & Co.
Union Planters Bank
Harriman Ripley & Co.
Chicago Herald-American
First Boston Corporation
First Securities Company
Shields & Co.
Storne, Agea & Leach Shields & Co.
Sterne, Agee & Leach
New York Times
J. C. Bradford & Co.
Lee Higginson Corporation
First Cleveland Corporation
Distributors Group, Inc.
Johnston, Lemon & Co.
City National Bank
Kubn Look & Co. Kuhn, Loeb & Co. Moore, Leonard & Lynch

Moore, Leonard & Lync
Paine, Webber, Jackson
& Curtis
Paine, Webber, Jackson
& Curtis
McDaniel Lewis & Co. Finance Estabrook & Co Bear, Stearns & Co. Stern, Lauer & Co. Morris F. Fox & Co. Bear, Stearns & Co. Blyth & Co. Berwyn T. Moore & Co. Investment Bankers Assn. F. S. Yantis & Co. Chase National Bank Shields & Co. First Boston Corporation First Boston Corporation
Investment Bankers Assn.
Loewi & Co.
Wood, Gundy & Co.
Elkins, Morris & Co.
I. M. Simon & Co.
Rogers & Tracy
Illinois Company
Lord, Abbett & Co.
Piper, Jaffray & Hopwood
Laidlaw & Co.
Dillon, Read & Co.
Hamlin & Lunt
A. C. Allyn & Co.
Dick & Merle-Smith
Lyons & Shafto
W. L. Lyons & Co.

Miller, Kenower & Co.
Mellon Securities Corporation
Dominick & Dominick Piper, Jaffray & Hopwood Continental Illinois Bank Vieth, Duncan and Wood Ballman & Main Clement A. Evans & Co. Laurence M. Marks & Co.

Buffalo Cleveland Chicago

New York New Orleans New York New York Chicago Memphis Chicago Chicago New York Chicago New York Montgomery New York Nashville New York Cleveland Chicago Washington Chicago New York Pittsburgh Chicago

New York

Greensboro Chicago Chicago New York New York New York Milwaukee New York New York ouisville Chicago Chicago New York Chicago New York Chicago Milwaukee Toronto Philadelphia St. Louis Chicago Chicago New York Minneapolis New York New York Buffalo Chicago New York Boston Louisville

Detroit Pittsburgh New York Minneapolis Chicago Davenport Chicago Atlanta New York

Edward B. Hall

1936-37



IBA PAST PRESIDENTS

1935-36





G. W. Bovenizer

Markus, Norbert W

Smith, Barney & Co. Bacon, Whipple & Co. Kebbon, McCormick & Co. Markus, Norbert W.
Marshall, James Waller
Marshall, John C.
\*Martin, Bennett S.
\*Martin, George L.
Martin, Wayne
Marx, L. Eugene
Mason, Fred H.
Mason, Robert
Mason, Walter G.
\*Denotes Mr. and Mrs.
(Continued on page 2756) First Trust Company
Martin, Burns & Corbett
Milhouse, Martin & McKnight
Salomon Bros. & Hutzler

Chicago Chicago Lincoln Chicago Atlanta New York Chicago

Lynchburg

Philadelphia

Investment Dealers and Underwriters

#### Indianapolis Bond and **Share Corporation**

129 EAST MARKET ST.

INDIANAPOLIS 6. IND.

## ™ BANKERS BOND ◎

1st FLOOR KENTUCKY HOME LIFE BLDG. LOUISVILLE 2, KENTUCKY

INVESTMENT DEPARTMENT

INVESTMENT DEPARTMENT

THOMAS GRAHAM, Manager

WOOD HANNAH, Asst. Manager

## J. J. B. HILLIARD & SON

Members New York Stock Exchange Members Chicago Stock Exchange Associate Members New York Curb Exchange

419 W. Jefferson St.

Louisville 2, Ky. Hilliard Bldg.

Bell System Teletype-LS 284 Long Distance 197 & Western Union Phone



Active Markets In ALL LOCAL SECURITIES KENTUCKY MUNICIPALS & BRIDGE REVENUE BONDS

Private wire to Wood, Walker & Co., N. Y.

Telephone, Telegraph or Write Us

#### **BONDS**

MUNICIPAL - CORPORATION

PREFERRED STOCKS

Specializing in Unlisted Securities

## <u>Prescott,Wright,SniderCo.</u>

INVESTMENT BANKERS

916 Baltimore Avenue

Kansas City 6, Mo VICTOR 3143

Underwriters

Distributors

CORPORATE and MUNICIPAL **SECURITIES** 

## Stern Brothers & Co.

1009-15 Baltimore Ave. KANSAS CITY 6, MO. OMAHA, NEBRASKA

### In Attendance at IBA Meeting

(Continued from page 2755)

Matlack, Jordan \*Matheny, R. C. O. Matthews, Robert H. \*Maxwell, Frank O. Maxwell, John M. McAllister, H. L. McCabe, William E. McCague, R. H. McCarthy, Clarence A \*McCrary, Robert H. McCloud, James F. McCloud, James F.
McClure, Nathan D.
\*McCormick, D. Dean
McDonald, C. B.
McDougal, A. L., Jr.
McEwan, George S.
McFarland, D. E.
McGlone, Conl McGlone, Carl McGrew, Edward D.
\*Denotes Mr. and Mrs

Investment Bankers Assn. A. G. Edwards & Sons G. H. Walker & Co. Maxwell, Marshall & Co. Maxwell, Marshall & Co Northern Trust Co. R. S. Dickson & Co. McCabe, Hanifen & Co. Union National Bank Union National Bank
Sills, Minton & Co.
McCrary, Dearth & Co.
Kirkpatrick-Pettis Co.
Harriman Ripley & Co.
Kebbon, McCormick & Co.
McDonald & Co.
McDougal and Condon
Paul H. Davis & Co.
Kalman & Co.
Carl McGlone & Co.
Northern Trust Co. Northern Trust Co.

(Continued on page 2757)

Chicago Springfield St. Louis Los Angeles Chicago Charlotte Denver Pittsburgh Chicago Des Moines Omaha Chicago Chicago Cleveland Chicago Chicago Minneapolis Chicago Chicago

### Commerical Bank Installment Credit Plans

(Continued from page 2755)
insurance agent gets his profit from the sale of the insurance, and the dealer has his profit from the

The dealer's profit, however, may not be as large as it would be if he made the sale on an installment contract and either held stallment contract and either neld the paper to maturity — assum-ing that he had or could borrow the necessary funds—or sold it to a financial institution which would grant him a commission or bonus for his services in prepar-ing the papers and consummating the deal. On Sept. 30, 1941, at the pre-war peak of consumer installpre-war peak of consumer installment credit, retailers and other sellers held 37% of all retail installment paper outstanding; the holdings of automobile dealers amounted to 277 million dollars. amounted to 277 million dollars. Apparently many sellers, who have plenty of funds of their own or who can secure them at low rates, prefer to hold their own installment paper, upon which the earnings may be around 12% or more per annum, to have customers make their periodic payments at the store where they may be shown additional merchandise, and to handle the collection foland to handle the collection fol-low-up themselves when this in-volves a reselling as well as a collecting job.

On the other hand, the argument is made that the widespread invasion of the consumer install-

be to the advantage of many mer chants. It is asserted that if mer-chants are forced to leave the fi-nancing of installment purchases to financial specialists, the mer-chants will be enabled to concen-trate all their managerial energies on the purchase, display, and sell-ing of goods, which is the task they are most skilled in performing

The bank-agent plan first got under way in Chicago, St. Louis, San Francisco, and other large cities and then began to receive state-wide and national promotion by some of the leading insurance companies and by state and national associations of bankers and insurance agents. In some com-munities, banks and agents have raised funds for joint advertising raised funds for joint advertising of the plan. It is held that most car buyers know little, if anything, about the terms or rates of their finance and insurance contracts, and that it is up to the banks and the agents to educate them and to persuade them to to adopt new habits of borrowing from the bank in place of buying on installment sales contracts where they acquire the car, the on instalment sales contracts where they acquire the car, the financing, and the insurance wrapped up in one convenient package.

Tel. Main 4884

such appeals as lowest rates obtainable, establish bank credit for yourself, retain your insurance with your local agent who will with your local agent who will better look after your interests as to coverage represented and fair and speedy settlement of claims, and "money spent at home benefits home town people." The logical extension of the argument that the plan will "keep a sizable amount of money circulating locally that might otherwise go out of town" would be to urge each city to establish its own home insurance companies, its own automobile and appliance factories, foundries, and other subsidiary industries, and to have its citizens buy only from these locally owned concerns.

#### Mechanics of the Bank-Agent Plan

In some cities the banks have decided upon uniform credit application blanks, uniform chattel mortgages and notes, and other forms which are furnished to the insurance agents. The insurance agent is called upon to do guite agent is called upon to do quite a bit of work before he gets his premium for the insurance involved. He interviews the prospective car buyer—who has already gone to the dealer, ascertained the price of the new car, if several numbers and the trade in tained the price of the new car, its serial number, and the trade-in allowance before taking up the matter with the agent—fills out the credit application form, including the serial number and description of the new car, has the buyer sign the form in ink, and then telephones the facts contained in the application to the bank selected by him or the buyer.

If the bank, after credit investigation, calls back its approval of the deal, the agent has the buyer sign the note and chattel mort-gage in duplicate, filling in the face amount and the name of the bank in ink, together with a de-scription of the car on the chattel mortgage.

The agent may send his assured, with the executed papers, to the bank or he may take the papers to the bank himself, or handle the matter by special delivery mails A variant is for the agent to secure the insurance application and then give the prospective car buyer an introduction card to take to the bank where the application. er an introduction card to take to the bank where the application for credit is taken and the requi-site papers are completed after credit investigation and accept-ance. The bank issues a check payable to the dealer for the unpaid balance and a check to the agent for the premium.

As previously stated, the plan does not anticipate the payment of commissions by the banks to insurance agents for their services in channeling loans to the banks. The agent has the incentive of acting insurance business which in channeling loans to the banks. The agent has the incentive of getting 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 catheren while lightlifty property buyer public liability, property damage, and medical payment insurance along with the required fire, theft, comprehensive, and collision insurance.

Moreover, it is reported that many banks reciprocate for the loans which are shunted in their direction by ordering insurance from the cooperating agents on 'agent free" loans. That is to say, consumers influenced by a bank's advertising may go directly to the bank to borrow instead of first contacting 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 giv-

#### OHIO SECURITIES

Corporate and Municipal

Field, Richards & Co.

CINCINNATI

### HILL & CO.

INVESTMENT BANKERS

Established 1903

MEMBERS OF

NEW YORK STOCK EXCHANGE YORK CURB EXCHANGE CHICAGO BOARD OF CHICAGO STOCK EXCHANGE CINCINNATI STOCK EXCHANGE CHICAGO

CINCINNATI, OHIO

NEW YORK, N. Y.

I. T. Bartlett - Resident Partner, N. Y. John T. Herne - Mgr. Bond Dept., N. Y.

• WE SPECIALIZE IN

KENTUCKY MUNICIPAL BONDS

#### THE W. C. THORNBURGH CO.

18 East Fourth Street CINCINNATI 2 OHIO

Teletype CI 260 PArkway 6820 L. D. 107

### Walter, Woody & Heimerdinger MUNICIPAL BONDS

W. D. GRADISON & CO. Members: New York Stock Exchange
Cincinnati Stock Exchange New York Curb Associate

Investment

Brokerage Service

for Individuals . Banks . Institutions

LISTED and UNLISTED SECURITIES

Dixie Terminal Building, Cincinnati 2, Ohio

Tele. CI 68-CI 274

403 DIXIE TERMINAL CINCINNATI 2

Municipal Bonds

**Corporation Bonds** 

**Unlisted Stocks** 

## NELSON, BROWNING & CO. Investment Securities

CAREW TOWER CINCINNATI 2, OHIO

Branch Offices: Cleveland-Akron

en company or agent, the bank makes the renewal as desired.

Banks generally provide free folders, blotters, inserts, and other promotional material advertising the bank-agent plan for agents to distribute to their clients under the agent's own imprint. Banks cooperating with insurance agents stress in their advertising the fact that in borrowing from the banks for the purchase of a car or for some other operation involving insurance, the borrowers will not be required to change their insurance agents.

It is said that one of the bones

their insurance agents.

It is said that one of the bones of contention between agents and banks has been that banks in many places have "coerced" insurance by borrowers—on their homes, on their motor cars, and on other risks—to agents favored by the banks. "With the attitude of the A. B. A. and their anxiety for loan business, such banks can of the A. B. A. and their anxiety for loan business, such banks can be won over at least to cease coercing insurance when making loans," the editor of an insurance periodical comments, "in view of the fact that agents generally can be excellent sources of application for small loans." He further suggests that bankers are not justified, when buying retail installment paper from a dealer, in giving kickbacks, rebates, bonuses, or commissions to the dealer when none are given to the agent for bringing into the bank the same type and amount of financing business, but he thinks that the alert banker can keep most insurance agents happy on "agent free" loans.

Insurance agents seem to be in-

Insurance agents seem to be interested in applying the bankagent plan not only to automobile loans but to many other types, in-cluding mortgages, FHA ad- to start their educational and ad-

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 no source of cash to pay the necessary premiums on insurance. By introducing the prospect is already in the pay the necessary premiums on insurance. no source of cash to pay the necessary premiums 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.

debts.

In some cases, banks furnish their regular small loan application blanks 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 placing loans and securing business for banks has raised the

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 ance protection and service by dealing directly with local insur-

ance agencies,
The Springfield Group of Fire
Insurance Companies has been
circularizing its agents urging them to call immediately upon their local bank or banks and arrange for a cooperative program,

vertising programs using letters and a series of advertising leaf-lets prepared by the companies, to secure credit approval from the banks for the customers and prospects on their mailing lists, and to pects 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 Auto-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 1939. In 1941, its agents, cooperating with 2,500 banks, peratity away the cooperation with 2,500 banks, in 1939. In 1941, its agents, cooperating with 2,500 banks,
brought more than 91,000 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. accepted Board rates.

The company has been sending copies of a 28-page illustrated booklet of large format entitled "New Profit Opportunities for Banks" to bankers in the 40 states in which it operates, urging the bankers to promote the bankagent plan. The slogan, "see your least benefit before you finance. local banker before you finance

(Continued on page 2758)

## In Attendance at IBA Meeting

McHenry, Herbert T. McKie, Stanley G. McLaren, Harris B. McLaughlin, Edw. M.

McNair, Frank
McNair, Howard S.
McNulty, James M.
\*Mead, Robert G.
\*Mead, W. Carroll
Means, J. W.
Mee, William R.
Meeks, G. Gordon
Mericka, William J.
\*Merrill, Charles B.
Metzner, Russell H.
Meyers, Henry P.
Meyer, Julian L. Meyers, Hehry P.
Meyer, Julian L.
\*Meyer, Maurice, Jr.
Miehls, Don G.
Mikesell, Robert S.
Miller, Galen
Miller, Lewis
Miller, Sanford C.
Mills Andrew S. Mills Andrew S.

Molander, Winston L. Moore, Berwyn T. Moore, William \*Moreland, J. Marvin

(Continued from page 2756)
Salomon Bros. & Hutzler
Weil, Roth & Irving
McDonald & Co.
I. Paine, Webber, Jackson
& Curtis
Harris Trust & Savings Bank
Courts & Co.
Ames, Emerich & Co.
Stone & Webster and Blodget
Mead, Irvine & Co.
Trust Company of Georgia
Cruttenden & Co.
Gordon Meeks & Co.
Wm. J. Mericka & Co.
Merrill, Turben & Co.
Central National Bank
Goluman, Sachs & Co.
Salomon Bros. & Hutzler
Hirsch & Co.
William Plain & Co.
Selomon Bros. & Hutzler
Hirsch & Co.
William Plain & Co.
Selomon Bros. & Golicago
New York Salomon Bros. & Hutzle, Hirsch & Co. William Blair & Co. Stranahan, Harris & Co. Hayden, Miller & Co. First National Bank A. C. Allyn & Co. Newhard, Cook & Co. Newhard, Cook & Co.

Newhard, Cook & Co.
Paine, Webber, Jackson
& Curtis
Northwestern National Bank
Berwyn T. Moore & Co.
McDonald-Moore & Co.
Mosle & Moreland
Moroney, Beissner & Co.
Hornblower & Weeks
Northern Trist Co. \*Moreland, J. Marvin
Moroney, Robert E.
Morris, George L.
Morris, Pat G.
Morrison, James C.
Morse, Charles L., Jr.
Morton, Fred G.
Morton, William H.

\*Denotes Mr. and Mrs.

(Continued on page 2758) Milwaukee Company McMaster Hutchinson & Co. Chase National Bank

Cleveland Cleveland Chicago Chicago New York Chicago Toledo Cleveland Chicago Chicago St. Louis Boston

Minneapolis Louisville Detroit Galveston Houston Philadelphia Chicago New York New York Milwaukee Chicago New York

# INVESTMENT

SECURITIES

### McDonald & Company

anggaind all

Member Cleveland Stock Exchange UNION COMMERCE BUILDING

**CLEVELAND 14, OHIO** 

**Underwriters - Dealers - Distributors** 

Government, Municipal, Corporate

BONDS — STOCKS

— We have a continuing interest in: —

JOSEPH & FEISS
LEECE-NEVILLE
OHIO FORGE & MACHINE
TAPPAN STOVE TROXEL MFG.
UPSON WALTON
VALLEY MOULD & IRON

### THE FIRST CLEVELAND CORP.

NATIONAL CITY BANK BUILDING **CLEVELAND 14** 

Telephone

Teletype Bell System CV 443

3 5- 60 . Office - 3. Call for his constitution of the angle of the constitution of th

## HAYDEN, MILLER & CO.

INVESTMENT SECURITIES

Union Commerce Building CLEVELAND, OHIO

Members Cleveland Stock Exchange



Underwriters and Distributors

State, Municipal and Corporate

Securities

## OTIS & CO.

ESTABLISHED 1899

**CLEVELAND** 

NEW YORK

CHICAGO

CINCINNATI

TOLEDO

DENVER

gitized for FRASER. n.//fraser stlowisted orga

### In Attendance at IBA Meeting

(Continued from page 2757)

Mosle, J. Ludwig Mudge, Louis G. Mudge, Louis G.
Mullaney, Paul L.
Mullen, John J.
Mullins, Frederick P.
Murch, Maynard H.
Murphy, Dennis E.
Murphy, John A. Murray, Ray H.

Naumburg, Carl T. Nay, Leston B. Nelson, Arthur E. Nelson, Edward Nelson, Gus Nelson, Harry J. Nelson, William A Neison, William A. Newborg, Leonard D. Newhard, Chapin S. Newlin, E. Mortimer Newton, Arthur M. Nichols, Donald E. Nicolaus, Louis J.
\*Noel, Richard C.
\*Denotes Mr. and Mrs.

Mosle & Moreland
First Boston Corporation
Mullaney, Ross & Co.
Garrett-Bromfield & Co.
A. E. Masten & Co.
Maynard H. Murch & Co.
Obio Company Ohio Company Reynolds & Co. National Bank

Stern, Lauer & Co. Stern, Lauer & Co.
First Securities Co.
Arthur E. Nelson & Co.
Kidder, Peabody & Co.
Pitman & Co.
First Securities Co.
Bear, Stearns & Co.
Hallgarten & Co.
Newhard, Cook & Co.
H. M. Byllesby & Co.
Hayden, Miller & Co.
Ames, Emerich & Co.
Van Alstyne, Noel & Co Van Alstyne, Noel & Co.

Galveston Chicago Chicago Pittsburgh Cleveland Columbus Philadelphia

New York Chicago Spokane New York San Antonio Chicago Chicago New York St. Louis Philadelphia Cleveland Chicago New York

Noll, Gerhard B. Nongard, Richard C. Nordberg, H. Gerald North, Ludlow F. Norton, John F. \*Noyes, George F. Nugent, Joseph C. Nusloch, George H. \*Nuveen, John, Jr.

Oates, Jeannette O'Brien, John J., 3rd O'Brien, Michael J.

Ochs, Louis W. Olderman, Russell J. Olson, Ray Olson, Ray Osgood, Roy C. Ostrander, Lee H. Otis, C. Barron Otis, J. Sanford Ottens, Jonas H. Owen, I. D. Owen, Ralph Oxley, A. E. C.

Park, Charles R. Park, Charles K.
Parker, Charles S., Jr.
Parker, E. Cummings
\*Parker, Nathan K.
Parker, William A.
Parsons, James
Parsons, Robert H.
Parely, F. C. Parsons, Robert H.
Parsly, E. G.
Partridge, John F.
Parvin, William F.
Patton, Francis F.
Payne, Albert J.
\*Payne, Carr
Pearsall, Gilbert B. Peck, E. A.
Pelikan, Miles
Perrigo, Charles R.
\*Denotes Mr. and Mrs.

Graham, Parsons & Co. Stifel Nicolaus & Co. E. H. Rollins & Sons Wisconsin Company Fahey, Clark & Co. Illinois Company Mabon & Co. Nusloch, Baudean & Smith John Nuveen & Co.

United Press John J. O'Brien & Co. Paine, Webber, Jackson & Curtis Dempsey-Tegeler & Co. Field, Richards & Co. Stranahan, Harris & Co. First National Bank William Blair & Co. American Banker Central Republic Co Salomon Bros. & Hutzler Allison-Williams Co. Equitable Securities Corp. Dominion Securities Corp.

Park-Shaughnessey & Co. Continental Bank & Trust Co. Glore, Forgan & Co. Kay, Richards & Co. Parker Corporation Herald-Tribune Pacific Company J. G. White & Co. J. G. White & Co.
Welsh-Davis & Co.
Roe & Co.
A. G. Becker & Co.
John J. O'Brien & Co.
Cumberland Securities Corp.
Van Alstyne, Noel & Co. W C Gibson & Co. John Nuveen & Co. Hornblower & Weeks

(Continued on page 2759

Chicago Chicago Chicago Milwaukee Cleveland Chicago New York New Orleans Chicago

Chicago Chicago Chicago

St. Louis Cleveland Chicago Chicago New York Chicago New York Minneapolis Nashville New York

St. Paul New York Chicago Pittsburgh Boston New York Los Angeles New York Chicago San Antonio Chicago New York Nashville New York Chicago Chicago

#### **Commercial Bank Credit Plans**

(Continued from page 2757) oyour next car," is emphasized in the company's advertising in national magazines, the mailing of tional magazines, the mailing of enclosures to policy-holders by the company and its agents, the publicity releases by the local agents, and the free mat service and advertising material furnished to banks.

In July 1945, the National Association of Insurance Agents

ciation of Insurance Agents started mailing to property and casualty insurance agencies throughout the country a new Bank and Agent Auto Plan manual to aid the agents in fostering insurance business volume in cooperation with banks. The manual ties in closely with the A. B. A. manual on the direct loan plan of automobile financing, which was reviewed by a committee of the insurance agents' association.

mittee of the insurance agents' association.

The Association has adopted an official trade-mark insigne to use on circulars, blotters, letterheads, calling cards, newspaper advertising, window and counter displays, and other forms of printed promotion. By this means, local insurance agents and banks can tie their advertising together for the promotion of the plan.

It is reported that many automobile owners whose cars have been paid for are now carrying their insurance with local agents, instead of renewing the insurance placed on the car at the time of sale, and the agents not only

of sale, and the agents not only hope to retain this business but to add to it as buyers of motor cars again become numerous. The Insurance Advertising Conference has established a clearing house for all insurance companies' pro-motional material, and company officials are instructing their field personnel to work with local agent groups in the organization of local programs.

### Other Plans for Expanding Consumer Installment Loans

In addition to the bank-agent plan, commercial banks are devel-oping other programs to increase the volume of their consumer inthe volume of their consumer installment loan business. Some have combined the "five cent checking account," a special type of checking account under which no minimum balance is required and a uniform charge of five cents in made for each check drawn. is made for each check drawn, with a limited personal loan fea-ture for those who feel that they may require occasional, small "emergency credit."

Some banks have organized savings or purchase clubs, based upon the well-known Chrismas Club idea, to help consumers to save up the amounts needed for down payments on new automo-biles, household appliances, and other durables as they come into the market. Club members who have saved up the necessary down payments are expected to finance the unpaid balances by securing. the unpaid balances by securing, direct consumer installment loans from the banks. Club depositors are furnished coupon books, the numbered sheets of which are used in place of deposit tickets, thereby eliminating the making of entries in bank books and the preparation of duplicate deposit tickets, and consequently simplifying and speeding up the hamfying and speeding up the handling of club deposits.

In connection with these plans, the bank often sets up in its lobby either a pictorial or an actual dis-play of household appliances, in-novations in household structure novations in household structure and equipment, and other durables. Some banks have conducted house-to-house or mail surveys in their communities to ascertain what kind of consumers' durables expenditures or capital improvements the respondents are intending to make, and at he cause till they have solicited savings or purchase club and at he care tire they have solicited savings or purchase club accounts, offering to consider

## Merrill, Turben & Co.

Investment Securities

Union Commerce Building

**CLEVELAND 14** 

OHIO

PRospect 4500

Teletype CV 283

#### SAUNDERS, STIVER & Co.

Terminal Tower CLEVELAND 13, OHIO

MEMBER CLEVELAND STOCK EXCHANGE

Cuyahoga County Suburban Municipal Bonds and Ohio Unlisted Securities

## WM. J. MERICKA & CO.

Members Cleveland Stock Exchange

Offering an experienced trading and distributing service in Ohio Corporation and General Market Municipal Bonds, Stocks and Land Trust Certificates

Union Commerce Building **CLEVELAND 14** Telephone MAin 8500

29 Broadway **NEW YORK 6** WHitehall 4-3640

Direct Private Wire to New York

STATE AND MUNICIPAL BONDS

#### GINTHER & COMPANY

1138 UNION COMMERCE BUILDING CLEVELAND 14, OHIO

JOSEPH & CO., INC.

Investment Securities

CLEVELAND

DAYTON

#### GILLIS, RUSSELL & CO.

Trading Markets

Teletype CV 565

Long Distance 500

CLEVELAND 14, OHIO

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

Direct mail advertising is being increasingly used to stimulate desire for consumers durables and home improvements by the enclosure of illustrated pamphlets promoting the purchase club idea, and to present various aspects of the consumer installment loan the consumer installment loan services offered. In some cities, banks have run cooperative ad-

services offered. In some cities, 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 loans 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 services, but the new plan arranges for cash payment to the doctor or dentist at the time the service is performed. The Blue Triangle plan originated in Massachusetts in 1944 as a project based upon three years of study by the consumer credit commission of the Massachusetts Bankers' Association assisted by the Massachusetts Medical Society and the Massachusetts Dental Society. The plan is fully endorsed by the societies, which have taken an active interest in promoting it.

It is said that a majority of the people of Massachusetts have not yet taken advantage of the Blue Cross plan, a pre-payment plan 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

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 elim-inate the tendency on the part of many people to delay or postrone measures for the preservation of

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

To protect the bank against loss, a reserve, which is usually about 10%, is set up out of each account 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 full payment of the amount of the loan has been completed. As a result of the reserve feature, the advance by the bank is lessened so that the yield is higher than the rate charged to the borrower and averages close to that charged to require personal leans. No conand averages close to that charged on regular personal loans. No comaker or collateral is required, and the patient does not have to make an extra trip to the bank to arrange for the financing. The suggested rates to the patient are somewhat less than those charged regularly by the banks on usual consumer instalment loans. The procurement costs on the flow of loans is low after acceptance of the plan by doctors and dentists, and every borrowing patient is a potential customer for other bank otential customer for other bank

Posters 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 Missouri Bankers Association has been taking action toward sponsoring the Blue Triangle plan, and active researches are (Continued on page 2760)

#### In Attendance at IBA Meeting (Continued from page 2758)

Perrin, Myles D Peters, Gerald P. \*Petersen, Joseph G. Petersen, Reno H. Peterson, E. Norman \*Phelps, Augustus W. Phillips, Guybert M. Pierce, Charles C. Pickard, A. G.

Pickard, A. G.
Pleasants, Aaron W.
Podesta, Robert Al.
Pohlhaus, Walter C.
Pontius, Miller H.
Poppe, Allan M.
Popper, Elvin K.
Porter, Irvin L.
Postlethwaite, J. R.
Potter, Edward, Jr.
Power, John F. Power, John F. Powers, Lester \*Pratt, H. P. Prenosil, Stanley W.

Prescott, John A. Pressprich, R. W., Jr. Price, William J. 3rd Priester, H. C. Pritchard, Harry N. Prosser, Malcolm S. Purdham, Plummer P.

Quail, John J. Quigg, James F.

Quist, Leo L.

Ralph, Henry A. J. Randall, Ralph G. Rauscher, John H. Redman, W. Guy Redwood, John, Jr.

\*Denotes Mr. and Mrs.

Salomon Bros. & Hutzler Peters, Writer & Christensen Eckhardt-Petersen & Co. Eckhardt-Petersen & Co.
Illinois Company
Equitable Securities Corp.
Phelps, Fenn & Co.
Caldwell-Phillips Co.
Rauscher, Pierce & Co.
C. F. Childs & Co. C. F. Childs & Co.
International Trust Co.
Julien Collins & Co.
Mackubin, Legg & Co.
F. Eberstadt & Co. First Boston Corporation I. M. Simon & Co. First National Bank Brush, Slocum & Co. Commerce Union Bank Eastman, Dillon & Co.

Dominick & Dominick H. P. Pratt & Co. Mar Finance Division,
Treasury Department
Prescott, Wright, Snider Co.
R. W. Pressprich & Co.
Alex. Brown & Sons Priester & Co, Kebbon, McCormick & Co. Seattle-First National Bank Burns, Potter & Co.

Quail & Co. Paine, Webber, Jackson & Curtis Harold E. Wood & Co.

Bank of America Mason, Moran & Co. Rauscher, Pierce & Co. A. G. Edwards & Sons Baker, Watts & Co.

Denver St. Louis Chicago New York New York St. Paul Dallas Chicago Denver Chicago Baltimore New York New York St. Louis Chicago San Francisco Nashville New York New York Seattle Washington

Kansas City New York Baltimore Davenport Chicago Seattle Omaha

St. Paul

Davenport

New York Chicago Dallas St. Louis Baltimore

#### IBA PAST PRESIDENTS

1939-40-41



1937-38





Jean C. Witter



F. E. Frothingham

Reed. Stuart R.

Reid Frank B Reid, Frank B.
\*Reily, John M.
Reinholdt, Julius W., Jr.
Repp, Herbert N.
\*Reuter, F. Brian
\*Rex, William M. Reynolds, Albert Rhoads, Philip J. \*Rice, Irving J. Richards, Arch E. \*Rice, M. Arch E.
Richardson, D. T.
Riepe, J. Creighton
Riley, J. H.
Ritter, Daniel J.
Robbt, Walter E., Jr.
\*Roberts, Malcolm F.
Robinson, Arthur R.
Robinson, Edward H.
\*Denotes Mr. and Mrs.

\*Continued on page 2760)

Paine, Webber, Jackson & Curtis
Maynard H. Murch & Co.
Weeden & Co.
Reinholdt & Gardner
Discount Corporation
Union Trust Co.
Clark, Dodge & Co.
Com'l & Financial Chronicle
First Nat'l Bank & Trust Co.
Irving J. Rice & Co. Irving J. Rice & Co.
L. F. Rothschild & Co.
Lovett Abercrombie & Co.

Sidlo, Simons, Roberts & Co. Fidelity Union Trust Co. Schwabacher & Co.

New York

Cleveland New York St. Louis New York Pittsburgh New York Chicago Oklahoma City St. Paul Chicago Houston Baltimore Chicago Chicago Boston Denvel Newark New York

#### BROKERS · DEALERS

### Curtiss, House & Company

MEMBERS

New York Stock Exchange
New York Curb (Associate)
Cleveland Stock Exchange

Union Commerce Building — Cleveland 14 Main: 7071

MUNICIPAL **SECURITIES**  ROOSE & C 0

M

P

A

N

Y

Specializing in

OHIO and MICHIGAN ISSUES

1408 Toledo Trust Bldg.

Toledo 4, Ohio

STATE & MUNICIPAL BONDS

BRAUN, BOSWORTH & CO.

INCORPORATED

TOLEDO - NEW YORK - DETROIT - CHICAGO - CINCINNATI

## MUNICIPAL BONDS **EXCLUSIVELY**

## Stranahan, Harris & Company

NEW YORK

TOLEDO

CHICAGO

CINCINNATI

CLEVELAND

### COLLIN, NORTON & CO.

ESTABLISHED 1920

New York Stock Exchange Chicago Board of Trade

Members of nange New York Curb (Assoc.) ade Cleveland Stock Exchange

### LISTED and UNLISTED SECURITIES

508-12 Madison Ave. Toledo 4, Ohio

30 Pine Street New York 5, N. Y.

Telephone: Adams 6131 Long Distance: LD 71 Bell Teletype: TO 190

Telephone: Bowling Green 9-2432 Bell Teletype: NY 1-2978

Private Wire to: CHICAGO-DETROIT-NEW YORK-CLEVELAND

### In Attendance at IBA Meeting

(Continued from page 2759)

Roddy, James E. Roe, E. Jedd Rogers, John C. Rogers, Sampson, Jr. Roloff, Frederick W. \*Roney, William C. Roob, Edward A. Ross, Cornelius A. Rotan Edward Rosan, Edward
Rovensky, William R.
\*Rowe, Robert G.
Rowles, Duncan M.
Rowles, Russell R.
Ruhl, J. H.
Rushton, Joseph A. \*Denotes Mr. and Mrs.

Scharff & Jones Roe & Co. Hickey & Co. McMaster Hutchinson & Co. Georgeson & Co. Wm. C. Roney & Co. Salomon Bros. & Hutzler Salomon Bros. & Hutz Mullaney, Ross & Co. George V. Rotan Co. Hornblower & Weeks Stroud & Co. Harris, Hall & Co. Dittmar & Co. Quail & Co. Goodbody & Co.

San Antonio Chicago Chicago Chicago Detroit Chicago Chicago Houston New York Philadelphia Chicago Houston Davenport Chicago

Carlton M. Higbie Corporation

1912 BUHL BUILDING **DETROIT 26** 

UNDERWRITERS - DEALERS - DISTRIBUTORS

### State and Municipal Bonds Corporate Stocks and Bonds

**Trading Markets in** General Municipal Securities

Direct Private Wire New York to Detroit

## FIRST OF MICHIGAN CORPORATION Member of Detroit Stock Exchange

NEW YORK 5, N. Y. Two Wall Street

2113 Field Building Randolph 5287

CHICAGO 3, ILLINOIS DETROIT 26, MICHIGAN 1500 Buhl Building Randolph 2055 Teletype 292

Mercier, McDowell & Dolphyn

Corporate Bonds and Stocks Specializing in Michigan Listed and Unlisted Securities

MEMBERS DETROIT STOCK EXCHANGE

BUHL BUILDING

**DETROIT 26, MICHIGAN** DE-507

Russell, P. S., Jr. Rutherford, George P. Rutter, John T. Ryan, Frank L

Saltonstall, Leverett \*Sanders, David T. Sanders, Jesse A. \*Sattley, Hale V. Saunders, M. Ames \*Scanlan, Earl M. Scarborough, E. W. Schanck, Francis R., Jr.
\*Schmelzle, A. M.
Schmick, Franklin B.
Schmidt, Walter A.
Schoeneberger, C. A.
Scott, Walter
Schulte, Theo. E., Jr. Scribner, Joseph M. Scudder, Dana B. Seeley, Herman G. \*Seifert, Russell E. Sener, Joseph W. Seving, Frederick T. Seybold, Joseph L. Shanks, Sanders, Jr. Shannon, Jones B. Sharp, Nathan S. Sharpe, William P. Shaughnessy, L. E. Sheldon, M. W. Shepard, Robert O. Sherwood, E. A. Shillinglaw, David L. Shreve, Wickliffe Sikes, Travis
Simmons, Carleton H.
Simmons, Richard W.
Simonds, Godfrey B.
\*Denotes Mr. and Mrs.

Glore, Forgan & Co. Dominion Securities Corp. Journal of Commerce Ryan, Sutherland & Co.

U.S. Senate Vance, Sanders & Co. Sanders & Newsom H. V. Sattley & Co. M. A. Saunders & Co. Earl M. Scanlan & Co. Central Republic Co. First Boston Corporation Fusz-Schmelzle & Co. Straus & Blosser Schmidt, Poole & Co. Schmidt, Poole & Co.
Shields & Co.
Lord, Abbett & Co.
Farwell, Chapman & Co.
Singer, Deane & Scribner
National City Bank
Chicago Daily News
Stern Brothers & Co. Mackubin, Legg & Co. Butcher & Sherrerd Kalman & Co. Bond Buyer Miller, Kenower & Co. R. S. Dickson & Co. M. S. DICKSON & CO.
Mercantile-Commerce Bank
Park- Shaughnessy & Co.
Bingham, Sheldon & Co.
Hawley, Shepard & Co.
Harris Trust & Savings Bank
Shillinglaw, Bolger & Co.
Lehman Brothers
Dewer, Bohertson & Pancast Dewar, Robertson & Pancoast E. M. Newton & Co. Lee Higginson Corporation G. H. Walker & Co.

(Continued on page 2769)

New York New York Chicago Toledo

Washington Chicago Dallas Detroit Memphis Denver New York Chicago St. Louis Chicago Philadelphia Chicago New York Chicago Pittsburgh New York Chicago Kansas City Baltimore Philadelphia Minneapolis New York Detroit Chicago St. Louis St. Paul Milwaukee Cleveland Chicago Chicago New York San Antonio Chicago Providence

## **Credit Plans**

**Commercial Bank** 

(Continued from page 2759) being made in New York, Kansas, and other states.

#### Conclusion

In the postwar period we shall find about 36,000 lending institutions and more than 120,000 installment sellers actively promoting consumer installment credit services. Institutions now in the field are planning to expand and others are preparing to enter it. The vast oversupply of funds represented by the sharply increased bank deposits of the country will be available to banks and to other lending agencies. In adto other lending agencies. In addition, many manufacturers with greatly increased cash funds may wish to do their consumer installment financing directly and many investors with money in the banks will probably enter the consumer will probably enter the consumer loan field. It is expected that the competition will not be ordinary or just keen; it will be unprecedented. One probable result of benefit to society may appear in the form of a greater variety of convenient services or plans and lower costs for different types of consumer credit.

There is neather side to the

consumer credit.

There is another side to the picture of the possibilities of social gains and private profits—although actual profit realization may fall far below present optimistic expectations—from postwar expansion in the field of consumer installment credit. It appears that consumers are to find themselves literally swimming in a sea of credit in the postwar a sea of credit in the postwar period. The unprecedented com-petition foreseen may well prove to be a major threat to sound postwar credit.

The possibilities and prospects The possibilities and prospects of danger in the postwar consumer credit competition are viewed by many students as fantastic. State legislation in the field in which the competitive struggle is envisioned is widely regarded as chaotic and unsatisfactory and, even within states, as lacking in the uniformity and effectiveness required to assure as lacking in the uniformity and effectiveness required to assure fair competition among consumer installment agencies and to protect consumers. The probabilities, some people feel, are that credit may tend to flow into the personal loan and consumer installment sales field after this war in a fashion reminiscent of the way it flooded the stock market init flooded the stock market investment field in the late 1920's, and that consumer credit may tend to be looser and more abundant in the late 1940's and early 1950's than even in the lush late 1920's. It would seem that the best interests of all would be served most effectively by installment sellers and lenders, and their trade associations, cooperating in programs to educate the public to use consumer credit wisely, rather than placing exclusive emphasis on the promotion of volume regardless of its effect on the consumer.

#### Approval of Study for Strengthening Pan. Canal

A bill which authorizes the government to investigate whether the Panama Canal must be rebuilt to reduce its vulnerability to atomic bomb attack was unanimously passed by the House and sent to the Senate on Nov. 26, according to United Press Washington advices. Under the legislation the investigation would be made by the Governor of the Canal under the supervision of the Secretary of War, and a report would be submitted to Congress before Dec. 31, 1947.

### Miller, Kenower & Company

Municipal and Corporate Securities

Penobscot Building DETROIT 26, MICH.

Telephone Randolph 3262

Bell Teletype DE 475

#### CHARLES A. PARCELLS & CO.

Members of Detroit Stock Exchange ESTABLISHED 1919

Michigan Markets Listed and Unlisted Stocks -BONDS-

TELEPHONE RAndolph 5625 RAndolph 3976 639 PENOBSCOT BLDG. DETROIT 26, MICH.

Bell System Tele.

### **Underwriters & Distributors**

WM. C. RONEY & CO.

812 BUHL BUILDING DETROIT 26, MICHIGAN

### Industrial Securities Committee Concerned Over Control of Aviation Issues

to July 31, 1945, offerings of corporate securities in the capital markets of the United States amounted to about 10 billion 200 million dollars

Volume 162 Number 4444

of this amount nearly 25% represented offerings made in the first seven months of 1945.

In the nineteen months ended July 31, 1945, offerings of corporate securities totaled about 5 billing 300 million dellars are nearly lian 390 million dollars, or nearly 53% of the aggregate for the period from Jan. 1, 1941, to July 31,

The increase in the annual volume rate of offerings since Jan. 1 ume rate of offerings since Jan. 1, 1943, has approximated the geometrical, the figures being for 1943, \$1,154 millions; for 1944, \$2,960 millions; and, for 1945, the indicated annual rate, obtained by doubling the figure for the first half year, is \$4,860 millions.

In large measure the activity represented by these figures has consisted of refundings and is the product of (i) the expansion of bank credit engendered to finance the War, (ii) the inflationary increase in the amount of currency in the hands of the public, and (iii) the progressive lowering of the interest rate which has been the interest rate which has been brought about by the "easy mon-ey" policies of the Federal Government.

Financing to provide "new mon-ey" for corporate purposes rep-resented only about 20% of the resented only about 20% of the total amount of corporate financing undertaken in the public markets in the nineteen months ended July 31, 1945. For the period from Jan. 1, 1941, to July 31, 1945, the figure was not much larger, amounting only to about 26% of the aggregate.

On the other hand, the refund-ing of evidences of debt and the refinancing of preferred stocks by refinancing of preferred stocks by the issuance of new obligations carrying a lower rate of interest, or of preferred shares having a lower dividend rate, has accounted for about 80% of all corporate fi-nancing from January 1 to July 31, 1945. For the four years and seven months ended on the latter date refinancing at lower rates accounted for about 72% of all corporate financing in the public corporate financing in the public

Our business has been engaged in and is now probably well past the peak of the second major rethe peak of the second major re-financing movement to lower in-terest or dividend rates, which has occurred in the field of cor-porate finance in the past fifteen years. The first of these move-ments reached its peak in 1935 and 1936, ending with the market break of September 1937.

With so much business in hand with so much business in hand and so many things to do it is possible that insufficient attention has been given to the prime economic function of channeling savings into new investment for the further development of inductive.

If we are to see developments in true perspective we must look at the market as a whole. In doing so we find that more than 87% of

all financing by public utility corporations, in the period of about 4½ years. Sales of securities for 4½ years from Jan. 1, 1941, to "other purposes," chiefly to acling or refinancing operations. Complish change of ownership, accounted for about 3% of the remainder of all corporate financing. Only 12% of the total of offerings by public utility corporations was also as a securities and exchange of the securities of the securities and Exchange of the securities of the securities for all corporate financing. only 12% of the total of offerings by public utility corporations was for the purpose of obtaining new money and, for the most part, such offerings occurred in 1941 and 1942. In the seven months ended July 31, 1945, more than 97% of the financing engaged in by public utility corporations was for refunding purposes and only about 2.5% represented "new

for refunding purposes and only about 2.5% represented "new money" financing.

Out of the \$1,831 million of financing by the railroads in the four years and seven months ended July 31, 1945, \$484 million, or 26.4%, represented "new money" issues and \$1,347 million, or 23.6%, represented refinancing inor 20.7%, vere-ey" issues and \$1,347 million, or 73.6%, represented refinancing in-to issues carrying lower rates of interest. However, the railroads, in common with the public utility companies, have recently been en-gaged almost wholly in refinan-cing operations. For the seven cing operations. For the seven months ending July 31, 1945, only about 7% of the new issues of railroad obligations was for the purpose of obtaining "new money"; the remaining 93% representing refunding operations.

### Industrial Corporations and "New Money"

Industrial corporations have to a greater extent entered the capi-tal markets in recent years for the purpose of raising "new money." purpose of raising "new money," We find, for example, that in the seven months ended July 31, 1945, about 40% of all new financing by industrial corporations was for the purpose of raising "new money," while only about 20% of all ey, while only about 20% of all corporate issues during this period was for that purpose. Throughout the period for four years and seven months ended July-31, 1945, 41% of all new issues sold in the capital market by industrial corporations was for the purpose of raising new money. by industrial corporations was for the purpose of raising new money. The corresponding figure for all corporations represented 26% of the aggregate amount of corporate issues sold in the capital markets. Refinancing of funded debt and

mainder of all corporate financing.

It seems clear that when the public utilities and the railroads public utilities and the railroads have completed their refunding operations (and many of them have already done so) successful operation in the investment bank-ing business will depend to an increasing extent on the rendering of constructive service in the field of indutsrial finance. Successful operation will depend, also, to a considerable extent, on what is done to facilitate industrial fidone to facilitate industrial fi-nancing under the provisions of the Securities Act and under the State blue sky laws, as well as on what is done about competitive bidding, private placement and the problem of syndicated offer-ings at a price fixed by agree-ment. All of these matters are of special concern to those engaged in handling industrial financing.

As we have already said, a proposal of the Federal Administra-tion which would require public competitive bidding in the sale of air line securities, is now be-fore Congress. Other agencies of Government are engaged in activities at this time which, many think, have as their objective the imposition of a competitive bidding requirement on sales of industrial securities.

#### Private Placements

Private Placements
The direct or "private" sale of corporate securities to investment institutions, without registration under the Securities Act, continues to be an important factor in the field of corporate finance. Industrial corporations now account for nearly all of the issues which are sold through this route. The requirement of public competitive bidding, in the sale of public utility issues, established by the Securities and Exchange Commission in 1941, through the adoption of S. E. C. Rule U-50, has removed most public utility issues from corporations represented 26% of the aggregate amount of corporate issues sold in the capital markets. Refinancing of funded debt and preferred stocks accounted for about 56% of all funded debt financing by industrial corpora-

In the period of about 4½ years ended July 31, 1945, private placements are shown, by figures reported in the Statistical Bulletin of the Securities and Exchange Commission, to have amounted to \$2,597 million. The totals for each \$2,597 million. The totals for each year being as follows: 1941, \$824 million; 1942, \$422 million; 1943, \$372 million; 1944, \$617 million; seven months ended July 31, 1945, \$362 million. These totals do not include any term loans made directly to corporations by commercial backers. cial banks.

It is probable that the desire to avoid registration under the Securities Act has been an impelling reason in the decision of many issuers to sell their securities privately. The pressure of the large volume of funds in the hands of insurance companies and other institutions and constantly other institutions and constantly seeking outlets is also an impor-tant factor in the situation. And, it seems probable that an increasing volume of the better grade industrial securities will be sold through private placement in the future. We may expect that the investment banking business will

always be at a distinct disadvantage in competing with direct buyers unless the Securities Act is changed to equalize the position insofar as it is determined by the requirements of registration, possibly by exempting certain issues from registration from registration.

#### Syndicate Price Control

The maintenance of a fixed offering price by agreement between underwriters and dealers during periods when an issue is undergoing initial distribution is an essential part of the machinery by which new capital is obtained by industrial corporations through the public sale of their securities. The sale of a high grade issue of refunding bonds of a well known public utility company may, perhaps, be carried out successfully without an agreement to offer and sell only at a stated and agreed price. But a different situation arises when the name of the issuer is new or not well known. The Securities and Exchange Commission has recognized this situ-The maintenance of a fixed ofmission has recognized this situation in its "Release" (No. 3700 under the 1934 Act) in the so-(Continued on page 2762)

MacNaughton-Greenawalt & Co.

MEMBERS DETROIT STOCK EXCHANGE

**WEST MICHIGAN SECURITIES** 

Complete Trading Facilities

GRAND RAPIDS 2, MICH.

Teletype GR 466

Telephone 93121

DUDLEY H. WATERS & CO. GRAND RAPIDS 2, MICHIGAN

Complete Service

MICHIGAN UNLISTED SECURITIES

Ass'n of Commerce Bldg.

Phone 9-8168 Teletype GR 280

### McDonald-Moore & Co.

MEMBERS DETROIT STOCK EXCHANGE

MUNICIPAL BONDS REAL ESTATE SECURITIES CORPORATE BONDS

1566 Penobscot Bldg. Detroit 26. Mich.

810 Michigan Nat'l Bk. Bldg. Grand Rapids 2, Mich.

### M. A. MANLEY & CO.

MEMBERS DETROIT STOCK EXCHANGE

Specializing in

Bank and Insurance Stocks

BUHL BUILDING, DETROIT 26

Telephone—Randolph 1890

Teletype-DE 92

## WATLING, LERCHEN & CO

Investment Securities

New York Stock Exchange

New York Curb Associate Chicago Stock Exchange

DETROIT

Ann Arbor

Jackson

itized for FRASER ·//fraser stlouisfed orga

# Industrial Securities Committee Concerned Over Control of Aviation Issues (Continued from page 2761) called P. S. I. 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

ments 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. 1626, dated Jan. 18, 1945). Your Committee believes that legislation to accomplish this purpose is desirable and should

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 inson might determine "having due regard to the adequacy of the in-formation respecting the issuer theretofore available to the pub-lic, to the facility with which the nature of the securities to be reg-istered, 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 in-vestors."

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 Commission in deciding whether it would be appropriate to permit a registration statement

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. 1940.

At present the Commission's policy tends to discriminate against registration statements a gain st 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 indemnity runs from an issuer to an underwriter in the case of the sale of securities by a controlling

The Commission has also acted under Section 8 (a) to prevent a registration statement from beto become effective within a pe- coming effective in cases where

prospectus has been distrib-uted to the public in ad-vance of the public offering date. As a result of this action 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 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 sometimes 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 estab-lishing a definite statutory period lishing a definite statutory period of time within which registration statements shall 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 final outcome than is possible under existing practice.

### Government's Place in Industrial Financing

Throughout the War period the United States Government acted as the primary banker for industry 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 has 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 coming of peace the function of raising funds to supply the capital needs of industry should revert to the investment markets.

vert to the investment markets.

For several years the general investment 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 major factors in this result. Important revisions in the tax laws have now 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

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 Reconversion Mobilization and Reconversion Mobilization and Reconversion 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

#### 105 South La Salle Street, Chicago 3 Telephone State 0577

Members CHICAGO STOCK EXCHANGE NEW YORK CURB EXCHANGE (Associate)

EQUIPMENT TRUST CERTIFICATES

CANADIAN - PUBLIC UTILITY - INCUSTRIAL - RAILROAD

BONDS, PREFERRED AND COMMON STOCKS

Private wire to New York and Milwaukee

McMaster Hutchinson & Co.

### BEAR, STEARNS & CO.

#### Members

New York Curb Exchange New York Cotton Exchange

New York Stock Exchange Chicago Stock Exchange Chicago Board of Trade Commodity Exchange, Inc.

National Association of Securities Dealers, Inc. Investment Bankers Association of America

CHICAGO 3, ILL. 135 SO. LA SALLE STREET Telephone State 0933 Teletype CG 1279

NEW YORK 5, N. Y. ONE WALL STREET Telephone Digby 4-8500 Teletype NY 1-633

Fahnestock & Co.

Members Now York Stock Exchange and other leading Exchanges

Brokers in Stocks · Bonds · Commodities

Markets in Unlisted Securities

65 Broadway, New York City

135 So. La Salle Street RANDOLPH 0722

- Waterbury Torrington Rockefeller Center, N. Y.

Chicago 3 TELETYPE CG 408

Hartford -Danbury

London, England

# BALLMAN & MAIN

Municipal Bonds

105 W. ADAMS ST. **STATE 7907** 

CHICAGO 3 CG 108

Bacon, Whipple & Co. 135 South La Salle Street Chicago 3

> Members New York Stock Exchange Chicago Stock Exchange

William T. Bacon • Jay N. Whipple • James W. Marshall J. Preston Burlingham • William D. Kerr • Augustus Knight Ernest F. Hartshorne

DOYLE, O'CONNOR & Co.

INCORPORATED

135 So. La Salle Street, Chicago 3, Illinois

French Tr

### Saltonstall Forecasts Government Actions

(Continued from page 2725) titude of mind that industries should be free to go where they be most economically and profitably operated, otherwise our system of free enterprise breaks down and we have a greater government regulated and built econ-

### Problem of Labor-Management Relations --

"The problem of labor-manage-"The problem of labor-management relations and the government's part in those relations is very acute at the moment," he stated. "The present conference in Washington between labor and management is attempting to set out a system of principles to establish the responsibilities of each. I have no sympathy with either

brought about by positive policies on the part of business, agriculture, labor, and local, State and Federal Governments." Mr. Vinson, from whose reportation 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

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 be copperative and encouraging rather than coldly indifferent or hostile."

A year ago in its report to the

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 a surrous to greate an atbers of this Association, of doing all in our power to create an atmosphere in which risk money can—and will—go to work. That this should be one of our major contributions to pest-war America. 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 repositive policies and for the re-moval of unnecessary and bur-densome restrictions which Gov-ernment has imposed upon the operation of the free capital market.

Industrial Securities Committee -Robert McLean Stewart, Chairman; Henry M. Bateman, William Bayne, Fred M. Blankenship, Louis J. Cross, W. Sydnor Gilbreath, Jr., Perry E. Hall, Hubert W. Lofft, Maynard H. Murch, James Parker Nolan, Walter A. Schmidt.

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 aftry 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

management or labor not living we achieve labor-management re-up to their contractual obligations lations that are built on a solid, or being unreasonable in their de-

"The danger at the present time "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 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 believe that only in this way can more than before the war. We

security, but we must remember rity depend on our sympathetic sume this character."

must be everlastingly sure of our understanding and our relationship with the world. Your interthat our happiness and our secu- national relationships must as-

#### UNITED STATES GOVERNMENT

STATE AND

MUNICIPAL BONDS

### THE NORTHERN RUST COMPANY

50 South La Salle Street . Chicago 90, Illinois

FRANKLIN 7070 . BELL SYSTEM TELETYPE -- C G. 368

A. G. Becker & Co.

ESTABLISHED 1893

Corporate and Municipal Bonds

Commercial Paper

**Investment Stocks** 

NEW YORK . CHICAGO

Investment Banking for over Fifty Years

Underwriters and Distributors

Corporate Stocks and Bonds State and Municipal Bonds

Trading Markets in Unlisted Securities

AMES, EMERICH & CO., INC.

Established 1911

Member Chicago Stock Exchange

105 So. LaSalle Street STAte 5300

Chicago 3 Teletype CG 1183

UNDERWRITERS AND DISTRIBUTORS OF

INVESTMENT SECURITIES

CENTRAL REPUBLIC COMPANY

209 SOUTH LA SALLE STREET, CHICAGO 90, ILL

NEW YORK DES MOINES MILWAUKEE **OMAHA** 

MINNEAPOLIS ST. LOUIS

Members of Chicago Stock Exchange

Public Utility

Railroad

Municipal

Underwriters Distributors

Bonds and Stocks

#### H. M. Byllesby and Company

135 So. La Salle St., Chicago 3, Ill.

Telephone State 8711

New York

Philadelphia

Teletype CG 273

Minneapolis Pittsburgh

## BONDS

Public Utility Industrial Railroad Municipal

A.C.ALLYNAND COMPANY

Roston New York Kansas City Minneapolis

Milwaukee Omaha

itized for FRASER ://fraser.stlouisfed.org

Star Strategick

### The Government Looks to Investment Bankers

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 berestraints. The Administration be-lieves that an economy free from these restraints is the best pos-sible economy for the American people. The policy of lifting war-time controls as rapidly as is pru-dent is guided by the belief that such a system is the one desired 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—in 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 Gov-ernment in getting out of busi-The commercial banker has a very real concern with this sub-jet, 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 vestment 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. ment bankers.

Another field to which attention should be given is the financing of small business. I know that you have already considered the possibilities of long-range financing of small business and, even though it will not be easy to find the correct solution, yet the need for such rect 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 di-rection. It may be further neces-sary to develop a number of methods to fit a 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 comtee on this subject, and I com-mend the Committee for its exhaustive investigation and its able report. I receive the impression from it that there is a clear un-derstanding of the importance of this subject, and that it is the in-tention of the Committee to continue its efforts.

#### Financing "Decentralization"

A similar type of endeavor, and one on a larger scale, is the fi-nancing of new productive enterprises in less industrialized states, often described by the catch-all word "decentralization." The establishment of manufacturing plants in non-industrial regions should prove to be a benefit to the national economy of our coun-try. During the war, the Government built numerous plants in such areas for the primary purpose of wartime security. These plants have attracted were I not to touch upon the labor, merchants and community prospect for renewed and sound-enterprises and they may well er foreign financing. There is room prove to be an attraction to capital as well. Such a development has the additional merit that it ment. During the war years, we makes for wider markets for products of every sort because of improved living standards and improved living standards and improved industrial payrolls in many states. Perhaps we should consider also, that in an atomic age such as this, the survival of a nation may depend upon the decentralization of its industry.

#### Checking Inflation

Another responsibility involves the part that you can take in checking inflation. Aside from the damage to the national economy, unchecked inflation would hurt investment banking as much hurt investment banking 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 major-

I am told that the great majority of our people plan to buy goods out of current income or by installments payable out of future income. For the most part, savings are regarded as being available for some major investment such as a home or an education but are not likely to be considered for the purchase of consumer goods. Investment bankers can siphon off a substantial part of the tremendous purchasing power in this country by offering sound se-curities of moderate yield to the public.

#### Foreign Financing

I would be remiss in my duty

ment. During the war years, we financed the United Nations through Land-Lease and we are unral Land-Lease and we are assisting them now through UNRRA. Just recently, the Congress enlarged the scope of the Export-Import Bank which already has made a number of loans of consequence to friendly countries.

The Congress also has approved our participation in the Bretton Woods Agreements, and I have no doubt that other nations will soon implement such agreements and implement such agreements and give the green light to the International Bank for Reconstruction and Development, and the International Monetary Fund. You will probably be called upon to place in this country a substantial amount of securities guaranteed by the new World Bank.

I am particularly interested in

I am particularly interested in the future program of the Export-Import Bank. It is distinctly and definitely "ours." The loans made by the Bank are loans of the United States, and it will lend on-ly to these who intend to have ly to those who intend to buy our goods and only when the prospect of repayment seems clear.

Another consideration of importance, and one with which you are undoubtedly acquainted, is that the Export-Import Bank believes that it should make foreign loans only when private banking cannot serve

eign loans only when private banking cannot serve.

The Bank expects commercial banks to be the primary lenders of funds abroad—and it has invited close collaboration on every project of this sort. The Bank also is ready to sell paper, previously acquired, to private lenders. The Export-Import Bank desires the cooperation of investment bankers in the foreign lending field.

It may well be that your prin-cipal foreign activity as invest-ment bankers will be in the field of corporate rather than govern-ment finance, although I feel sure that there will be business of both that there will be business of both types. Whatever the type of foreign loan, I am confident that there will be assurances of the borrowers' ability to service the debt and that the dollars needed for that purpose will be generated by the increased trade that will result. I cannot conceive that any other sort of lending will prove attractive to you as investment opportunities for your customers.

Our private investments abroad

Our private investments abroad must be thoroughly business-like in character and the standards applying in the financing of corporations and municipalities in this country, for instance, should apply with equal force to our loans to foreign political bodies and enterprises. We, in Washington, want and expect investment banking to play an important part in the days ahead.

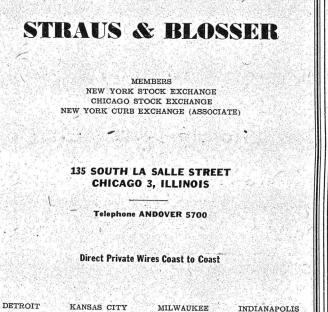
In conclusion, I consider it fits-Our private investments abroad

In conclusion, I consider it fit-ting to express the Government's gratitude for the time and effort gratitude for the time and effort your association and your individual members have given to the War and Victory Bond Drives. Your services were given in a spirit of patriotism and high public responsibility without thought of reward or favor, and the problems of the war years were met with courage and intelligence. I have the firm conviction that you will meet the problems of peace will meet the problems of peace with the same spirit and with the same success.

Previous to the above address, Mr. Snyder spoke before the National Marketing Forum in New York City, Nov. 26. In this address, in addition to referring to and defending peacetime price controls Mr. Snyder reported on the progress of reconversion to civilian production as follows:

Actually, the progress that is being made in production is not generally known to the public. As a matter of fact, the physical reconversion of the plants that were

onversion of the plants that were



### IN GENERAL MARKET **SECURITIES** THE STREET OF THE STREET

BROKERS AND DEALERS

### ICKEY & Co.

135 South La Salle Street, Chicago 3-Ill.

Telephone Randolph 8800 Teletype CG1234-1235

DIRECT PRIVATE WIRE TO NEW YORK

## COMSTOCK & CO.

231 So. La Salle Street CHICAGO 4

Specialists In

**OVER-THE-COUNTER SECURITIES** FOR DEALERS

Western Union Telephone

TELEPHONE

TELETYPE

#### CARTER H. CORBREY & CO.

WHOLESALE DISTRIBUTORS

FOR

UNDERWRITERS

**MIDDLEWEST** 

PACIFIC COAST

SECONDARY MARKET DISTRIBUTION

COMPLETE TRADING FACILITIES

135 South La Salle Street, Chicago 3, Ill. Teletype CG 99

BRANCH OFFICE 650 South Spring Street, Los Angeles 14, Cal. MARKETS ON ALL WESTERN SECURITIES A. E. NICHOLS, Manager

Telephone Trinity 3908

Michigan 4181

Teletype LA 255

in operation before the war has been 85% to 90% completed—and, as you know, thousands of plants were making for war what they would ordinarily be making for peace, except for patterns, packaging, etc. These plants were ready to go right into production for post war markets.

New industries and expansion of some of the old ones are taking a little longer time, but real progress is being made.

progress is being made.

Every day, we learn of increased output for the public

There are other indexes that promise well for the future. Let's look at the trend in steel produc-

look at the trend in steel production, freight car loadings and the volume of electric current.

Steel first. Steel is produced only to fill orders. Now that war orders are dwindling, an upward trend in steel ingot production is a definite index that foreshadows an early increase in peacetime consumer goods.

After Japan surrendered, there was a drop in steel ingot produc-

was a drop in steel ingot production to about 60% of capacity. By early October output had moved up again to about 80% of capacity, and the trend continues upward.

ward.
Next, freight car loadings.
There, too, the trend is upward.
The big dip that followed the
capitulation of Japan has been capitulation of Japan has been succeeded by an increase, an uptrend that means the wheels of business are turning. The same thing is true of electric power production. It is worth noting that since VJ-Day, power output has been running only about 8% below the peaks of the last six months.

low the peaks of the last six months.

These are signs of increasing production—signs that goods will be in your hands before long. There are also signs that the finished articles already 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 manufacturer's make motor vehicles, mining machinery, textile machinery, plumbing and heating equipment, stoves, ranges, furnaces, clocks, watches, radios, farm machinery, tractors, office and store machines and many other articles. These are articles that distributors are eager to sell, and that consumers are to sell, and t eager to buy. and that consumers are

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 two and a half times the 1939 rate. Many forecast a further rise in shipments for the last six months of 1946.

shipments for the last six months of 1946.

This is the kind of production potential that will make distribution more important than ever before as this country moves forward through the reconversion period. For there is going to be more to market in tomorrow's world than there has ever been before. Today, it is merely being matter of fact to say that American industry and agriculture and labor have outproduced the world. American industry and business has emerged from the warknowing more than ever before about how to produce efficiently, quickly, and cheaply. The release of atomic energy and the development of radar have caught the public imagination. But there have been developments less spectacular and not so widely publicized that will serve well in peacetime. Many hundreds of manufacturers have work forces that have been educated in the techniques of working to very close tolerances. Metal working has been speeded up by the widespread use of tungsten carbide

· 1947. (1945) (1945) (1945)

of what are in many cases superior raw materials—plywood and plastics, for example.

Advance in textile manufacture Advance in textile manufacture has been noteworthy. During the war the textile industry learned to make new fabrics and to control quality beyond anything previously known. Take wool socks, for example. Twenty-five per cent shrinkage was usual before the war, but socks have been made for military use that shrink only 5%.

Advances have not been con-Advances have not been confined to business and industry alone, of course. American farmers are geared now to produce 30 to 35% more than they did be as are geared now to produce 30 to 35% more than they did before the war. During the war the productivity of agricultural labor increased about 16%. Moreover, improvements in agricultural goods today than ever before.

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 superin the 1930's on account of the unparalleled resources in cash and working capital of practically every railroad. From certain angles, 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 pro-duce no credit crisis it would unduce no credit crisis it would undoubtedly have an effect on railroad expenditures for modernization and improvements and thus prevent 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 road earning power as a factor in road earning power as a factor in general employment and prosper-

mental importance of our rail-roads in the field of domestic transportation.

Railroad Securities Committee Fairman R. Dick, Chairman; Pierpont V. Davis, W. Lloyd Fisher, Rowland H. George, A. Northey Jones, Arthur Knies, John S. Loomis, Robert G. Rowe, Percy M. Stewart, Henry S. Stur-

William Blair & Company 135 South LaSalle Street Chicago 3

New York Stock Exchange

Chicago Stock Exchange

#### MORRIS MATHER & Co.

INVESTMENT SECURITIES

141 WEST JACKSON BOULEVARD CHICAGO 4. ILLINOIS

FIRST SECURITIES COMPANY OF CHICAGO

UNDERWRITING · DISTRIBUTION

811/12/12

COMPLETE TRADING FACILITIES

Members Chicago Stock Exchange

134 SOUTH LA SALLE STREET ANDOVER 1520

CHICAGO 3, ILLINOIS

TELETYPE CG 1399

**Brokers and Dealers in** 

Investment Securities Since 1924

ROGERS & TRACY

120 So. La Salle Street, Chicago 3, Illinois Telephone State 4151

Direct wires to our Correspondents

EASTMAN, DILLON & CO. Members New York Stock Exchange

BAKER, SIMONDS & CO. Members Detroit Stock Exchange

#### THE WALL STREET COMMENTATOR

A DIGEST of current events in the financial markets of North America, together with reviews and analyses of specific situations that appear to have exceptional investment and/or profit possibilities. Corporation reports, dividend notices and gossip of the day.

> Edited by Louis James Burns

12 . Send for Your Free Copy

\* \* \*

### BENNETT, SPANIER & CO.

Investment Securities

105 South La Salle Street, Chicago 3, Ill.

Telephone Central 4274

Bell Teletype CG 1040

#### SHILLINGLAW, BOLGER & CO.

MEMBERS
CHICAGO STOCK EXCHANGE CHICAGO BOARD OF TRADE

**UNDERWRITERS** and **DISTRIBUTORS INVESTMENT SECURITIES** 

120 SOUTH LA SALLE STREET, CHICAGO 3

Telephone State 5850 Teletype CG 1070

Market Market

gitized for FRASER (, , , ) ; , , , ; , , ; , p://fraser.stlouisfed.org/

### What's Ahead for Investment Banking?

(Continued from page 2723)
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 to the trick and easy profits are giving investors and unhealthy flush. Advertisements "This is a speculation" seem to do the trick. Everyone to the functional proposal proportion of the following points relate to inflation remedies:

(a) For 150 years the best investment in the world has been a 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

(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 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 about doubled since 1939. Real weekly earnings have advanced about 50% during that time. Inflation can destroy those gains.

In suggesting the responsibility

CHICAGO

231 SO. LA SALLE ST. CENTRAL 5775

with reduced wages. Serenity is the most important thing in a family or in a nation. Everyone likes to see the other fellow do 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 two 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 takehome pay won't buy a thimblefull. Appeasing everyone defrauds everyone, especially those who live on wages or fixed income.

### Solvency and Thrift in Government

Our public debt is now 263 billions. By July 1, 1947, it probably will reach 300 billions. 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 it. There are 85 million bond buyers in this country. If we are to keep faith with them and remain soltry 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 about doubled since 1939. Real weekly earnings have advanced about 50% during that time. Inflation can destroy those gains.

In suggesting the responsibility of labor towards inflation businessmen should not forget higher executive salaries don't set well long with us we think of it as

> NEW YORK 14 WALL STREET RECTOR 2-0250

Joseph M. Fitzgerald

normal. For 15 years we have been passing from one emergency to another. The Secretary of the Treasury who really reverses the trend will occupy a place in history with Alexander Hamilton, He will need the will to pay among the voters. He will need a Congress which can say "No" to pressure groups and increased expenditures. The debt-cutters must beat the tax-spenders to it. Thrift and solvency in Government will cure inflation and solve our financial woes.

#### SEC

It is assumed our SEC friends in Philadelphia will soon be moving back to Washington. Most officials like to be near headquarters. We know people want someone to ride herd on us. That is O.K., but wherever those herdsmen may be we wish Congress would take time off and look at what has happened in 12 years to the flow of investment capital in this country. Certain changes are badly needed and especially in our registration procedure.

Why is it small business wants and gets exemption from the registration 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 exempted? The answer is: People instinctively avoid red tape, delays and bottlenecks. Private place.

empted? The answer is: People instinctively avoid red tape, delays and bottlenecks. Private placement has become the easy road around. Big buyers and big sellers get together and by-pass the present over-complicated registration procedure. Starting at almost zero

get together and by-pass the present 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 affecting 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 prospectuses one inch thick and a foot long. No investor living or dead has, ever read one. A Churchill should rise up in Congress or in the SEC and say "Put it on one page." Getting private capital back to work is a big job. There are 85 million investors in this country. To reach them we must eliminate red tape, bottlenecks, and the reams of fine print which even the Philadelphia lawyers never read.

#### Skimming the Cream

Skimming the Cream
The 1929 experience left many scars. It scared the daylights out of people about investments and drove this country into a "risk-less economy." Everyone ran to the Government for help. Bankers swore a mighty oath they would not take chances with their own capital or that of anyone 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 again become 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 appear a safe and pleasant occupation—something like shooting mackerel in a barrel. It may look mackerel in a barrel. It may look like sure profits on safe deals, but something must be added if the vast reservoir of idle capital in this country is to be put to work properly. The man of to-morrow is the one who does something about calculated risks.

It has been suggested banking needs more capital. That is no doubt true for both 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 59 billions of deposits. 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.

#### Established 1885 H. C. SPEER & SONS COMPANY

Underwriters and Distributors of

MUNICIPAL, COUNTY AND SCHOOL BONDS

FOR 60 YEARS

THE FIELD BUILDING

135 South La Salle Street, Chicago 3 Telephone Randolph 0820

### Channer Securities Company

Municipal, County and School Bonds

39 South La Salle Street

CHICAGO 3

Phone Randolph 3900

Teletype CG 540

Sills, Minton & Company

209 SOUTH LA SALLE STREET CHICAGO 4

#### INVESTMENT SECURITIES

Announcing the Return to Active Business of Lt. Cmdr. De Witt Davis, U.S.N.R. Lt. Maurice A. Zollar, U.S.N.R.

WELSH, DAVIS AND COMPANY

135 SOUTH LA SALLE STREET CHICAGO 3

WERRER-SIMPSON & CO.

JOHN J. O'BRIEN & CO.

New York Stock Exchange New York Curb (Associate) N. Y. Coffee & Sugar Exchange Chicago Stock Exchange Chicago Board of Trade

PARTNERS

Albert J. Payne . Julian A. Acosta, Ltd.

John J. O'Brien III . Evans Spalding

Investment Securities

208 South La Salle Street CHICAGO 4

Telephone Andover 1811

Teletype CG 1268

William A. Fuller & Co. Mombers of Chicago Stock Exchange

209 S. LA SALLE STREET , CHICAGO 4 Tel. Dearborn 5600 Teletype CG 146

igitized for FRASER tp://fraser.stlouisfed.org

#### Foreign Finance

The issue in the field of foreign The issue in the field of foreign finance is clear. Some insist we should attempt to maintain in this country a flaming economy independent of foreign nations. Others say it can't be done that way. They believe we must send our dollars abroad just as we sent our soldiers abroad. No other financial subject will be more vigorously debated in the months ahead.

For background we have the depressing losses encountered on foreign loans of the 20's. American investors are inclined to the dismal view. In recalling the mistakes of the past, the following points stand out:

points stand out:

(a) Lenders courted the borrowers, an unwholesome and unnatural business. More loans were
made than were really needed or
in many cases wanted by responsible people in affected countries.
Plunging people further into debt
did not provide the answer.

(b) Interest rates were high:

(b) Interest rates were high; the pay-off was not well ar-

ranged.

(c) When the going became hard, borrowing countries defaulted and instead of servicing their debts used the money to buy back their bonds at a few cents

the dollar.
As a result, many original in-

on the dollar.

As a result, many original investors got out or were forced out at the bottom. They really took it on the chin.

When we consider the Bretton Woods Plan, the program for the Export-Import Bank, loans to Britain and other countries—things already in motion—the total credits may reach, or even exceed, 20 billions. The die is cast. We are no longer financially isolationist. England, the principal international banker since the time of Queen Elizabeth, is ro longer able to carry on in that role. Uncle Sam is stepping into John Bull's shoes, fortined with little experience and that mosely bad, plagued with an inferior tycomplex, and exhibiting him...l. as a reluctant and somewhat sulky leader pushed in to head the procession.

This country is in much the poprocession

This country is in much the position of a strong bank in a financial crisis. The first impulsa is to say "Let the weak banks fail. It serves them right." When disaster comes closer and closer, the strong bank begins to fear for its own safety. It starts propping up situations here and there to safeguard its own house. Credit is rationed at one point and another, but always with some strings tied to it. These strings are intended to protect the lender and to help the community.

In our present situation what needs to be propped up first? We all know the answer. It is England. The need is large and important. It is better to have a strong ally than a weak one. As bankers, however, we well know the time to get the collateral, and

to tie the strings, is before, not after, the loan is made. A plan for helping England is taking shape. Some of the major features are indicated.

Now is the time to be completely unemotional about this ing It is interesting to speculate.

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 boy has all the marbles.

(b) We'll never be paid back unless we are willing to buy from abroad.

(c) Right now foreign lending

from abroad.

(c) Right now foreign lending is too risky business for individual investors. Rubber may save the world, but the fact will not nourish the investor who loses the money he puts into a rubber plantation. For the present our Government must assume most of the risks.

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 showing for technicians only. As time passes, and conditions stabilize, foreign business should get back more and more into private hands.

someone twists the tail of banking. It is interesting to speculate
on what may happen next. Whenever there is a lull, 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 25 years in the barrel, to go back 25 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."

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

more good cards to play-never had greater opportunities-never had the field of venture capital (e) Stakes are tremendous in foreign finance, but the rewards can be truly great. Make no mistake: Multilateral trade among more completely to itself. There seems to be a period of turbulent

ahead. The years before us should be exceedingly busy ones, interesting and profitable for all of us. There is no bomb-proof theory of investment. On the other hand, timidity is not a synonym for caution. The wise man or the wise institution is the one that weighs the chances and decides accordingly. It is that policy which wins battles, and wins timidity is not a synonym for

#### IBA PAST PRESIDENTS 1942-43

1943-44-45







Jay M. Whipple



John S. Fleck

ENYART, VAN CAMP & CO., INC.

100 WEST MONROE STREET

CHICAGO 3

Telephone-ANDover 2424

Teletype-CG 965

BROKERS AND DEALERS IN OVER-THE-COUNTER SECURITIES **SINCE 1932** 

#### DAVID A. NOYES & COMPANY

Stocks - Bonds - Commodities

208 So. La Salle Street, Chicago 4 STAte 0400

New York Stock Exchange
New York Curb Exchange (Assoc.)
Winnipeg Grain Exchange
Branch Offices

Members
Chicago Board of Trade
Chicago Stock Exchange
Chicago Mercantile Exchange

Chicago Union Station 236 SO. CANAL ST.

Board of Trade Building INDIANAPOLIS, IND.

Monthly Stock Summary sent free upon request

#### Rawson Lizars & Co.

135 SOUTH LA SALLE STREET CHICAGO 3

#### Underwriters and Distributors

Listed and Unlisted Stocks and Bonds - Municipal Bonds

National Underwriters — Fidelity Fund, Inc.

### Paul H.Davis & Go.

Members principal Stock Exchanges 10 South La Salle Street, Chicago CG 405

NAPOLIS

CLEVELAND

ROCKFORD

#### SINCERE AND COMPANY

MEMBERS OF

New York Stock Exchange and all Principal Stock and Commodity Exchanges

CHICAGO

Markets In

WISCONSIN ISSUES

LOEWI & CO. 225 E. Mason Street MILWAUKEE 2

Bell Teletype

Chicago Phone State 0933

## **Bright Prospects for Utility Investments**

(Continued from page 2698) has increased the cost to the customer has consistently gone downward, both through rate reductions and the operation of steprates. The mythical average customer in the country used 430 rates. The mythical average customer in the country used 430 kwh. in 1926 at an average cost to himself of 7¢ per kwh. Last year he used 1151 kwh. at an average cost of 3½¢ per kwh. In a recent 12 months' period the usage reached the 1200 kwh. mark. Every year since this series of figures was started in 1926 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 kwh.

Contrast the downward trend of

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 usage 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.

**Endicott Building** 

SAINT PAUL 1

The Outlook for Utilities

If I may assume fairly complete agreement that the past record 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 reconversion problems and post-war markets are universal topics of conversation. In the first place utility companies face topics of conversation. In the first place, utility companies face no physical reconversion problems. True, they have plenty of readjustments to make in policies and programs but not one minute has to be spent for changing over representing equipment, transmisgenerating equipment, transmission lines or other major property

The industrial business of the 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 kwh. as commercial business and about one-fourth as much kwh. 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 an old for the electricity they have been selling to war plants. plants.

During the war, appliances have been off the market and the com-panies could not promote their panies could not promote their domestic and commercial business

McKnight Building

MINNEAPOLIS 1

now on the verge of a fairly com-plete change because with the re-conversion of industrial enter-prises, appliances will be on the market in fairly short order and most of the utility companies have definite programs for renewing sales activities.

sales activities.

I have been interested in looking over a number of surveys, made by people not connected with the utility industry, as to what people are going to spend their money for when merchandise is again freely available. These surveys indicate people will be in the market for electric dise is again freely available. These surveys indicate people will be in the market for electric appliances in a big way. In some cases the demand may be for replacement but there are a lot of new appliances which will bring brand-new load to the utility companies and many of these use a great deal of electricity. Such items as ironing machines, room coolers, electric bed blankets, and home freezing units have a very coolers, electric bed blankets, and home freezing units have a very low saturation now, but will be in demand and will add greatly to the domestic load. Some utility companies predict they will double their domestic load in five years and some say they will in years and some say they will increase it 50%. Whatever the percentage is, it will be big.

#### More. Lighting

There are going to be higher standards of lighting in your homes and in the stores. Incidentally, I would like to dismiss the fears many people have about fluorescent lighting. To be sure, fluorescent bulbs use less electricity than the incandescent bulbs to produce the same light but the to produce the same light but the to produce the same light but the interesting thing is that the quantity of fluorescent bulbs which manufacturers expect to sell in the next few-years for residential business, while showing a substantial percentage increase, still 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 somewhat in daylight hours but they have been increasing at

night due largely to inadequate lighting of streets and highways. Rural electrification is another field still to be exploited and the farmer is a much bigger user of electricity than customers in the cities. The net increase will be a big increase in business in the domestic and commercial 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 growing out of the war. Labor expenses will remain high but I want to point out that the payroll expenses of most willity companies represent only that the payroll expenses of most utility companies represent only about 15 to 20% of operating revenues. The price of oil has already shown a drop 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 if a better quality of coal were available even if the price does not come down.

The companies now will be able

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

have been unable to get new generating equipment during the war now will 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, they have increased their business substantially without a corresponding increase in bonds. The companies are now charging much more depreciation than formerly and this helps finance construction requirements.

The SEC have done a great deal

The SEC have done a great deal to promote the strengthening of financial structures. In many respects, the utility financial struc-ture of today is, generally speak-ing, very much stronger than the ing, very much stronger than the typical one of a few years ago. Furthermore, many questionable practices of the past are now entirely impossible under present day regulations.

#### Tax Reductions

Probably one of the outstanding things to take into consideration is relief from war-time taxes, especially the Excess Profits Tax. Let me warn you that the repeal of the excess profits tax does not mean that all the money involved in the control of the excess profits and the excess profits are excess profits and the excess profits and the excess profits are excess profits are excess profits and the excess profits are excess profits and the excess profits are excess profits are excess profits and the excess profits are excess profits and the excess profits are excess profits a immediately becomes available for stockholders. Income which has been subject to the E. P. T. now becomes subject to normal and surtaxes. That may seem elementary to some but I have been surprised to find the errors people have made in thinking the excess profits tax can all be salvaged. Furthermore, in some cases it must be depended upon to give a cushioning effect for an temporary loss of business. How ever, in a great many cases, at least, a modest portion of what had been going into E. P. T. ought

to be available for the stockholders. Some companies have been particularly hard hit. One of the outstanding examples is Southern California Edison which, last year, had to appropriate over 20% of every dollar of gross for E. P. T. alone. Pacific Gas & Electric had to appropriate 13¢ of every dollar while Peoples Gas & light & Coke set aside 18¢. To mention a few of the unlisted stocks, Public Service of Indiana has been earning around \$2 a share and has been setting aside over \$5 for E. P. T. Southwestern Public Service has been earning around \$1.85 but has been providing more for E. P. T. than it has been earning for its stock. In that case, the company has had non-recurring credits so they have not actually been paying the E. P. T. but have reported earnings indicating provision necessary without the special savings. Incidentally, Southwestern Public Service is a company well worthy of your attention if you are seeking a to be available for the stockholdally, Southwestern Public Service is a company well worthy of your attention if you are seeking a company with better than average growth possibilities. Its properties are in Texas and eastern New Mexico where there is a lot more chance to pick up business than there is in many other spots.

Public Service of Colorado has been paying an E. P. T. Of course, the whole concept of the Excess Profits Tax is false, as far as utility companies are concerned, because their rates are regulated and "excess profits" is strictly a misnomer.

misnomer.

#### The Stocks of Operating

Companies

One of the fruitful fields to watch is the break-up of holding companies and the coming of operating company stocks (which have been previously owned by the holding companies) into the hands of the public for the first time. I think there lies one of the outstanding opportunities of the next few months, both for dealers and investors, to make an honest turn and get a reasonable profit.

Experience has shown that stocks which come out in this kind of a distribution follow a rather definite cycle. When the shares come into the hands of the public for the first time the name is unfamiliar and it takes a while is unfamiliar and it takes a while for dealers to work up enthusiasm and go out and place the shares with the people who are going to put them away for long term investment. I need only mention a few names to remind you of profits which have already been possible. Such stocks as Philais unfamiliar and it takes a while profits which have already been possible. Such stocks as Philadelphia Electric, Public Service of Colorado, Idaho Power, Delaware Power & Light, Central Illinois Electric & Gas and Empire District Electric are selling for substantially more than the prices at which they were first available. Of course, if stock comes out through rights or by distribution the chances for immediate bargains are greater than if the stocks is sold by competitive bidding.

Looking ahead there seem to be a considerable number of these new stocks on the horizon. It looks as if Pennsylvania Power & Light common stock will be offered to National Power & Light control to the look of the subscription in offered to National Power & Light stockholders for subscription in December, and later on there will be an outright distribution to the National stockholders. This Pennsylvania stock more than some others has both positive and negative features but if these are weighed and recognized I feel the stock promises to be attractive at around the price at which people are expecting it come out.

Later on. Carolina Power &

Later on, Carolina Power & Light and Birmingham Electric will be distributed to the National stockholders. Columbia Gas & Electric has a plan which, if approved, will call for Cincinnati Gas & Electric and Dayton Power & Light common to be offered to the Columbia stockholders. Both of these will be very well re-

### HAROLD E. WOOD & COMPANY

KALMAN & COMPANY, INC.

Investment Securities

Investment Department

The First National Bank

of Saint Paul

U. S. Government and Municipal Bonds

Investment Securities FIRST NATIONAL BANK BUILDING SAINT PAUL 1, MINNESOTA

Stanley Gates & Co. State and Municipal Bonds First National Bank Building Saint Paul 1, Minn.

Underwriters and Dealers in Municipal and Corporate Securities

#### PARK-SHAUGHNESSY & Co.

First National Bank Bldg. St. Paul 1, Minnesota

CALDWELL PHILLIPS CO.

FIRST NATIONAL BANK BUILDING SAINT PAUL 1, MINN.

ceived and will be desirable mer-

Engineers Public Service has filed a plan contemplating offering rights to buy Gulf States Utilities and an outright distribution of El Paso Electric and Virginia Electric & Power, American Light & Traction is working on a dissolution plan which will bring Michigan Consolidated Gas, Milwaukee Gas & Electric and Madison Gas & Electric and Madison Gas & Fleatric common into son Gas & Electric common into the public's hands for the first time. These are by no means all that are coming but they repre-

that are coming but they represent a fair sample.
Incidentally, it is possible to anticipate these break-ups by purchasing holding company stocks. The spread between the break-up values, and the market, prices of holding company securities has been narrowing, but on the other hand, the time element is growing more favorable.
Within about a month, Associated Gas & Electric bonds will

Within about a month, Associated Gas & Electric bonds will be exchanged for stock of General Public Utilities Corp., the successor company in reorganization. This stock will have good earnings and will be very attractive. Some day the process may be carried a step further and the underlying shares distributed although this is indefinite at the moment.

North American Company stock North American Company stock is a very attractive medium for the investor wishing a combination of good current return and potential appreciation of modest proportions. The underlying companies in this picture, like Union Electric Company of Missouri, Wisconsin Electric Power and Cleveland Electric Illuminating are among the best in the busi-Cleveland Electric Illuminating are among the best in the business. Middle West Corporation is another stock which appears to be selling still below its break-upvalue. Many of the preferred stocks of holding companies like American Power & Light, Standard Gas & Electric, Commonwealth & Southern and others still sell for less than will probably be realized for them in due course.

#### The Shares of Holding Companies

The outlook for some of the common stocks of holding companies having preferreds ahead of them is not quite so clear cut because there has been rather extravagant speculation in some of these issues, particularly those that come in the low-priced field: These should be examined there-fore with much care.

Not all holding companies will break up and among these United Light & Power appears to have very interesting possibilities. This Light & Power appears to have very interesting possibilities. This company will remain in control of a group of integrated properties in the the middle west. Proforma earnings filed as an exhibit with the SEC show that when all transactions pertaining to integration and refinancing have been completed this common stock should earn \$2.33 per share. However, this was based on a 50¢ normal and surtax estimate and the bill that passed Congress provides for 38%. The estimate therefore should probably be nearer \$3 per share than \$2.33. Just recently, one part of the program was announced, viz., plans for refunding debentures with low rate bank loans and the stock jumped two points. When plans are laid out as clearly as they were in this case it is foolish to wait for the steps to happen before undertaking buying.

Another field which dealers should not overlook is presenting the merits of public utility equities to institutions and private investors who have previously bought primarily bonds and preferred stocks, Many such investors are

primarily bonds and preferred stocks. Many such investors are under pressure to keep up their income and will welcome the opportunity to put some money to work at 41/4 % to 5% if they fully appreciate the underlying strength and quality of these stocks. Banks with trust accounts are getting increasingly interested in these stocks and dealers could get this

# In Attendance at IBA Meeting

Simonds, Ralph W. Sipp, Paul Skinner, David L. \*Slezak, G. Edward Smenner, Harry Smith, Dudley C. Smith, George W. Smith, Dudley C. Smith, George W. Smith, H. Laird Smith, J. Ryan Smith, Lorne C.

Smith, Norman P.

Smith, Solomon B.
Smith, Weston
Smucker, Otto
Smuthy, Rudolf
Snow, Warren H.
Enyder, Jack B.
Snyder, John W.
Sohn, J. Edward, Jr.

Song, Elmore Spalding, Evans Spaulding, George F. Speas, J. W. Spink, Harold H. Springer, Charles G.

Staley, Thomas F. Starring, Mason B., Jr, Stearns, Philip M. Steele, Harry J. Steindecker, Otto H. Stephenson, Edwin A. Stephenson, F. Kenneth Stern, Russell T.

\*Stevenson, Gethryn C. Stevenson, Robert 3rd \*Stewart, Percy M. Stewart, R. McLean Stillman, George H. Stirling, Louis J. Stitzer, Raymond D. Stone, Fred D., Jr. Strader, Ludwell A. Straus, Frederick Streat, Hearn W.

\*Denotes Mr. and Mrs.

clients a favor if they would sit down with them and show them just what these stocks have to

offer.

Obviously, you want to talk about the better-known and higher-grade stocks, such as Commonwealth Edison, Southern California Edison, Pacific Gas & Electric, American Gas & Electric, and

Delaware Power & Light to men-tion only a few.
You cannot be indiscriminate

Baker, Simonds & Co.

Petroit
First of Michigan Corporation
Harriman Ripley & Co.

Milweyler
Milweyler Loewi & Co. United Press Investment Bankers Assn. First Securities Co. Equitable Securities Corp. Harvey Fisk & Sons Merrill Lynch, Pierce,

Fenner & Beane
Merrill Lynch, Pierce,
Fenner & Beane
Northern Trust Co,
Financial World Chicago Sun Salomon Bros. & Hutzler E. H. Rollins & Sons Estes, Snyder & Co. Director of Reconversion Lincoln National Bank

Goldman, Sachs & Co. John J. O'Brien & Co. Northern Trust Co. First National Bank E. H. Rollins & Sons Merrill Lynch, Pierce, Fenner & Beane Reynolds & Co.

Reynolds & Co.
Graham, Parsons & Co.
Estakrook & Co.
Glover & MacGregor
New York Hanseatic Corp.
Chase National Bank
Goldman, Sachs & Co.
Mowill Lynch Pierre Merrill Lynch, Pierce,

Fenner & Beane Bacon, Stevenson & Co. Investment Bankers Assn. Kuhn, Loeb & Co. Harriman Ripley & Co. H. M. Byllesby & Co. Hirsch & Co. Equitable Securities Corp. John Nuveen & Co. Scott, Horner & Mason Straus & Blosser Blair & Co.

Milwaukee Chicago Chicago Chicago Nashville New York Chicago

New York

Chicago New York Chicago New York New York Topeka Washington Cincinnati

Chicago Chicago Chicago Atlanta Chicago Chicago

New York New York Boston Pittsburgh New York New York New York Chicago

New York Chicago New York New York Minneapolis Chicago New York Chicago Lynchburg Chicago New York

business and do their institutional | Federal taxes. If a company canclients a favor if they would sit | not do this, it does not speak well

rederal taxes. If a company cannot do this, it does not speak well for its vitality.

While they are not appropriate for institutional purchase, the stocks of many small operating companies have a great deal of promise and I would urge you never to pass up a situation merely because of size. I have been familiar with a lot of small operating companies and have great respect for the management which many of them enjoy.

Summarizing, I would say that the utility picture is one which deserves very careful study and consideration on the part of both the dealers and the investing public and I, think the field has real promise in the months which lie You cannot be indiscriminate in these recommendations. For example, I have been consistently suggesting the sale of Consolidated Edison of New York in favor of more promising situations because this company has been unable to show much increase in its earnings, before

promise in the months which lie just ahead.

IBA GROUP CHAIRMEN

NEW ENGLAND

E. PENNSYLVANIA







John C. Maxwell

Albert T. Armitage

Sydney P. Clark

Stuart, William R. Sturtevant, J. C. Stubbs, John O. \*Sullivan, Dabbs \*Sullivan, John J Swazey, Roswell B. Sweet, D. M. Sweney, Lowry Symonds, B. Shapleigh

Tabke, C. W. Tabke, C. W.,
Taussig, Garfield J.
Taylor, C. NewboldTaylor, Harry A.
Tegeler, Gerald
Tegeler, Jerome F. Thayer, Albert R.
Thayer, Robert
Theis, Harry
Thoburn, Theodore
Thors, J. Emerson
Thorson, Reuben

Tilghman, Allen B.
Tomasic, A. E.
Tompkins, Henry B.
Topping, James D.
Torrey, Clare M.
Treuhold, Eugene
Tripp, Jerome C. L.
\*Trost, Milton S.
Trubee, Frank C., Jr.
\*Denotes Mr. and Mrs

Mason, Moran & Co. Hemphill, Noyes & Co. Whiting, Weeks & Stubbs Walton, Sullivan & Co. Sullivan & Co. Harris Trust & Savings Bank City National Bank Lowry Sweney, Inc. F. S. Moseley & Co.

R. S. Dickson & Co. Taussig, Day & Co. W. H. Newbold's Sons & Co. Ranson-Davidson Co. Dempsey-Tegeler & Co. Dempsey-Tegeler & Co. Thayer, Baker & Co. Thayer, Baker & Co. Lehman Brothers Albert Theis & Sons Hayden, Miller & Co. Kuhn, Loeb & Co. Paine, Webber, Jackson & Curtis A. G. Edwards & Sons

Thomas & Co. Robinson-Humphrey Co. Braun, Bosworth & Co. Cohu & Torrey
L. F. Rothschild & Co.
Tripp & Co.
Stein Bros & Boyce
Trubee, Collins & Co.

\*Denotes Mr. and Mrs. (Continued on page 2770)

Chicago Chicago Boston Little Rock Denver Chicago Columbus Boston

Chicago St. Louis Philadelphia Wichita St. Louis St. Louis Philadelphia New York St. Louis Cleveland New York Chicago

St. Louis Pittsburgh Atlanta New York New York New York New York Louisville Buffalo

# PIPER, JAFFRAY & HOPWOOD

STOCKS—BONDS—GRAIN COMMERCIAL PAPER

New York Stock Exchange and other principal Exchanges

Minneapolis

# C. S. ASHMUN COMPANY

INVESTMENT SECURITIES

1212 FIRST NATIONAL-SOO LINE BUILDING MINNEAPOLIS 2, MINN.

# FIRST NATIONAL BANK of Minneapolis

UNITED STATES GOVERNMENT. STATE AND MUNICIPAL BONDS

115 SOUTH FIFTH STREET

MINNEAPOLIS 2, MINNESOTA

# FRANK & BELDEN, INC.

Municipal and Corporate Securities

MINNEAPOLIS 2, MINN.

ALLISON-WILLIAMS COMPANY

NORTHWESTERN BANK BUILDING MINNEAPOLIS 2

Bell System Teletype MP 163

# In Attendance at IBA Meeting

Tubby, Harold Tucker, Norman M. Tuerk, Fred R. Tunnell, Paul Turner, Arthur C. Tweedy, Albert W. Tyson, Robert W., Jr.

Urell, William H.

Valenta, Frank L. Van Camp, Owen V. Van Court, Albert E. Vanderpoel, Robert P. Van Hart, T. George Van Winkle, Paul K.

Varnedoe, Samuel L. Veit, Robert T.
\*Vieth, Walter E.
Vind, Helen
Vinson, Edgerton B.
Vision, Jean
Von Glahn, T. A.
Voorhis, Peter A. H.

Waggoner, T. R.
Wakeley, Thompson M.
Walker, Cullom
Walker, G. Herbert, Jr.
Walker, Joseph T., Jr.
Walker, Robert P. Wallace, Howard O.
Wallace, Howard O.
Walter, Benjajmin A.
\*Walters, P. A.
\*Walton, Gus B.
Ward, James C.
Ward, Norman B. Ward, T. Johnson

\*Washburne, Hempst'd Watling, John W.
Watterson, William H.
Watts, Sewell S., Jr.
Watson, Philip K.

\*Denotes Mr. and Mrs.

(Continued from page 2769 Hemphill, Noyes & Co. Chase National Bank Cruttenden & Co

H. M. Byllesby & Co.
New York Hanseatic Co.
H. C. Wainwright & Co.
Blair & Co.

Barr Brothers & Co.

Distributors Group, Inc. Gross, Van Court & Co. Chicago Herald-American Salomon Bros. & Hutzler

Paine, Webber, Jackson & Curtis Varnedoe, Chisholm & Co. Shields & Co. ieth, Duncan and Wood Hallgarten & Co. Investment Bankers Assn. Salomon Bros. & Hutzler Lewisohn & Co.

Wyatt, Neal & Waggoner A. C. Allyn & Co. Stubbs, Smith & Lombardo G. H. Walker & Co. Hornblower & Weeks F. S. Moseley & Co. Coffin & Burr Geo. D. B. Bonbright & Co. Bingham, Walter & Hurry Stone & Webster and Blodget Walton, Sullivan & Co. Third National Bank Norman Ward & Co. Merrill Lynch, Pierce, Fenner & Beane Harris, Hall & Co.

Watling, Lerchen & Co. Fahey, Clark & Co. Baker, Watts & Co. Campbell, McCarthy & Co.

Chicago San Francisco Chicago Pittsburgh New York Boston New York

New York

New York Chicago Los Angeles Chicago New York Chicago

Savannah New York Davenport New York New York Chicago New York New York

Atlanta Chicago Birmingham New York Boston Chicago New York Rochester Los Angeles Chicago Little Rock Nashville Pittsburgh Philadelphia

Detroit Cleveland Baltimore Detroit Weaver, Deane L. Webster, Byron G.

Webster, Robert C. Weed, William F. \*Weeks, Robert S. Wegener, Theodore H. \*Weltner, Adolph E. Wendell, Barrett Wheeler, Howard S. Whitbeck, Brainerd H. White, Alexander M. White, Harry H. White, Helton E. Wigeland, Andrew E. Wilhide, Claude W. Willard, E. Warren Willard, Frank A.
\*Williams, Emil C.
Williams, H. G. Williams, Robert N \*Williams, Warren D. Wilmot, W. G. Wilson, E. I.

Wilson, H. Warren \*Wilson, Lyle F. Wilson, Walter W. Wiltberger, Alfred S. Whipple, Jay N. \*Williams, Elmer L. Wirry, Tony Witter, Jean C. \*Wittich, Wilbur R. Wolff, James W. Woll, Albert J. T. Woltz, M. Thompson \*Wood, David M.

Wood, Harold E. Woodard, L. B. \*Woody, Marion H. Work, Robert M. Works, Nelson C. Wrightsman, Edw. F. Writer, Harold D. Wulbern, Edward B. Wylie, Harold W. Yates, James A., Jr. Yantis, F.S. York, Edward H., Jr. Youmans, Paul E. Young, John M. Zollar, Mark A. \*Denotes Mr. and Mrs.

G. Brashears & Co. Merrill Lynch, Pierce, Chicago Fenner & Beane Webster & Gibson

Baker, Simonds & Co. Whiting, Weeks & Stubbs Wegener & Daly A. E. Weltner & Co. Detroit Boston Boise Lee Higginson Corporation Leedy, Wheeler & Co. First Boston Corporation White, Weld & Co. White, Hattier & Sanford White, Hattier & Sa G. H. Walker & Co. City National Bank Baker, Watts & Co. Boettcher & Co. Reynolds & Co. Chemical Bank St. Louis Quail & Co. Milwaukee Company Ryan, Sutherland & Co Hibernia National Bank

Merrill Lynch, Pierce, New York
Fenner & Beane
Union Securities Corporation New York
Pacific Northwest Co. Seattle Morgan Stanley & Co. Blyth & Co. Bacon, Whipple & Co. Allison-Williams Co. Chicago Tribune Dean Witter & Co. Maxwell, Marshall & Co. Newburger & Hano E. M. Newton & Co. Varnedoe, Chisholm & Co. Wood, Hoffman, King & Dawson Harold E. Wood & Co.

Woodard-Elwood & Co. Walter, Woody & Heimerdinger Cincinnati Salomon Bros. & Hutzler A. E. Masten & Co. Harvey Fisk & Sons Peters, Writer & Christensen Denver R. S. Dickson & Co. J. M. Dain & Co. Hill Brothers F. S. Yantis & Co. Drexel & Co. Sullivan & Co. Morgan Stanley & Co.

Los Angeles

Nashville Kansas City Chicago Orlando New York New York New Orleans Chicago Baltimore Denver New York New York Davenport Milwaukee Toledo | New Orleans

Seattle New York Chicago Chicago Minneapolis Chicago San Francisco New York Philadelphia Boston Savannah New York

Philadelphia

Denver

Chicago

New York

St. Paul Minneapolis & Co., Inc. Chicago Pittsburgh New York Charlotte Minneapolis St. Louis Chicago

**NASD District 13** Receives Nominees

Herbert F. Boynton of F. S. Moseley & Co. has been nominated to succeed Henry G. Riter 3rd as a member of the Board of Governors of the National Association of Securities Dealers from District 13 it was announced by District 13, it was announced by George N. Lindsay, Swiss Ameri-can Corporation, chairman of the

correction, chairman of the district.

Nominated for membership on the District Committee were Francis Kernan, White, Weld & Co., New York, to succeed Wright Duryea of Glore, Forgan & Co., Charles L. Bergmann, R. W. Pressprich & Co., New York, to succeed Tracy R. Engle, Buckley Brothers; George Geyer, Geyer & Co., Inc., New York, to succeed George N. Lindsay, Swiss American Corporation; William C. Rommel, J. S. Rippel & Co., Newark, to succeed Julius A. Rippel, Julius A. Rippel, Inc.; and Richard L. Kennedy, Harris, Upham & Co., New York, to fill the unexpired term of Herbert F. Boynton.

Additional candidates may be nominated by members of the Association in District 13 as provided in the By-Laws.

Members of the Nominating Committee are: Walter F. Blaine, Goldman, Sachs & Co.; Henry F. Egly, Dillon, Read & Co., Inc., Frank Dunne, Dunne & Co.; Richard F. Abbe, Van Tuyl & Abbe; and David S. Rutty, Sage, Rutty & Co., Inc.

# 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. Bourbeau. Mr. Bourbeau was formerly with Straus & Blosser in Chicago.

# **Public Utility Securities**

(Continued from page 2702) these three issues will amount t about \$125 a share or some \$60, o00,000. However, this part of the program will apparently be deferred and some change in the plan might be possible before expiration of the "deadline" of Nov.

1, 1946. Niagara Hudson in 1944 had an equity in subsidiary earnings other than Buffalo Niagara & Eastern of about \$4,136,000, which would perhaps be increased to around \$6,000,000 by tax savings, etc. This would be equivalent to about 68¢ a share on Niagara common (assuming that all of the Buffalo Niagara Electric were disposed of). Capitalized at were disposed of). Capitalized at 14 times earnings, such earnings would make the stock worth an estimated 9½. To this might be added a possible cash distribution of the \$30,000,000 estimated proceeds of the Buffalo Niagara Electric sale after deducting the bank learn and the professed disthe divbank loan and the preferred dividend requirements. This would be equivalent to a little over \$3 a share, making the potential mar-ket value, based on the above lib-eral estimates, around 12½ (which compares with the recent price

Obviously, however, because of the numerous difficulties and assumptions involved in the calculation above, such an estimate might prove considerably wide of the mark. In any event, the company has made great progress in meeting the regulatory conditions imposed on it by both the New York Commission 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.

#### DITTMAR & COMPANY Incorporated

(Formerly-Mahan, Dittmar & Co.) 616 South Texas Bank Building SAN ANTONIO 6, TEXAS

Telephone—Garfield 9311 Teletype — SA 15 Established 1924

Underwriters — Distributors — Dealers

#### **Municipal and Corporation** Securities

Specialists in Texas Municipal and Corporation Bonds and Stocks.

Edward Jedd Roe

William F. Parvin

# TEXAS SECURITIES

Underwriters—Dealers—Distributors

**Municipal and Corporation Bonds** 

Trading Markets - Active Retail Outlets

# **ROE & COMPANY**

MILAM BLDG., SAN ANTONIO 5

Garfield 8338

Western Union Phone

Bell Teletype-SA 70

#### KIRKPATRICK - PETTIS COMPANY

Welsh-Davis & Co.

Investment Bankers 540 Omaha National Bank Building OMAHA 2, NEBRASKA

RETAILERS

OF

TEXAS SECURITIES

Dewar, Robertson & Pancoast SAN ANTONIO 5

L. D. 15

**TELETYPE SA 3** 

# Collectivism on the American Scene

velopment in our country than perhaps many of us realize.

The early intellectual thoughts that vitalized our people and made the pattern for our great nation unique in all the world were largely the product of amateurs—

amateur intellectuals, if we might call them that.

Thomas Jefferson was a great intellectual leader. But he was also a farmer. Benjamin Franklin was a great intellectual. But in was a great intellectual. But he was also a worker in the Com-munity. What such men lacked in sparkle and perhaps in the vol-ume of their words—they made up for in a certain earthiness, and a sense of reality which gave and a sense of reality which gave their American concepts the buoy-ancy and vitality reflected in our country's phenomenal develop-

But with the growth of our country and the division of labor country and the division of labor there grew up in our midst a surprisingly isolated group of minds whose daily occupation was solely to think and to project their thoughts into the minds of our people. The radio added great new force to the impact of this development and, incidentally, wastly increased the profitablevastly increased the profitable-ness in being a professional in-tellectual—day by day.

Much merit comes from all this in the form of public education.

But when our society produces an increasingly large number of propagandists, along with satirists and clever word twisters, the real values of America are under at-

Their intelligence, their shrewdness, their quickness and their competence then are no service to us. As many of them speak, write and plan, they draw our thoughts further and further away from the self-faith that should be enhanced by a proper than the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a proper to the self-faith that should be enhanced by a self-faith that should be enhanc enhanced by our great and costly victories and—among other things—closer to the false assumption that the government can and

must be our keeper.

The idea that the people can be maintained by their government whirls around the great modern illusion that the free field of human endeavor can be destroyed while political democracy is preserved.

The modern democratic state has been associated with the free field of endeavor and with that

This relationship is not a coincidence. The inter-independence of economic and political liberty is organic.

The grim lesson of our times is that the greatest thief of individ-ual freedom and national security is economic abuse, accompanied by the powerful combination of political brains and the public

money.

'The hobby of the state socialists is power. Their interest is in what Rousseau called "the love of governing." Yet the repudiation of the "love of governing" remains today as concise an aim as may be expressed by our latest and most dreadful war. When we said this was a war for liberty, a war of Liberation, this must be what we meant. It could not have been otherwise and still have been been otherwise and still have been fight for freedom.

a fight for freedom.

When, in time, most people lean on the Government, all the people have lost their freedom. The opportunity is gone to lean on one's self. Yet if the principle of self-faith is not a fallacy, then it must be a virtue, and a source of inexhaustible spiritual life and national advancement. The collectivist concept strikes at the heart of this self-faith and destroys the free field of human endeavor. In doing so it repudiates deavor. In doing so it repudiates the Gospel's fundamental concept: the individuality of each man.

(Continued from first page) others, who are simply paid to think.

Their numbers and their influence represent a more recent development in our country than perhaps many of us realize.

The early intellectual thoughts that vitalized our people and made the pattern for our great nation unique in all the world were largely the product of amateurs—amateur intellectuals, if we modern industrial admits that vitalized our people and made largely the product of amateurs—amateur intellectuals, if we modern industrial admits that collectivists is finevitable. Let us that collectivists is finevitable. Let us that collectivists is that collectivists in the modern industrial world. ("Inevitableness," "Inevitableness," "Inevitableness,

socialized medicine, fixed wages and prices, and daily control of the individual's life.

They say that industrial advancement gravitates towards collectivism as inexorably as a falling body moves towards the earth. They say that against this gravitation no long-term effort towards the preservation of the free field of endeavor can prevail. There is something childish, they imply, about a struggle against this inevitable. Like imploring the law of gravity to suspend its action, it is grotesque prayer. They insist that collectivism is the predestined and permanent condition of industrial mankind. They would make us believe that collectivism must be the ultimate social order. social order.

Well, this is resounding chatter, calculated to send shivers along spines. But it is a piece of unwarranted dogmatizing when applied to the United States.

By propagating an unprovable assumption of their own and then repeating again and again that it must happen in America, col-lectivists exercise their influence while the record remains solidly against them. "Why not?", ask such voices on radio forums, in Congress and in the parlor. And the unsteady listeners reply, "Yes, I suppose a great swing to state

an illusion, and a dull one at that.
The effort to escape from the control of the State has always control of the State has always been the badge of Liberalism. The effort to enforce State control has always been Reactionary. It was the denial of the rights of individthe denial of the rights of individ-ual life that prompted Nero to persecute the early dissenters and Constantine to connive against the liberal forces and submerge them within the Empire.

The Reactionary practice al-ways has resulted in maintaining a government-controlled govern-ment machine. Instead of trying with might and main to diminish the power of the State over man, the loudest pleaders for the Common Man increase the power of the governmental machine. This is the historic infringement on Liberalism, done often under the Liberal label, for practical politi-

cal purposes.

The amount of control varies widely in history. So does the nature of the control and so do the personalities. But the idea of the personanties. But the idea of control itself does not vary. And the idea of control remains today the permanent basis of Reactionary thought.

Glowing references to the so-called Common Man often ob-

scure this point, sometimes on purpose and sometimes not. But in either case, the phrase—The Common Man—frequently is re-Common Man—frequently is related to herd planning, herd solutions, herd panaceas. By and large the men who speak most often of the Common Man, as though the mass was significant and the individual was not, are herd minded. This carries with it the idea of control and that is where liberal sounding words and phrases get profoundly mixed and become, wittingly or unwittingly, Reactionary.

When Democracy inherited power it inherited certain weak-

when Democracy inherited power it inherited certain weak-nesses in resisting super-power, because its purpose was to see that it was not super-power of it-self. That is why it is the duty of Liberalism and of every true of Liberalism and of every true liberal, to help men restrain the shafts of power that infringe on the democratic concept, from whatever direction the shafts appear. Power rotates. The concentration varies, Sometimes it is tration varies, Sometimes it is Big Business, another time in Big Labor, another time in Big Intel-lect, Big Public Money, or Big Government Jobs. But whenever and wherever found it is the task and high privilege of every true Liberal to oppose it in the inter-est of man's freedom from the governing idea.

In America, the herd concept, the collectivist idea, overlooks the fact that no association ever entered into by man built up so great a nation as the association established by our forefathers, and that no system of Government "planning" ever has envisioned or accomplished such benefits for so many people as those which have accrued from the ideas and

achievements of the individual

man and woman of America.

It overlooks the fact that the true American spirit, self-reliant, cooperative, consecrated, can urge us forward to new heights of progress without diluting the proper governmental controls against abuse of the public good

proper governmental controls against abuse of the public good or nullifying governmental participation in many affairs which only the people as a whole can support through taxation, and yet without sacrificing the principles of individual freedom which made us a great nation.

The broad stretches of our marvelous land are illuminated by hundreds of thousands of men from all communities who have done as much on their scale as Mr. Ford has on his, and who are as justly proud of their store, farm, machine shop, taxi-stand or occupation, their sales record, production record or invention as Mr. Ford is of River Rouge. For American citizens who earn something and save a little have the same feeling of pride in their small property as another workman has to his large property.

This American attitude, applied

This American attitude, applied from our villages to our skyscrapers, has been one of the most
profound influences in the progress of the nation. There is no
more mistaken and mischievous
belief fostered by collectivists and
other such advocates of "indusbelief fostered by collectivists and other such advocates of "industrial age economics" than that the average American's envy or lack of envy is in proportion to his income and the size of his property. The thoughts and aspirations which have vitalized America have been based on the freedom of each man's opportunity, not on the uniformity of his results.

(Continued on page 2772)

#### TEXAS SECURITIES

Trading Markets Maintained in All Unlisted STOCKS, BONDS and MUNICIPAL **SECURITIES** 

Underwriters - Distributors - Dealers

# **RUSS & COMPANY**

SOUTH TEXAS BANK BUILDING SAN ANTONIO 5

Bell Teletype SA 23 Western Union Teletype Telephone Fannin 4324 Western Union Phone

# TEXAS MUNICIPAL BONDS

PUBLIC UTILITY, INDUSTRIAL

UNDERWRITERS . DEALERS . DISTRIBUTORS

**BONDS and STOCKS** BANK and INSURANCE STOCKS

# RAUSCHER, PIERCE & CO.

MERCANTILE BANK BLDG., DALLAS 1, TEXAS

Long Distance 841 and 847

Bell Teletype DL 186 and DL 197

Branch Offices: Houston & San Antonio

# THE WISCONSIN COMPANY

Member of Chicago Stock Exchange

TELEPHONE DALY 0525 TELETYPE MILW. 291 MILWAUKEE

Underwriters and Distributors of Investment Securities

Specialists in Securities of Wisconsin Corporations

WAUSAU Branch Offices: MADISON OSHKOSH

\*\*\* \*\*\* en 185 .11 en sie 17 111 AAA 111 m m 111 212 122 TO 11 22 311

The "TEXAS"—the Bank in Texas with the ACTIVE BOND DEPARTMENT

Dealers and Underwriters Specializing in

# **Texas Municipal Bonds**

Special interest in Texas Municipal general obligation and revenue bonds maturing up to ten years.

Offerings of odd lots are invited.

Up-to-date analysis on any Texas City or County credit gladly furnished upon request.

# TEXAS BANK & TRUST CO.

P. B. (Jack) Garrett, Pres.

Main at Lamar - Teletype DL 493 - Dallas 2, Texas

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# Collectivism on the American Scene

(Continued from page 2771)
Our forefathers braved the dangers and risks of a strange land with its wide horizons to make their lives here in a way that was then and remained for the millions of other immigrants who followed, new in all the world.

The unlimited opportunity to The unlimited opportunity to rise, and to rise young, has always acted as a perpetual stimulus to American youth and spurred them to master some calling or career. It is our duty—the duty of all of us—to see that this is more true than ever in behalf of our young men in the fighting forces as they come, home.

The American Way of life is a moving thing. Collectivist defeatism notwithstanding, no observa-tion of American life is correct and no prediction with regard to our future is justified that pro-ceeds on the assumption that there are in America fixed and stable

classes.

By continual levelling, society becomes everything and man nothing. The state becomes powerful, the individual weak. As the floors of valleys are raised by the denudation and washing down of the mountains, what is average rises at the expense of what is great. The statistician registers the heart-heats and muscles and the mountains, what is average rises at the expense of what is great. The statistician registers the heart-beats and muscles and forgets the hopes and the prayers. The governmentalists show "advances" and the moral concepts show declines: on one hand an "advance" of systemization, on the other a decline of souls. The spleen becmoes the malady of a levelling age, as the material suppresses the spiritual forces of life. Is this the fate reserved for our Republic? Is this the reward for our tremendous victory, the final recompense promised to the labors of our race? The individual creative force which in the beginning tended to inspire others by its hard-earned differences, will not retrace its steps and obliterate them one by one. And stern equality, which in the dawn of existence is mere inertia, torpor and death, must not become at last the natural form of American life. the natural form of American life. The ideal of humanity and the hature of America are something different and higher.

is whether our American society has been blessed or cursed by the vast wartime expansions within our nation, and, pushing aside the siren songs of collectivists, we can stand on our own feet and make the grade. We are not a land of peasants suddenly emerging into an industrial age. We are not a rock-bound island.

Since our earliest days the dislocation of labor by machinery has been as constant in America as the tides are in the seas.

The history of the United States

The history of the United States under modern technology is too full of advances to document the assertion that we must march with any European countries toward a common collectivist destiny.

For over a hundred years we For over a hundred years we have been solving the puzzle of replacing the workers who have lost their jobs to robot substitutes, and at the same time insuring the man of humble beginnings his right to win and hold a place in the sun without regard to any political affiliation whatever. That has been happening in America ever since the first scythe reduced the number of harvest hands who had hitherto gathered our wheat by hand. hand.

by hand.

America at every stage, has successfully met this problem by providing more remunerative and less onerous tasks in place of the work which was eliminated. This is the essence of human progress. We have led the world in such progress and we can do so again

Our progress has consisted of the pursuit of the impossible. There are no really Americaspirited people among the prophets of the "inevitableness" of collectivism here. They are plagiarists, repeating tired or shrewd phrases from the minds of men whose outlook on life is as different from ours as the North Pole is from the South. Marx and Lenin cannot pontificate for the American soul.

Special thinkers or state socialists may take our freedom from us, doing so in our own name, but this does not have to

name, but this does not have to be the case.

The facts which we should re-

ature of America are something member are these. We are a nation abounding in natural energy.

The question we are faced with Ours is a country of breathtaking

resources. Who could look at our record in this war and not see that? Our men and women are trustworthy and valiant. Our churches are sound and free. The country's heart is in the right place. Our Americans of special talent are second to none. Our talent are second to none. Our engineers and scientists, medical men, educators, artists and agriculturists can prepare a standard of living for Americans unof living for Americans un-dreamed of in any other country or age.

We have followed in America the philosophy that the most important thing in a nation's life is the individual heart, soul and personality-with its capacity for desonaity—with its capacity for development. Here the individual is not only protected by a system of jurisprudence against wrongs by his fellowmen but protected against the government as well. The constitution was adopted not have a system of government as well. alone as a structure of govern-ment but as a bulwark against power and superimposed authorpower and superimposed authority. That protection runs against governmental power, religious power, economic power, powers of the classes as well as the masses. The public interest is the paramount interest and public interest; is but an interpretalic interest is but an interpreta-tion of our individual interest and when a group or segment of our population becomes so powerful as to disregard and override the public interest, it is the duty of government to intervene. These government to intervene. These things seem so fundamental as to be almost primary, but never has our government more needed to adjust the governmental compass to the pole star of individual human freedom than it does today. In this way we can deprive the collectivists of their chance.

We have at our doorstep the genius and vision and the materials to build the greatest civilization that the human mind can conceive. To lack faith in such a future is deliberately to deny our own strength. It is to be a traitor to the courage and confidence of our fathers who hewed their own roads and built with their own hands. It is to be ungrateful for the gifts that have been showered upon us and the rights that American heroes have so dearly

The destiny of our country remains within our people. The future holds no challenge that we annot meet in a truly American

## **Gamwell and Draper Resume in Wall Street**

Gamwell & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Major William W. Gamwell, U.S.M.C.R., and Lieutenant Commander Ralph C. Draper, U.S.N.R., have returned from service overseas and resumed their partnership in the firm.

Richard B. Fant has been admitted to general partnership.

# **Atomic Energy and** Free Enterprise

(Continued from page 2699)

But the will to use the chance before us is the pre-condition of discovering the secret—we have to make great decisions. We have to make them on the understanding that the life and death of our civilization hangs upon the wisdom of our choice—haundering frontiers tariffe the boundaries, frontiers, tariffs, the ignoble imagination which associates the greatness of a state with the neutral massiveness of its power—all these seem mean and petty issues upon which to dispute before the control issue to be petty issues upon which to dispute before the central issue to be decided. Three men hurriedly improvising a formula in a room screened from the public view cannot be accepted by any of us as having the title to decide our the public view. as having the title to decide our fate. Not even a commission of eminent specialists acting under the authority of the United Nations Organization can have that title. It is for the common people in every land to share in the shaping of their own destiny—if we proceed from any other premise than this, the victory is thrown away because the cause for which it has been fought is lost. it has been fought is lost.

What follows from this premise? First, there can be no secrecy; if the common people are to decide, the full materials for decision must be made known. Second there must be no black-mail of the scientist into an enmail of the scientist into an en-forced silence; those who seek to break the international commu-nity of scientists and men of learning prostitute knowledge to the service of power. Thirdly, in the exploration of this new realm the exploration of this new realm of awe-inspiring possibility, the claim of private interest to own or control materials or processes would be to impose new chains of servitude upon mankind. Adam Smith's "simple system of natural liberty," now, as I gather, in special repute in the United States, is, in this realm, the direct road to serfdom. We know the evil and the pain which were the price of the first and minor industrial revolution. No one can be forgiven olution. No one can be forgiven who permits its repetition on a far greater scale by making the second and major industrial revolution a means to a deeper di-vision of society into the few who know all the gain of living, and know all the gain of living, and the many who know nothing but its toil. Let us say explicitly what needs to be said: Every implication of this discovery means planned internationalism, economic, social, political. It is an international discovery. The planning of its application has been international. The organization of its future use must be internats future use must be international also.

There is no nation-state fit to be trusted with the development of atomic energy. There is no private interest working for profit to whom its future could be safely confided. Were this new realm to be controlled by generals or admirals, business men or professional administrators, it would become a kingdom of despair and not of hope. If anyone here tells me that the world is not ready for

tory of mankind. They have given the international democratic govers the chance to find the secret of ernment the discovery implies. ernment the discovery implies, there are at least two answers of final import. Who is responsible for that unreadyness if not the for that unreadyness if not the little; grasping plutocracy which has for so long made their private gain the chief end of human effort? From Amos and Hosea, through Rousseau and Jefferson, through Morris and Tolstoy, that has been the single verdict of the prophet. Who is prepared to believe that this same little grasping plutocracy will undergo now a swift change of heart? The evidence is grimly unmistakable that they pay to mankind no other they pay to mankind no other homage than the promises they make in times of crisis which they withdraw when the moment of danger is past. I know of nothing so decisive as

anger is past.

I know of nothing so decisive as a judgment upon the men whose invisible empires have so largely shaped national policies that we should stand in terror before a discovery of which the peaceful development promises a future of abundance to mankind. We all think of it as a weapon of death. Already every nation prepares, through its government, to equip itself with the power to hurl death upon its fellow nations. No people seeks that power; it is governments that seek it. They seek it because we live under a system under which the many are exploited by the few, and war is the ultimate sanction of that exploitation. War is the outcome of the exercise by governments of unfilicited. tion. War is the outcome of the exercise by governments of unlimited sovereignty. Unlimited sovereignty is essential to the preservation of those legal relations which subdue all human behavior to their service. We shall get rid of war as we get rid of those legal relations and the evil power politics they involve. We shall not get rid of it on any other terms.

shall not get rid of it on any other terms.

The League of Nations failed because there was lacking the will to make it work. The Kellogg Pact failed because, there too, that will was lacking. We have seen governments watch with indifference the destruction of freedom in country after country because they were unwilling to pay the price the social process exacts the price the social process exacts to preserve freedom: I am not proud of the British record in the to preserve freedom: I am not proud of the British record in the evil years of appeasement; I have a deep sense of guilt when I see the tragic spectacle of Spain. I do not think the ordinary citizen of Great Britain thought that the war was being fought to return, under any pretext, the Indonesian peoples to the sovereignty of Holland, or to organize the conditions upon which an evil social system shall be imposed in the name of law and order upon the peoples of Southeastern Europe — peoples who for the first time since the break-up of the Roman Empire see the faint dawn of lape. And let me add for myself that I accept as the acid test of the bonafides of the Labor Government of Great Britain that it shall not merely declare its desire to see a Great Britain that it shall not merely declare its desire to see a free and self-governing India, but it shall organize the conditions necessary to the fulfillment of its desire without the dispiriting desire ever to delay and to postpone an outcome so clearly inevitable. If we want freedom, we must have peace, it is we are to have peace, it is not enough to will its advent on the formal plane of empty desire. We must organize the conditions which make it the interest of nation-states to

ize the conditions which make it the interest of nation-states to make the outlawry of war outside the frame of reference within which human impulses operate. That means that sovereignty must go; that means, also, that the interests which sovereignty protects must be recognized as outmoded in character and dangerous in opin character and dangerous in op-

# McCRARY, DEARTH & CO.

UNDERWRITERS — DISTRIBUTORS MUNICIPAL — CORPORATE BONDS — STOCKS

> 1000 DES MOINES BUILDING DES MOINES 9, IOWA

A MARKET PLACE FOR

IOWA SECURITIES

T. C. HENDERSON & COMPANY, INC.

Empire Bldg., Des Moines 9, Iowa

Teletype DM 97

MUNICIPAL and CORPORATE SECURITIES

QUAIL & CO.

Member Chicago Stock Exchange

DAVENPORT, IOWA

902 Davenport Bank Bldg.

Branch Office: Waterloo, Iowa

eration. Just as the feudal system had to go, so the system by which the business man has made the commonwealth an unhappy de-pendency of the market economy has outlived its usefulness. It is clear to any honest observer that a society dominated by business men could not be trusted to cre-ate the mental climate in which the development of atomic energy would be confined within the framework of peace. They would not give the common people the education because they fear its outcome. It is the business man education because they fear its outcome. It is the business man who has split our society into two, the political society and the economic society. They have made the political society and the economic society. They have made the political society and the economic society. They have made the political society and the economic society. They have made the political society and the sacrificion of the second. There is only one country in the world to day where this dichotomy has been transcended. There is only one country, also, where science and technology can be developed without sacrificing the education of man and fearing the breakdown of social well-being or community consciousness. It is significant that only in the new world of Russia has the business man ceased to count. It is also significant that one of the major pre-occupations of the great vested interests is now to keep the "secret"—which is no secretfrom the knowledge of Russia. You know the result—a halt to confidence and the rise of ugly suspicion about the imminent chances of a third world war.

The first condition of peace is to subordinate a market economy

The first condition of peace is to subordinate a market economy to the claims of peace. It would be a bold step to take; the alternative is to permit the business man to fix the criteria by which be five to the criteria by which the future of atomic discovery is determined. To do that in an age of political democracy is to force the contradiction between a society depending upon the eleva-tion of human dignity, and a so-ciety depending upon human peciety depending upon human pe-onage to develop to the point of conflict. The one searches for new standards of behavior, for a new education, therefore, for an ethics of life and not an ethics of death. The other needs that "beneficent private war," the law of the eco-nomic jungle which is afraid of the democratization of knowledge, anxious for an ethics of death, eager to make leisure cheap and trivial instead of full and creative. It is not accident that our schools It is not accident that our schools and colleges, our universities and foundations, even the churches, are the instruments of Big Business. It is not accident that the press is now a branch of Big Business too. It would be madness to the purposes or the methods of let the purposes or the methods of private enterprise set the habits of the age of atomic energy. For these habits would then, like the

these habits would then, like the habits imposed by the men, who, after 1789 made this world the habits of the new world too.

We have come to the boundaries of the final dividing line between liberalism and socialism. We are choosing between institutions which assume that freedom must be won by the few and institutions which assume that they must be planned by the many. We must either have power in the hands of men who use scarcity hands of men who use scarcity as the means of compulsion or we must give it to men who find we must give it to men who find abundance as the instrument of freedom. There is no middle way. Free enterprise and the market economy mean war; socialism and planned economy means peace. All attempts to find a compromise are a Satanic illusion. We must plan our civilization or we must perish.

I accept the need for the United Nations Organization in the first

Nations Organization in the first instance to begin the task before us. But I accept it on conditions. No secrecy; no invasion of the internationalism and the public integrity which are the glory of science and learning; no subordination of the scientist to that "practical man" who thinks it is rident to have have half without wisdom to have habit without philosophy. Let the new institu-

tion for intellectual advance be given the chance forthwith to show that Plato was right when he said that the Minister of Education must be more important than the Minister of War. Let us show by a New Deal on a scale show by a New Deal on a scale for wider and far more profound even than Franklin Roosevelt's New Deal that poverty is a curse of man's making even if he had the insolence to affirm its necessity by making it the outcome of God's plan for the universe. We in Britain have no more right to be content with the slum house and the slum mine than you in the United States have the right to evade the fact that you have acquiesced for 80 years in degrading 12,000,000 negroes by force and fraud and fear. This is not the time to rest content with a temporary plaster upon such deep temporary plaster upon such deep and open wounds. This is the time to begin a new civilization, based on the freedom which comes when men have a map of the complex universe in which we live, have 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 prisons where we have the key to freedom. When are we going to open the doors?

Do not think for one moment that I think our task an easy one. But let us honestly face what the task is. We are societies haunted by fear and insecurity because we have made death the sanction of nave made death the sanction of life and left its operation as a sanction to men who exploited its terrors to keep the many poor and ignorant and deceived. Now we know that we have reached the point where if they continue in cover their demand. power their demands will impose the law of the jungle upon us all; they sit there, believe me, in the dark at Nurenburg; when we indict men of their kind, we indict the same types in every society where democracy is not the participation in the processes of the stormy present. The occasion government by free citizens who is piled high with difficulty, and live by the sanction of life be- we must rise with the occasion.

cause they have recognized neces-sary limitations and are thus free from fear. Nazism in all its forms is the culmination of a society built upon the anarchy of free en-terprise; when it subjects man to the economy of the market, it dethe economy of the market, it destroys his right to be 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 and refresh this dying civilization. Without it we shall have done no more than make a suppress discovery in the art of sopreme discovery in the art of so-cial destruction. With it we can make a supreme application of a new power to the art of social

We are before a revolution more mighty even than the vast change which came with the reorientation which came with the reorientation of men's minds effected by the scientific discoveries of Copernicus and Kepler. These 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. That prospect arouses fear and distrust in that middle class whose triumph was slowly achieved in triumph was slowly achieved in the 300 years after 1600. Now they want to arrest the dynamic they want to arrest the dynamic of history at the point where their triumph is crumbling into decay. They cannot succeed and they ought not to succeed. Their day is over. Their thought is bankrupt, their ethical values are obsolete, their dogmas an angry anachronism. A new social philosophy is necessary for a new world. Let us admit that it can be born only of a new social order.

world. Let us admit that it can be born only of a new social order. Do you ask why? In the deep tempest of the Civil War Lincoln gave the answer: 'The dogmas of the quiet past are inadequate to

## IBA GROUP CHAIRMEN

NORTHERN OHIO



OHIO VALLEY

W.PENNSYLVANIA









#### Lester McElhiney Has Joined Loewi & Co.

MILWAUKEE, WISC. - Loew MILWAUKEE, WISC. — Loewn and Co., 225 East Mason Street, members of the Chicago Stock Exchange, announces that Lester B. McElhiney has joined their organization, effective December 1. Mr. McElhiney has long been identified with the securities business, and has been a vice-president of The Milwaukee Company for the past several years. for the past several years.

As our case is new, so we mus think anew and act anew. We must disenthrall ourselves," We must disenthrall ourselves; I venture to repeat these words. In no other fashion can we face this challenge with the proud confidence of free men.

# Wadsworth Dunn Heads Reynolds Co. Research

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, announces that Wadsworth C. Dunn is now associated with them in charge of their Research Department.

#### Cohu & Torrey Open Lakeland Branch Office

LAKELAND, FLA. - Cohu & Torrey have opened a branch office in the Polk Theatre Building. The office will be under the direction of George O. Craig and will be connected with the firm's main office in New York by private wire.

MAIN 6281

BELL, DN 290

#### PETERS, WRITER & CHRISTENSEN. INC.

DENVER, COLO. Loveland, Colo.

Dealers in

#### Corporation Securities and Municipal Bonds of

ARIZONA

NEW MEXICO

COLORADO MONTANA NEVADA
MEXICO UTAH WYOMING

# Bosworth, Chanute, Loughridge & G. - Investment Bankers,

GROUND FLOOR SEVENTEENTH & SEVENTEENTH & CALIFORNIA STREETS
Established 1916

Ground Floor, Security Building DENVER 2, COLORADO

Underwriters and Distributors of Municipal and Corporation Bonds and Stocks Active in all local securities

MEMBER OF CHICAGO STOCK EXCHANGE

Telephone: Keystone 6241 Teletype: DN 284

Private wire connections with all principal markets through offices and correspondents of White, Weld & Co., and Harris, Upham & Co.

We maintain active markets in the securities of:

Ideal Cement Company Colorado Milling and Elevator Company Potash Company of America **Denver Tramway Corporation** Mountain States Telephone and Telegraph Company California Electric Power Company Public Service Company of Colorado United States Potash Company Golden Cycle Corporation

# Amos C. Sudler & Co.

INVESTMENT BANKERS First National Bank Bldg., KEystone 0101 DENVER

Specialists Rocky Mountain Region Securities =

SIDLO, SIMONS, ROBERTS & CO.

First National Bank Building

DENVER 2

Teletype

# SULLIVAN & COMPANY

Investment Bankers

Since 1927

Security Building DENVER 2, COLORADO

Interested in Buying Block Offerings of Securities for Retail Distribution

# STONE, MOORE & COMPANY

INVESTMENT BANKERS

U. S. National Bank Building, Denver 2, Colorado Teletype DN 580 Telephone KEystone 2395

gitized for FRASER p://fraser.stlouisfed.org/

# American Economic Stability

(Continued from page 2713)
I am a magna cum laude graduate
with a doctor's degree in the
sciences of bankruptcy and political discontent. I experienced
these catastrophes as chief executive of North Carolina from 1929
to 1933 when they were marshaled
against all governments. Former
President Herbert Hoover and I
entered and graduated and terminated at the same time, and
both of us are well qualified to
talk for the remainder of our lives
on the subject of economic instaon the subject of economic insta-bility in America during a depres-sion. That was one political agony no one in office at the time will ever quite forget.

The only time except tonight that I ever seriously attempted to raise the veil of our economic future and indulge in economic prognosis occurred on July 22, 1932, when as Governor of North Carolina I wrote a letter to the then Governor of the State of New York in which I used this unmistakable language:

"Public opinion is in a state of flux. There are in it currents of thought moving swiftly and with power, sweeping people and lives before them. New and sudden trends are daily felt. It is a mistake to say that these currents of thought are welly the presenting. take to say that these currents of thought are wholly the creatures of demagogues. Demagogues do not create movements. They merely ride upon them. We are more than blind if we think the American people will stand hitched to the status quo."

This production was made as

This prediction was made, as you know, in the darkest hours of the depression. I was suffering

ment when, as a minor prophet, I caught a glimpse of the New Deal before the New Deal caught a glimpse of you or me.

As Chairman of the Advisory As Chairman of the Advisory Board on Reconversion, I have tried to Iccate the fundamental reasons for our economic and social discontent during the period of physical and mental reconversion. I am sure all of us can agree on one point—that the dislocation of the war is the basic cause of our present disunity. Today the air is filled with criticism and complaint. People who walked together in harmony only a few weeks ago are today openly finding fault with one another. Management and labor which worked agement and labor which worked together so efficiently in producing weapons for war are now in hostile camps. Why have we become so distrustful of each other? Where is the unity which we had as a nation? What has happened to our Allies? Where are the bonds and ties that were the basis of our great victory?

bonds and ties that were the basis of our great victory?

Since I am to speak to you upon the subject of "American Economic Stability," I think it proper for me to discuss some of the ingredients of discontent that divide and confuse as we move from war to peace. How much of the present upheaval is superficial or natent upheaval is superficial or nat-ural and incident to transition? How much is ominous and dark and of serious import?

I think it perfectly natural for the depression. I was suffering us to experience instability as we from mental, financial and political anguish. I am perfectly sudden termination of total war—

willing to leave it to you, in the light of what has happened duris bound to bring serious shock to the economic and social system or not I was guilty of overstatewhich we have recently passed will mark the watershed of his-

tory.

Our vast and unlimited expendi-Our vast and unlimited expenditures for munitions have suddenly stopped. Of course this is right and proper. The peacetime way of spending public money differs radically from wartime. Two billion dollars were spent in producing the atomic bomb. All of this was done in secret. Congress was not consulted. In time of war, such a method is defensible, but in time of peace, every dollar of Fedsuch a method is defensible, but in time of peace, every dollar of Federal funds must be subjected to the white light of publicity, and to close public scrutiny, and surely in times of peace we should constructively strive for a balanced budget. I realize that, by reason of national necessity, it will be 1948 before we can hope for a balanced budget.

With the end of the war we are

With the end of the war, we are throwing off the stupor and regimentation and beginning to think for ourselves. We no longer have a chief of staff to tell us what to do and not to do, There is no use denying the fact that war is imdenying the fact that war is impatient and even inconsistent with the democratic process. Democracy means that others than the general staff must be consulted. It means that the rank and file of the citizenship are to have a part, either directly or indirectly, in great decisions. We are unlimbering the mental muscles that have been cramped and crowded. We are having full and free discussion of issues again, and only cussion of issues again, and only in this way can we justify the great cause for which we fought.

I believe you will agree with me that it would be tragic, both for our nation and for the world, if in this her greatest hour America should, through dissension and bitterness, fail to resolve her differences.

I have confidence tonight that

I have confidence tonight that we will resolve our differences in the light of our traditions—our traditions of restraint, moderation

greater for the things we have refused to seize and selfishly appropriate for ourselves. If it were not for the confidence of the little men and the little nations of this earth in the integrity of the good intentions of America today, I do not believe there would be any hope for world stability or world

What is this spirit of moderation What is this spirit of moderation so necessary to the survival of a democracy? How is it cultivated? How is it to be preserved? How is it sometimes lost? From the pen of your eloquent and wise Judge-Learned Hand, we have the following.

Judge Learned Hand, we have the following:
"... a society so riven that the spirit of moderation is gone, no court can save; a society where that spirit flourishes, no court need save. ... What is the spirit of moderation? It is the temper which does not press a partisan advantage to its bitter end, which can understand and will respect can understand and will respect the other side, which feels a unity between all citizens . . . which recognizes their common fate and their common aspirations—in a word, which has faith in the sacredness of the individual."

If the leaders of the jurisdictional fights within labor, and the stubborn individualists in management, and all leaders of labor and management were compelled to memorize these masterful words of moderation from Judge Hand and then reconcile their differ-ences in the common good, what a blessing it would be to the pub-lic welfare and to our economic stability lic welfa stability.

What is the grave apprehension haunting our present unrest and threatened instability? What are the words on the lips and in the minds of every thoughtful citizen? What constitutes the real basis of disputes between management and labor of the guarrel ment and labor, of the quarrel over prices and wages? The an-swers to all these questions are found in two great fears—infla-tion and deflation.

As Chairman of the Advisory Board, I recently said to President Truman that I thought a good job had been done in keeping inflation under reasonable control, but that I thought the best hour for America since V-J Day would come when, in the national interest, all economic control fetters traditions of restraint, moderation and tolerance. A wise friend of mine once told me that "The denial of a present satisfaction in order to achieve a future goal is the basis of all economic progress."

We are great in America for life, and a free America be alwhat we have accumulated and for what we possess, both in wealth and power. We are still policy of a free competitive economic progress.

D

E

A

E

Right here I would like to omy. say that as long as controls are necessary we should strive to find a more expeditious method for a more expeditions method for wage-price adjustments and do away with current delays and cumbersome processes. I told Director Snyder that, while inflation was a devastating disease, I knew of only one evil more deadly than inflation, and that was the paral-ysis of deflation.

I believe therefore, that if we are to have a stabilized economy in America we have got to chart a course that will avert inflation on the one hand, and at the same time move progressively forward towards the goal of a sound equi-librium, steadily rising under the impulse of full production. In order to do this, we have got to which is today the soundest money in the world. There are two ways to make what we call money. One of these is the printing press, the other work. I am a disciple of the doctrine of work.

I believe that economic stability will be achieved when the entire population of this nation has the opportunity and willingness to work—to contribute to the welfare of the whole in a fair manner consistent with the fundamental resources, needs and greatness of the country. I emphasize willingness to work. I do not believe that we can attain or retain economic stability in America unless nomic stability in America unless our people firmly resolve to rededicate themselves to the dignity of labor and to the national neces-sity for all of us who are able to work—actually to go to work. In other words, the only complete antidote to inflation or deflation is production and abundant supply, and this means only one thing—work—work for everybody.

—work—work for everybody.

It is rather amusing to me to find many people who think they are economically secure who are worried almost to despair about the abundance of money in the pockets of the average man today. Give us time, brother. All we have to do is to be patient with our present prosperity. It will work itself out. It always has. Our memories are short and with all of our educational advance no all of our educational advance no institution has yet been able to give a degree in common sense. Unfortunately we may rely upon the eventual improvidence of the average American. It may be difficult for the average American to spend five years' savings in one or two years, but the way we one or two years, but the way we are going now we may be able to do it, as the demand of the American people for new and more products during the next few years will exceed anything the country has ever known. When production catches up with and probably exceeds consumption, the Economic Club will have to meet again. meet again.

we must remember that most of us work not for the sheer joy thereof but to make a living. When a beliboy in my hotel asked me the other day how much higher I thought duPont was going I know we were on the way. g. I knew we were on the way. There is one thing more to be

Specializing in

#### PACIFIC COAST SECURITIES

Quotations Given Promptly and Accurately

# NELSON DOUGLASS & CO.

MEMBER LOS ANGELES STOCK EXCHANGE

510 SOUTH SPRING STREET Los Angeles 13, California

Phone: MAdison 2392

Telewriter: 349 and 196

LONG BEACH

SANTA PAULA

BEVERLY HILLS

# LESTER & CO.

**Underwriters & Distributors Over-The-Counter Trading Service** 

621 SOUTH SPRING STREET

Bell System Teletype LA 33

PASADENA

Telephone Madison 2121

LOS ANGELES 14, CALIFORNIA

HOLLYWOOD

POMONA

LONG BEACH

RIVERSIDE

SANTA ANA

CROWELL, WEEDON & CO. ACTIVE PARTICIPATION 0 K

In Original and Secondary Distributions

650 So. Spring St. LOS ANGELES 14

LES 14 | Tel. TRinity 0281 Teletype LA 38 LAGUNA BEACH

LONG BEACH

STATE-WIDE DISTRIBUTION

HILL RICHARDS & CO.

MEMBERS OF LOS ANGELES STOCK EXCHANGE

621 SOUTH SPRING STREET, LOS ANGELES 14 OAKLAND SAN JOSE LONG BEACH SAN FRANCISCO

. GLENDALE . SAN DIEGO

Private Los Angeles-San Francisco Wire

MARKETS IN CALIFORNIA SECURITIES

dreaded than econome instability, and that is economic profligacy, waste and riotous living. To my mind one of the worst things about the 1927-29 joy ride was that we all thought we were enthat, we all thought we were endowed with perpetual prosperity and many of us unwisely concluded that we would never have to work again—and please remember that most of these suckers were not people who earned their bread in the sweat of their face. One of them is talking to you and I see some familiar faces in this

audience.
To attain economic stability we must, of course, be willing to work. But that in itself is not enough. There are other factors fundamental to the attainment of a stable society for which we must strive. We shall not find these factors by looking backward. The key to economic stability will not be found in the past. It is just 16 years since 1929; but in terms of social and economic progterms of social and economic prog-ress it is a 100 years. The so-called "boom" of 1929 looks piti-ful to us today. Then we had less than 100 billion dollars of pro-duction as compared; with our wartime achievement of 200 bil-lion. And because of the growth

wartime achievement of 200 billion. And because of the growth of our labor force and our productive efficiency a mere 1929 rate of production would leave nearly 20 million of our workers unemployed today—far more than the total we had out of work in the worst years of the depression.

It seems to me that this points to the essence of economic stability. Stability is not synonymous with security. We shall not achieve stability if we are permanently satisfied with our present standards. Society stagnates when it becomes smug and complacent. The key to stability is to set our sights ever higher to strive for higher and higher goals of production. If the motive power of America had not been to come up—come up higher and higher—most of us would not be here to-night.)

Many people think of stability as the elimination of boom and depression; of inflation and deflation, of prosperity and poverty—as the elimination of extremes of any kind. Stability is all of these things but it is something more. To achieve stability we must reconcile ourselves to temporary instability and controversy as society struggles painfully with new ideas new methods and new conditions. If we do otherwise, we will achieve neither stability nor the will of the wisp of security.

This concept of stability is not static. It is dynamic. But the very essence of a dynamic stability is that it cannot be achieved by a policy of drift. We have either got to advance or recede. Many people think of stability

bility is that it cannot be achieved by a policy of drift. We have either got to advance or recede. We cannot stand still. I hardly need say that I believe in the American free enterprise system. I do not believe that the best interests or the stability of the nation are served by regimentation in peacetime. But a system of free enterprise does not mean that the government assumes a role of impotence. Planning by government potence. Planning by government need not be regimentation. It seems to me that planning is just seems to me that planning is just the common-sense approach to a constructive post-war economy. Every well managed business has a general staff. Business-like operations of the government demand the same approach. Our task is simplified and our chances of success are increased by the best planning we can provide. I mean planning by the government to create a pattern of government and enterprise relationship in which individual industries, individual companies and individuals will have a feeling of confidence will have a feeling of confidence and stability in making their own plans for their own operations. In this direction lies American eco-

I have not yet fully explored what seems to me the most crucial factor in our struggle to achieve economic stability. Production and planning will of suffice. In

the long run, stability depends in the long run, stability depends in large part upon our state of mind. I mean that there can be no real stability unless we are receptive to change. I repeat, we cannot be stable if we remain static. Change is the law of life. That society will be the most stable that finds a way to maintain its equilibrium in a changing world. Progress is the residuum of a multitude of the residuum of a multitude of takes. Only through error do men or nations come to know the truth. The progress and stability of a country may be measured by those things once matters of debate which are now accepted as a matter of course. ter of course.

Those governments that have had the greatest economic stability have been those that have found a way to adjust to changing conditions. Those governing conditions. Those governments that have been unable to adjust have often been swept away when they thought they were absolutely secure. As the old philosopher says: "Just about the time they think they have the world by the tail, the tail pulls off."

Yes, if our minds and our hearts are open to change, we can achieve stability—both economic and political. For you all know that we can have no economic stability without political stability and no political stability without economic stability. We make a grave mistake if we think we can have economic stability in America with all the rest of the world in turmoil and ruin. I believe that the roots of our economic system will wither and die unless they are firmly planted in the fertile soil of world trade.

The building of a stable world Yes, if our minds and our hearts

The building of a stable world peace upon the ashes and ruins of this war will require all the ca-

# 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 numbers at least, equity offerings are slated to far outrun new issues of bonds and other evidences of cor-porate indebtedness in the period immediately following the close of the Victory Bond Drive next Sat-

There is no gainsaying the fact that the basic money marfact that the basic money market has reached the bottom of its long decline. And Secretary of the Treasury Vinson, speaking recently before the Investment Bankers Assn. in Chicago, declared it the policy of the federal government to keep rates low. rates low.

Accordingly it does not appear likely, unless something now un-foreseen happens, that investors will be able to hope for any early increase in the yield on high-grade bonds. Meanwhile lesser grade bonds. Meanwhile lesser grades have adjusted themselves to the general picture and the supply of the more desirable descriptions has been whittled down to the vanishing point.

going some degree of secruity and

peace upon the ashes and ruins of this war will require all the capacity, patience and restraint of which the human race is capable. Whether we like it or not, just remember that the stability of this nation and the whole world depends upon the slender thread of negotiation and renegotiation now being carried on by the representatives of the three great nations of the earth. Here is the ark of the covenant of stability.

And finally, my friends, if we could explore the mind of the average American citizen today, I believe we would find lying side by side two important desires. One is the wish that a world order may be established to prevent war. The other is the natural desire so na job that will bring with it individual well-being and stability to himself and his family.

The two ideas are really different approaches to the same problem. The untutored thinking of the common man has stumbled upon and laid bare the core of the problem facing this nation and individual well-bring with it individual well-bring and stability to himself and his family.

The two ideas are really different approaches to the same problem. The untutored thinking of the common man has stumbled upon and laid bare the core of the problem facing this nation and individual well-bring and stability to himself and his family.

The two ideas are really different approaches to the same problem. The untutored thinking of the common man has stumbled upon and laid bare the core of the problem facing this nation and individual well-bring and stability to himself and his family.

Investors, moreover, have been forced into the position of fore-

G. BRASHEARS & COMPANY Members Los Angeles Stock Exchange

**SINCE 1922** 

#### GENERAL INVESTMENT SECURITIES

510 SO. SPRING STREET, LOS ANGELES

Teletype: LA 76

#### **INVESTMENT SECURITIES**

# BINGHAM. WALTER & HURRY

621 S. Spring - LOS ANGELES - TRinity 1041

Teletype LA 224

PASADENA

WESTWOOD

the direction of equities. It shows a total of twenty-six prospective preferred and com-mon stocks on schedule con-trasted with only nine new bond or debenture issues.

#### Some of the Big Ones

The list of prospective new stock issues is studded with substantial undertakings. The largest, perhaps, is Buffalo, Niagara Electric Corp's projected 350,000 shares of \$100 par prefered on which the company has fixed which the company has fixed terms for bidding.

Next is the block of 847,000 shares of American Gas & Electric common which Electric Bond & Share will sell in competitive bidding, followed by a negotiated deal involving 700,000 shares of Alleghany Corp. common. In point of money involved, Aviation Corp.'s sale of 200,000 shares of American Airlines common stands out.

Two other big equity deals are those which involve 479,000 shares of American Potash & Chemical common being sold by the Alien Property Custodian and 256,000 common shares of Bates Manufacturing which will be offered first to old stockholders.

#### New Bond Issues

Largest of the prospective new debt issues is the \$75,000,000 of Pacific Telephone & Telegraph Co. 23/4% debentures due 1985, up for bids next Monday in consequence of the refusal of the California Railroad Board to allow direct sale to a group of insurance companies.

The following day Buffalo, Niagara Electric is slated to reached.

open bids for its issue of \$56,-900,000 of new first mortgage bonds, due 1975, while on Wednesday, Chicago, Burling-ton & Quincy will dispose of \$50,000,000 new mortgage bonds in over hidding in open bidding.

Meanwhile National Dairy Products, by negotiation with a group headed by Goldman Sachs & Co. and Lehman Brothers, is scheduled to market on Tuesday \$50,000,000 of 23/4% 25-year debentures. And indications point to a quick sale.

On the same day Illinois Terminal Railroad Co. through its bankers, will offer \$13,500,000 of 1% mortgage bonds, due 1970 plus 150,000 shares of common stock expected to be priced between 10 and 11.

#### RFC Calls a Loan

The Reconstruction Finance Corp. is evidently determined to get its hat back in instances where railroads which obtained loans from it are now in a position to repay the money.

The federal agency has requested the Missouri Pacific Railroad trustee to repay advances made by it which totaled \$23,134,800 at the end of 1944.

With interest payments, the total due would run around \$25,-500,000 after crediting interest which the road has paid in the interval. The trustee said that the request is under consideration but that thus far no decision has been

RETAIL DISTRIBUTION OF SECURITIES

in the

SOUTHERN CALIFORNIA MARKET

#### Wagenseller & Durst, Inc. Investment Securities

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

Teletype: LA 68

PASADENA

REDLANDS

CLAREMONT

Market Quotations and Information on All California Securities

# FEWEL & CO.

We Offer Complete Southern California Coverage for Retail Distribution of Securities.

453 S. SPRING STREET Bell Teletype LA 456 • TRinity 4191 Los Angeles 13, California

LONG BEACH

SAN DIEGO BEVERLY HILLS ARCADIA

# Outlook for Investment Business in Canada

(Continued from page 2718) population of about 12,000,000 has financed approximately 50% of total cash requirements for war and other purposes through taxation, and the remainder through borrowing.

Canadian War Loans

proved so successful in World 1945, in the Dominion of Canada War I was adopted again in this war, after two moderate War Loans 134% 5-year bonds were selling on aggregating \$500,000,000 cash 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:

All cash borrowing during this

The financing pattern	which Loa	ns are si	ummarized	
	General Canvass & Payroll		Total Cash Sales	No. of Appli- cations
War Loans—		1 1144	Property in	
Date of Issue:			Dollars)	
1st-Feb. 1.1940	\$132.0	\$68.0	\$200.0	178,363
2nd-Oct. 1, 1940	113.0	187.0	300.0	150,890
Victory Loans-		17.94	Harris Day	State to be a
Ist—June 15, 1941	279.5	450.9	730.4	968,259
2nd—Mar. 1, 1942	335.6	507.5	843.1	1,681,267
2nd Nov 1 1049	374.6	616.8	991.0	2,032,154
th—May 1, 1943	529.5	779.2	1,308.7	2,668,420
5th—Nov. 1, 1943	599.7	775.3	1.375.0	3,033,051
6th—May 1, 1944	641.5	763.5	1,405.0	3,077,123
7th—Nov. 1, 1944	762.2	750.2	1.512.4	3,327,315
Bth—May 1, 1945	83-3.3	732.6	1.568.9	3.178,275
9th—Nov. 1, 1945 (est.)	1,200.0	800.0	2,000.0	*2,900,000
*Poturna incomplete		1	Trans. Care Million	18 7 5 1 Cal

\*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

All cash borrowing during this

war has been carried on in the domestic market. Between Sept. 1, 1939 and Nov. 30, 1945, the Dominion Government's total cash borrowing approximated \$15,-000,000,000.

Between Sept. 1, 1939 and Nov. 30, 1945, the Dominion Govern-30, 1945, the Dominion Government's outstanding direct debt increased by approximately \$13,-400,000,000, or \$1,100 per capita of the population. Against this increase, active assets 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 \$9,500,000,000 higher than at September, 1939. tember, 1939.
Through domestic borrowing

for all new money requirements, through repatriation of bonds formerly payable in sterling and through cash redemptions of issues payable in U.S. funds, over of the total outstanding Distribution of Direct Debt

As at Sept. 1, 1939 As at Nov. 30, 1945 (est.) Outstanding of Total Outstanding of Total \$2,557,900,000 74.5 \$16,561,000,000 98.2 469,000,000 13.7 \$293,000,000 1.7 Canadian funds\_\_\_\_\_ United States funds\_ 12,000,000

\$3,433,100,000 -100.0 \$16,866,000,000 100.0

\*Three issues payable in Unifed States, totalling \$115,000,000, have been called for redemption in mid-January, 1946; outstanding direct debt payable in U. S. funds will then be further reduced to \$178,000,000.

Currency in Which Payable

Sterling \_\_\_\_

Canada Now Independent of Foreign Capital

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

Substantial programmer phases of production war years, as independent of the confidence which stands nign.

Gross Value of Production:

direct debt is now payable in Canadian funds.
Furthermore, the guaranteed debt of the Dominion, consisting chiefly of securities of the Canadian National Railways, has been reduced from \$1,084,500,000 to approximately \$606,000,000.

Canada Now Independent of Foreign Capital

Substantial progress marked all phases of production during the war years, as indicated by the

1939

\$900.384.000	\$1,874,000,000
466.032.290	936,000,000
52 883 913	133,000,000
7 010 119	
	23,404,000
	893,000,000
	201,545,000
373,203,680	407,000,000
160,374,000	226,725,000
2,854,455,662	7,566,716,000
\$5,630,476,742	\$12,261,390,000
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	φ14,201,070,000
	\$3,440,000,000
11 000 000	43,100,000
751 100 000	1,758,900,000
1 887 000 000	5,242,000,000
184 000 000	
	1,724,200,000
	109,700,000
8,289,000	10,283,000
	\$900,384,000 466,032,290 52,883,913 7,919,412 653,342,816 151,880,969 373,203,680 160,374,000 2,854,455,662 \$5,630,476,742 \$924,900,000 11,000,000 751,100,000 1,687,000,000 184,900,000 8,289,000

panies are in stronger financial position than they have been for many years. Many companies have taken advantage of prevailing low interest rates to refund their outstanding bonds into issues carrying lower coupon rates. sues carrying lower coupon rates, Financial resources have been conserved to replace and modern-ize plant, machinery and equip-ment for reconversion and postwar requirements of peacetime manufacture.

Through war production, Canadian industries have acquired experience, skill, efficiency and greatly improved equipment to handle new manufacturing processors.

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

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

First: Canadian industrial com-

Third: Extensive development of tourist trade is a logical chan-nel for Canadian investment. The country's healthful climate, lakes, mountains, woods and scenic beauty encourage travel, recrea-tion and sports of all kinds. This development envisages construc-tion of roads, improvement in transportation and accommodation facilities, food services and other tourist conveniences.

Fourth: The country's population of about 12,000,000 can be greatly increased through immigration as well as through natural increase. Pronounced population growth would encourage investment in domestic consumer goods industries on a broadened scale.

Fifth: Canada's known mineral wealth in gold, base metals, coal, petroleum, iron and other deposits has tremendous scope for further commercial development. Also, trade with war-torn countries unknown mineral wealth con-

#### SPECIALIZING IN SERVICE TO

#### DEALERS, PROFESSIONAL AND INSTITUTIONAL ACCOUNTS

LISTED AND UNLISTED SECURITIES

DIRECT PRIVATE WIRE BETWEEN NEW YORK AND SAN FRANCISCO OFFICES

# KAISER & Co.

SAN FRANICSCO 4 1500 RUSS BUILDING MEMBERS

NEW YORK CURB EXCHANGE SAN FRANCISCO STOCK EXCHANGE

NEW YORK 5 TELETYPE 1-2678

DRDERS EXECUTED IN ALL MARKETS

# FIRST CALIFORNIA COMPANY

INVESTMENT SECURITIES

UNDERWRITERS . DEALERS . DISTRIBUTORS

SAN FRANCISCO 20 300 Montgomery Street YUkon 1551

PASADENA

LOS ANGELES 14 650 South Spring Street TUcker 3151

Teletype SF 431 - 432

STOCKTON .

SAN JOSE

LONG DEACH SANTA ANA SACRAMENTO

Teletype LA 533 SAN DIEGO

BEVERLY HILLS RENO, NEVADA

R. H. Moulton & Company

MUNICIPAL BONDS

LOS ANGELES 13 510 South Spring Street Teletype LA 243

SAN FRANCISCO 4 405 Montgomery Street Teletype SF 98.

#### DISTRIBUTION FACILITIES

covering the

NORTHERN CALIFORNIA MARKET

# MASON BROTHERS

CENTRAL BANK BUILDING OAKLAND 12, CALIFORNIA

Sacramento (14) Financial Building

San Jose (16) Bank of America Building stantly attracts exploration work

requiring venture capital.

Sixth: Development of air transportation is another channel. for investment in Canada. Ed-monton has demonstrated its strategic importance as the great orient and Russia; Goose Bay in Labrador is the point of departure for the shortest route, over water, to Europe.

Seventh: Rural electrification,

irrigation in the Prairie Provinces and research in the Prairie Provinces and research in the use and cultivation of many agricultural products offer special scope for investment in Canada.

Eighth: The past experience of capital invested in Canadian Government municipality and components.

ernment, municipality and corpo-ration securities has proved prof-itable. This experience should stimulate initiative and enterprise in Canadian investment channels.

#### Opportunities for Canadian Investment

While the preceding paragraphs do not exhaust the opportunities for Canadian investment, they do indicate a promising outlook for it. We in Canada feel that we are

on the threshold of a new era of rapid and profitable growth. We feel that we are well equipped to utilize our resources, experi-ence and skill to increase our ability, thrift and initiative have already enabled us to achieve material standards of living which are probably exceeded by no other nation, except the United These past accomplishments challenge us to reach still greater prosperity than we have yet known. They also place upon us heavy responsibilities to utilize our opportunities to their utmost

Canadian investment business expects to participate actively in the future development of Canada and looks forward with confidence and enthusiasm.

# The Blocked Sterling Balances

(Continued from page 2699)

as in theory.

The realization of this state of affairs has caused a certain amount of uneasiness. The amount of "Sterling Area Balances" (to use the official description of these assets, which include holdings of Treasury bills as well as current account balances proper) is believed to be between £3,-500,000,000 and £4,000,000,000. If only a small fraction of this only a small fraction of this amount is spent on goods the export of which is now free, the small supplies available for export would soon become exhausted.

This would mean that most of the exports would go to countries which pay in the form of sterling accumulated during the war, and not in the form of much-needed foreign exchange. For the chances are that holders of sterling balances are prepared to pay higher prices for British goods than other overseas importers. Suggestions of a drastic scaling down of the war balances, made during the Washington financial discussions, gravely perturbed their holders, and they would be prepared to lose 10% or 20% prepared to lose 10% or 20% through paying excessive prices rather than lose 50% through a settlement they may have to accept, settlement which would in any case provide for the postponement of the repayment of the believes. the balances.

Indeed, there is no reason to suppose that the demand by Indian, Egypitian, &c., holders of sterling balances would be confined to the surplus of supplies which would in normal course be available for export. In their available for export. In their keenness to liquidate the largest possible amount of their sterling balances before a settlement imposes a limit to their liquidation, the holders would outbid also

to be blocked in practice as well British buyers, so that their demand might even endanger sup-plies essential for domestic pro-

duction or consumption.

There is yet another aspect of this situation. It is widely felt. that if a debtor is unable to discharge all his debts, the correct procedure is not to follow the rule of "first come first served," but to allocate the assets available for debt repayment in strict profor debt repayment in strict pro-portion to the respective amounts of the claims. Under the existing arrangement those who are first on the spot and place orders stand to secure a more favorable treatment than the less enterpris-ing creditors. ing creditors.

Admittedly, the actual amount involved in the withdrawals of sterling balances through exports must be at present very moderate. Supplies are still most inadequate, and manufacturers are requate, and manufacturers are re-luctant to accept large orders, owing to the uncertainty of their capacity to deliver, and also owing to the uncertainty of the level of production costs a few months hence. It is perhaps for this rea-son that the Government does not think it necessary at present to think it necessary at present to think it necessary at present to impose a restriction on exports to countries paying with sterling balances, in order to reserve an adequate proportion of the by no means very large exports to countries which pay in foreign exchange. The view is held, however, that the smallness of the exportable surplus is no justification for failing to make the best tion for failing to make the best possible use of it from the point of view of covering the foreign exchange requirements of the import trade. It is also feared that buying pressure by holders of such a vast amount of sterling could not fail to cause a rise in prices, which would increase difficulties to expert to countries ficulties to export to countries paying in foreign exchange, and would aggravate the domestic economic situation.

Sooner or later the problem of be tackled firmly. Otherwise, it will be a millstone 'round Britain's neck that would drag her

down and prevent her recovery. In any case it will be difficult to Announces Change of any case at 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 many Britons consider the huge sterling balances a blessing in dis-guise, for their repayment would secure steady markets for British goods. But while individual ex-porters may estand to benefit by exporting against payment out of these sterling balances, the trans-actions 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 spent on digging big holes and filling them again. The idea that a country must export as much as possible just for the 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 this country, though it is still held among a minority of old-fash-

# Name to Ferris & Co.

WASHINGTON, D. C. washington, D. C.—The firm name of Ferris, Exnicios & Co., Washington Building, has been changed to Ferris & Co., it is an-nounced 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. Leef, Secretary and Treasurer.

#### Laird & Co. to Admit **Three New Partners**

WILMINGTON, DEL.—Laird & Company, Nemours Building, members of the New York Stock sake of exporting, or even for the sake of creating employment, is considered hopelessly out of date by most thinking people in this country, though it is still held among a minority of old-fashioned orthodox economists out of touch with the realities of life.

members of the New York Stock such and the New York Stock such as the New York of the New York Stock such as the New York of the New York Stock such as the New York

> Since 1858

# SUTRO & CO.

Investment Bankers

Distributors of Primary, and Secondary Offerings Brokers . Underwriters

MEMBERS NEW YORK STOCK EXCHANGE SAN FRANCISCO STOCK EXCHANGE NEW YORK CURB EXCHANGE LOS ANGELES STOCK EXCHANGE

407 Montgomery Street

San Francisco 4

Los Angeles 14 210 W. Seventh Street

New York 6 61 Broadway San Jose 4 15 E. Santa Clara Street

Beverly Hills 9405 Brighton Way

Direc Private Wires

# ELWORTHY & CO.

Investment Securities

111 SUTTER STREET, SAN FRANCISCO 4 Garfield 4460

San Jose

# Wilson, Johnson & Higgins

Investment Securities

Telephone YUkon 0363

300 MONTGOMERY ST., SAN FRANCISCO 10

# **HANNAFORD & TALBOT**

Investment Securities

519 California Street SAN FRANCISCO 4

GArfield 8000

Bell System Teletype SF 234

# Mitchum, Tully & Co.

INVESTMENT SECURITIES

SAN FRANCISCO 4 405 Montgomery Street

LOS ANGELES 14 650 South Spring Street

# Schwabacher & Co.

INVESTMENT SECURITIES

600 MARKET STREET AT MONTGOMERY

Telephone SUtter 5600 SAN FRANCISCO 4

MEMBERS NEW YORK STOCK EXCHANGE CHICAGO BOARD OF TRADE NEW YORK CURB EXCHANGE (ASSOCIATE)

NEW YORK

OAKLAND

FRESNO

SANTA BARBARA

MONTEREY

SACRAMENTO

# Wage-Price Equation and Future Outlook

(Continued from page 2700)
(2) a growing recognition that employment and wages depend upon business expansion and that we cannot get business expansion under a private enterprise system unless the assumption of risks is encouraged by the chance for reasonable profits. I do not mean reasonable profits. I do not mean to imply that all government regulation of business will henceforth be abandoned, or that it would be desirable to scrap all types of regulation. I do mean that the excesses of recent years are likely to be reduced. I make this statement in the face of one important exception to be discussed later — which seems to point in the opposite direction.

Second, instead of the vast rise in prices which most people had anticipated the wartime increase was comparatively moderate. Wholesale prices rose little more than one-third from the low levels of the late thirties, while the cost of living, including rents, advanced roughly 25%. We had, especially after 1942, a creeping rather than a running inflation.

Third, instead of impoverishment the war brought substantial

ment the war brought substantially higher standards of living for the masses of the people. Thanks to longer hours and the increased number of workers per family, real wages rose sharply during the war period. Even with the retirement of several millions from private employment and the re-sumption of a 40-hour work week there is good reason to believe that the real income of the American people in the years just ahead will be well above the levels of well above the levels of late thirties.

As we enter the postwar period it is clear that we possess the plant capacity, labor personnel, financial resources, and technical knowledge and experience necessary for a period of great development. ment. Moreover, the accumulated shortages of commodities and the abundant purchasing power available provide the necessary stimuli for business expansion. And yet as we stand poised between war peace the situation is one of conflict and bewilderment.

#### The Prevailing Confusion

One crucial issue lies at the basis of our present difficulties, namely, the appropriate level of wage rates. The current drive for substantial increases in wage rates is readily enough explained by the natural desire to maintain the wartime level of earnings. As overtime pay disappears the simple and obvious means of sustaining purchasing power appears to

ing purchasing power appears to be to increase the basic wage rate. The current wage program is, however, supported by an eco-nomic philosophy. It is urged that the continuance of the wartime level of earnings is essential to

provide the markets for the full output of our productive plant; if increased earnings; the bulk were wages are reduced, buying power channeled to the government under the excess profit and renegotian unemployment will ensue. Top officials in the administration laws. It was conceded in the tax legislation that provision the tax legislation that provision should be made during the warry wars to cover reconversion costs and postwar contingencies and to

wage rates, especially in the lower income groups, are necessary if we are to avoid deflation.

But, at the same time, and without appearing to recognize any inconsistency, it is contended that the gravest problem of the moment is to prevent inflation. It is a larged that the property in the controls of the moment is to prevent inflation. It is urged that, unless price controls are rigidly enforced, the vast accumulation of unspent purchasing power will raise the roof. In the words of Chester W. Bowles, "Today we have all the makings of ar inflation and eventual collapse or a far greater scale than anything we knew in 1918. Inflationary pressures are vastly greater. We have our teeth set in the cost of living, and we are going to hold on like a Boston bull pup until our services as inflationary watch dog are no longer necessary." Mr Bowles was not here referring to the upward pressure on prices exerted by increasing wage rates. He was referring to the accumulated purchasing power on the one side and the great shortages of consumer goods on the other.

It should be obvious (but apparently it is not) that if we give the same pay for forty hours of work as for forty-eight hours of work the supply of dollars would be increased relatively to the sup-ply of goods available for purchase.

chase.

This is, however, only one aspect, and the less important aspect, of the wage-price question. It snould be borne in mind that wages are related to industrial prices in a two-fold way: (1) as income received by workers, and the sing powages are properties. income received by workers wages constitute purchasing powwages constitute purchasing pow-er; (2) as outlays by business enterprisers wage payments con-stitute a major element in cost of production. Of the two forces, one operating on the demand side and the other on the cost side, the latter is ordinarily of much greater potency. The increase in purchasing power is a permissive purchasing power is a permissive condition, whereas the rise in costs is a compelling force.

A major source of confusion widespread misconception with respect to profits. The expansion of production during the war period not only enabled plants, generally speaking, to run at full capacity; but it forced them to work overtime. Full employ-ment of plant and equipment and the overtime use of facilities nat-urally meant a very great in-crease in gross earnings, just as full employment and overtime full employment and overtime work on the part of labor meant a very great increase in wages. Corporations were not, however,

and postwar contingencies and to make possible the expansion which was essential to the resumption of private employment.

But is now assumed, or least contended, by labor leaders that vast hidden resources are available with which to pay higher wages, not only this year but inwages, not definitely. definitely. It also appears to be assumed that even though fac-tories return to a 40-hour week, earnings will remain at wartime levels. There seems to be no clear understanding of the fact that as the number of hours worked declines, production and profits also decline.

A part of the confusion also arises out of varying conceptions with respect to technological progress and increased efficiency. Increases in output per man per hour may result from improve-ments in machinery or shop or-ganization or from better performance on the part of individual workers. During the war period we had substantial technical im provements in some lines, while in others, especially those which were forced to shift completely to war work, there has been little if any. But at the same time there has been occurring a deterioration of labor morale and a consequent lessening of individual efficiency. It may well turn out that the year 1945 will show on balance a substantial decrease in man-hour output. Such was, in fact, the case during the year 1919.

In the nature of the case the In the nature of the case the situation with respect to productive efficiency will show wide variations in the different divisions of industry. No generalization applicable to industry as a whole can possibly be made. In some lines there may have been a substantial increase in man-hour output, while in others there may well have been a decline. But it is well have been a decline. But it is impossible at this time to do more than guess at the extent of the change one way or the other in particular industries. We shall have to wait and see—wait until conditions are more stabilized.

#### **OPA's Troubles**

In this situation the OPA has announced its determination to prevent the excess purchasing power from bidding up prices. However, the OPA officials have nowever, the OPA officials have no means of getting rid of the troublesome excess of purchasing power or of preventing it from increasing. Concretely, the OPA is not vested with control of major factors affecting the supply of purchasing power: (1) the of purchasing power: (1) the OPA has no control over government fiscal policies and the volment fiscal policies and the vol-ume of government expenditures; (2) the OPA has no control over the liquidation of government bond holdings; (3) the OPA has no control over installment or other credit expansion; (4) the

OPA has no control over the volume of employment or the rate of wages, both of which directly affect the volume of purchasing

Similarly, the OPA has no con trol over two of the primary ele-ments affecting factors in the cost ments affecting factors in the cost of production, namely, the prices of agricultural raw materials, and wage rates. The former are controlled chiefly by government purchases at prices designed to support the income of farmers. Wage control since the end of the war has to all intents and purchases at prices designed to support the income of farmers. poses been abandoned, emphasi-now being placed on the determination of wage schedules by colnation of wage schedules by col-lective bargaining—with the ad-ministration supporting the the-sis that wage rates should be in-creased to prevent deflation.

In practice, therefore, the OPA can merely try to prevent prices in each and every industry from

in each and every industry from being increased more than is ne-cessitated by the changing cost situation. Under existing condi-tions the OPA—no matter how well intentioned—can only be-devil the industrial situation and retard the processes of reconver-sion and expansion.

The the case of steel. The OPA says No, steel prices cannot be increased now. Though prices repained virtually unchanged throughout the war period while wage rates advanced rapidly, OPA figures that with the volume of output at present and in prospect no advance in prices is justified. But OPA has no means of know ing what the volume of steel business will be next year—for this depends upon indeterminate facfors—among which are strikes in the industries which consume steel. Moreover, the OPA is not at all sure of its present decisionall sure of its present decision—as is evidenced from the fact that it promises to review the situation in January or February when the year-end operating figures become available. But whatever the figures for a year of readjustment like 1945 may show, they will not true guides to 1946 prospects

The steel industry hestitates because of uncertainty as to the decision which the OPA will reach when it reviews the situation early next year. Still another review of the price situation in steel would be necessary if wage rates would be necessary if wage rates are increased in the industry, and if steel prices are in due course increased, automatically prices will have to be revised in many related industries which use steel products. Meanwhile, the months elapse and the opportunity for quick reconversion and resump-tion of employment is gone forever

It should be clearly understood at this point that the so-called price control is in truth profit control. The test is the prospec-tive rate of profits. Moreover, the OPA is concerned not merely with controlling the level of profits for industry as a whole; they stand ready to give relief to individual companies which can show distress. These are of course as a tress. These are of course as a rule the high-cost less-efficient companies.

The OPA program as outlined calls for the control of profits not only during the period of recon-

version but more or less indefi-nitely. Mr. Bowles has stated that the OPA must be prepared to prevent a recurrence of an inflationary spiral such as that which oc-curred in 1919-20. "The OPA must be prepared to suspend or clamp

be prepared to suspend or clamp down as the occasion demands." And he has announced that it is time to begin now to plan for the extension of the Price Control Act beyond June 30 next.

Since the OPA has no control over either the supply of purchasing power which encourages in flation from the demand side or over the inflationary pressure from the cost side, it is impossible over the inflationary pressure from the cost side, it is impossible for this agency to control the situation. All that they can do, I repeat, is to slow down the reconversion and expansion movement. This, agency is not equipped with the necessary personnel to review the cost-price situation in a multitude of industries with the nec essary expedition. In an un-guarded moment Mr. Bowles has admitted that personnel is limited and "we don't know how ambitious a job we are undertaking."

#### Is Rampant Inflation Inevitable?

In the light of the foregoing disthe ingrit of the foregoing discussion, one may well have gained the impression that I think rampant inflation in the near future is inevitable. Such is not, however, my conclusion—for reasons which I shall briefly indicate.

First, available evidence indi-

First, available evidence indi-cates that we are likely to have an appreciable decline in the an appreciable decline in the prices of agricultural products, both foodstuffs and raw materials, both foodstuffs and raw materials, during the next year or so. The great problem with which the agricultural agencies in Washington are concerned is not how to prevent farm prices from rising, but how to prevent them from falling—in some lines precipitately. We are committed to a policy of maintaining a floor under agricultural prices at 90% of parity—which would permit, a decline of roughly 25% from recent levels. cent levels.

Second, the supplies of most of

the basic raw materials are also plentiful. However, in this field the possibilities of price declines might be checked by rising wage

In the field of industry, the de-termining factor during the com-ing year or two will continue to the movement of wage rates If labor succeeds in gaining much higher wage rates in such basic industries as steel, coal, and in industries as steel, coal, and in railway transportation, the pres-sure for higher prices to cover increasing costs will quickly extend throughout the industrial price structure. If, at the same time, wage rates have to be advanced sharply in consumer goods lines, the upward movement will be accentuated.

The outcome of the present industrial conflict is, however, far from certain. After some weeks, perhaps months, of stagnation in major lines of industry settlements may possibly be reached which may involve comparatively moderate increases in labor costs. If this should prove to be the case, then I would conclude that the accompanying price increases the accompanying price increases would not be great.

But still one may ask, will not the acute shortages of consumer goods inevitably lead to a marking up of prices all along the line? In considering this question one must bear in mind that—assuming industrial peace—we should have in a wide range of consumer goods around increase in sumplies. The a rapid increase in supplies. situation is at its worst just now, being affected by reconversion and adjustment problems, by labor shortages, and by a tendency to postpone deliveries and collec-tions until after Jan. 1—when the

tions until after Jan. 1—when the excess profits tax goes off.

The really acute shortages are confined largely to the field of durable consumer goods; and here, as we shall see, there is a safeguarding factor of great importance. These durable consumer goods include automobiles, refrigorators washing machines vacwashing machines, vac-

# PACIFIC NORTHWEST COMPANY

- UNDERWRITERS
- DISTRIBUTORS DEALERS

Markets Maintained in PACIFIC NORTHWEST SECURITIES

ATT SEAT 187-188

EXCHANGE BUILDING SEATTLE

SPOKANE ABERDEEN

PORTLAND

TACOMA

Serving

The Pacific Northwest since 1913-

through its predecessor companies, Ferris & Hardgrove, established 1913, and Drumheller, Ehrlichman Company, established 1921.



\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

MURPHEY, FAVRE & CO.

INVESTMENT BONDS & STOCKS

Sponsor and Distributor of Composite Bond Fund, Inc.

SPOKANE 8, WASHINGTON

Bell System Teletype SP 88

tuum cleaners, electric irons, toasters, radios, clocks and watches, furnaces and heaters, and stoves and ranges. In 1941 expenditure for these commodities amounted to 6.5 billion dollars, or only 8.5% of total consumer expenditures in the United States. Thus, even if in the United States. Thus, even if in these lines there were a great in-crease in prices, the effect upon the over-all cost of living would not be pronounced. The price sit-uation in these fields is, however, uation in these fields is, however, safeguarded by the fact that the leading companies have always followed a low price policy designed to expand markets. In the automobile industry, moreover, there is intense competition among the main companies and there there is intense competition among the major companies; and there is no disposition to invite extensive new competition by pushing prices up during a temporary interval when demands are exceptionally large. The obviously sound policy is to set prices at a level which will sustain demand for several years rather than to gouge consumers while the opportunity exists. The intensity of the tunity exists. The intensity of the competition in this field is well illustrated by the effort of the labor unions to force General Motors to terms through fear that the other companies might get the jump on them.

Eighty per cent of the durable consumer goods other than houses are produced by about 20 compa-nies: and the balance by 25,000 nies: and the balance by 25,000 companies. Thus, in the durable consumer goods industry as a whole, prices are determined primarily by the policies of a few major companies. By virtue of their size, many people are wont to look upon these companies as monopolistic in character. But incontrovertible evidence shows that they have not pursued monopolistic price policies, but on the contrary that they have sought steadfastly to share the benefits of technological progress with workers and consumers alike.

#### Realism with Respect to Wages

The impression may possibly have been given by the discussion thus far that I am opposed to higher wages. The fact is that for 25 years I have stressed the importance of high real wages for the masses of the people. Only by expanding mass consuming power in proportion to mass producing power can we maintain a power in proportion to mass producing power can we maintain a balanced and continuously prosperous economic system. But on the other hand I have insisted equally strongly that wage rates must conform with production realities. If at this juncture, when both factories and workers are returning to the 40-hour week, we try to retain the wartime level of take-home pay result can only of take-home pay result can only be a reduction of our real buying

Moreover, in the struggle to obtain the impossible, untold economic injury is meted out to the millions of unorganized and professional workers, who are the real forgotten men and women of

As I stated at the beginning, we have available in America today the physical resources and the day the physical resources and the scientific and technical skills required to make these early postwar years a period of genuine prosperity. But unless, through the industry-labor conference, or the industry-labor conference, of by other means, we can establish realistic wage-price relationships we shall produce not full employ-ment, satisfactory profits, and abundant revenues for fiscal re-quirements, but, on the contrary, low levels of production, unem-ployment meager profits and inployment, meager profits, and in-creased federal deficits.

# Unfavorable Outlook for Early 1946

The business outlook for the early part of 1946 is certainly not propart of 1940 is certainly not pro-pitious. It seems highly probable that some months will elapse be-fore the wage-price issues can be so adjusted as to permit a strong, well-rounded forward movement. Despite the stimulus flowing from pent-up demands production seems certain to be retarded. Even

where operations are not tied up by industrial strife the shortages of key parts may serve to impede output. I incline to the view that the first half of 1946 will be one of the most difficult periods in our industrial history.

#### Hope for the Longer Future

As we look a little further forward the prospect in much more encouraging. Once industrial peace is restored and wages and peace is restored and wages and prices are brought into something like harmonious relationships we should enter upon a period of very great activity, an activity which in the first stage will be rooted in the replacement of consumer goods.

I have no fear that the moment

we have made good the shortages of consumer goods we will in-evitably have a business recession Support for a longer period of prosperity exists in the very extensive shortages of houses and capital goods.

In every great war many types of capital goods production are severely restricted. I refer especially to the construction industry, including both residential and commercial buildings, and to every important division of industry. important division of industry. There is inevitably a large accumulation of deferred maintenance; industry plant and equipment becomes ob-solete; and quite as important, the normal growth of peacetime fa-

cilities is arrested.

In the replacement period of 1919-20 there was comparatively little expansion in the capital goods segment of the economy. This was especially the case in railroads and public utilities and in the housing field where a combination of factors retarded constructive developments. This after structive developments. Thus after the collapse of 1920 and 1921 the new period of expansion was based primarily upon the rehabilitation and expansion of these

At the present time the requirements in these fields are very much larger than was the case after the last war. This is due to the fact that we have had subnormal construction and growth for a much longer period of years. In the fields of housing and rail-In the fields of housing and railroad construction replacements
will have been at a very low
level for nearly 15 years. At the
same time, in both fields new
technological developments haverendered a larger proportion of
the existing physical properties of
an obsolete character. In the interests of productive efficiency
and a high national income, we
need and should have a replacemeed and should have a replace-ment and expansion of the na-tion's physical plant and equipment on a scale greater than that ever known in our history.

The longer-run outlook is there-

fore very favorable. If we can clear up some of the confusion which now exists, and get down to work, we can have a long period of well-rounded prosperity. general manager in 1935.

# Municipal News and Notes

While it is hardly in the nature While it is hardly in the nature of news to those who derive their livelihood from the purchase and sale of State and municipal securities, the fact is that State governments again, in the fiscal year ended June 30, last, made a further substantial cut in the volume of their indebtedness. The regulation for the period accordreduction for the period, according to data compiled by the Department of Commerce, was 11.5%, thus reducing the outstanding dollar balance to \$2,471,000,000. This figure represents the total of gross indebtedness and is the smallest aggregate for any year since 1930.

The wartime contraction of State debt, which proceeded uninterruptedly from 1940 through

#### **Three New Executives** At Royal Bank

The appointment of Sydney G. Dobson as Executive Vice President of The Royal Bank of Canada has been announced by the board of directors. The board also announced the appointment of Burnham L. Mitchell as a director and Vice President, and James Muir as General Manager.

Muir as General Manager.

Mr. Dobson, General Manager since 1934, first entered the banking business in his native town of Sydney, N.S., as a junior in the local branch. He was made assistant general manager in 1922 and in 1934 he was made general manager. He was made general manager. ager. He was elected a director in 1939 and vice president in 1942. He was president of the Can-Bankers' Association in adian

Burnham, L. Mitchell, since 1935 Assistant General Manager of the bank at Toronto, becomes a Director and Vice President. He is a native of Merigomish, N.S., and gained his first banking experience in the New Glasgow branch. In 1934 he was made supervisor of Ontario branches and in 1935 was appointed assistant general manager. He will continue to make his headquarters in Toronto.

James Muir, the new General Manager, has been a banker since boyhood. A native of Scotland, he joined The Royal Bank of Canada in 1912. He served in the bank's New York office where for three years he was assistant supervisor for Central and South America. He was made assistant

1945, resulted from the twofold effect of the war economy upon States' finances, the Department said

Opportunity for capital expenditure was reduced sharply by wartime restrictions, especially those relating to construction, and by shortages of manpower. Thus capital outlays declined from \$737,000,000 in 1940 to \$326,000,000 in 1944. Since a substantial part of these outlays was financed from revenue. outlays was financed from revoutlays was financed from revenue, the bonds issued each year were much less than capital outlays, and new bond issues shrank from \$186,000,000 in 1941 to \$32,000,000 in 1944.

Secondly, the phenomenal rise n national income was reflected n State finances. State tax collections, apart from payroll taxes for unemployment compensation, rose from \$3,313,000,000 in 1940 to \$4,255,000,000 in fiscal 1945.

State revenue so exceeded expenditure that sizable surpluses resulted in most States. These surpluses mean not only that debt loads have been carried easily during the war, but also that reserves have been accumulated for debt retirement and especially for nost war, construction, without post-war construction without borrowing.

Provision for debt retirement from revenue averaged \$320.-000,000 annually for 1941 to 1944, inclusive, the largest expenditure having been \$397,-000,000 in 1943.

#### James P. Hart With **Davis in Cleveland**

CLEVELAND, OHIO—James P. Hart has become associated with Paul H. Davis & Co., Union Commerce Building. Mr. Hart was formerly with Hirsch & Co. in Cleveland as a trader. Prior thereto he was with Paine, Webber, Jackson

#### Frederic Janney With **Pacific Northwest**

PORTLAND, ORE.-Frederic F. Janney has become associated with the Pacific Northwest Company, Wilcox Building, Mr. Janney in the past was a partner in Dean Witter & Co.

#### Manufacturers Trust Co. Booklet on Veterans Loans

Recognizing the responsibility of banks to serve the desires of of banks to serve the desires 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, Manufacturers Trust Company, New York, is distributing a booklet containing a speech by Mr. John B. Paddi, Vice President, entitled "Opportunities, Qualifications and Risks in Small Business for Veterans Under the G. I. Bill of Rights." In his official capacity as Chairman his official capacity as Chairman of the Advisory Committee of Veterans Administration for New York County, Mr. Paddi was re-cently invited to make the talk by the Educational Department of the United States Naval Hospital, St. Albans, New York.

Washington and General Market State and Municipal Bonds

U. S. Government Bonds

#### The NATIONAL BANK of COMMERCE

OF SEATTLE
INVESTMENT DEPARTMENT SECOND AVENUE AT SPRING STREET SEATTLE 11, WASHINGTON

Bell System Teletype SE 84

Tele. Elliott 1505

Specializing in

# PACIFIC NORTHWEST

**MUNICIPAL, CORPORATION BONDS** and INVESTMENT STOCKS



Hoge Building

SEATTLE 4

Bell Teletype—SE 362

Wm.P. Harper & Son & Company FOUNDED 1892

Bell Teletype - SE 234

PACIFIC NORTHWEST SECURITIES

Bought - Sold - Quoted

Wm. P. Harper & Son & Company

HARPER BLDG. - 1504 THIRD AVE. SEATTLE 1. WASH.

Tacoma

Yakima

# The Wheeler Bill on Future Railroad Reorganizations

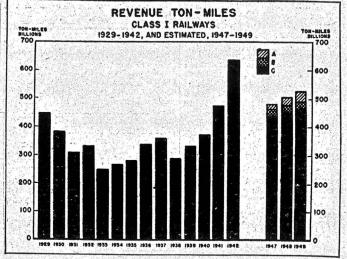
Justice Reed, writing the opinion of the Supreme Court in the St. Paul case, stated: "The power of the court does not extend to participation in all responsibilities of the Commission, Valuation is a function limited to the Commission.

The old procedure in railroad priating stockholders. 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

(Continued from page 2705) given the option of paying an as-refused to review the finding of sessment and retaining owner-the ICC wiping out stockholders. ship before being wiped out. Today he has no option. To punish the bankers, the stockholders were vicariously afflicted. The 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."

Were Vicariously afficient. 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 expro-

The Bill S. 1253 is designed to treat future bankruptcles. If it is sound it should apply also to pres-



ent bankruptcies, for a new eco-nomic situation has arisen. Since the ICC plans have been com-pleted, beginning in 1938, the fi-nancial condition of the railroads

nancial condition of the railroads has improved sensationally. From 1939 to 1944 for all Class I 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 \$9.7 billion to \$8.0 billion

\$1.7 billion. Total debt declined from \$9.7 billion to \$3.0 billion. Interest charged declined from \$400 to \$320 million. Yet we are executing a policy based on the assumption of permanent depression at the 1931-5 level.

The ICC based its reorganization plans and new capitalization on the earnings of the depression years, 1931-5, even though Commissioner Eastman stated at hearmissioner 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

Postwar Rail Traffic Should The Interstate Commerce Com- taxes is clear evidence that there

eco- mission gives a detailed estimate of national income for the early

postwar p	eriou as	TOTTOWS	
	—Bill	ions of D	ollars-
Estimate	1947	1948	1949
A	108	114	120
В	103	107	110
C	96	100	102
The ave	erage fo	r 1931	to 1935

used by the ICC as a reorganization base, was \$58 billion or about half the above estimates.

Based upon these estimates of future national income railroad freight and passenger traffic volume 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 less, are showing income before tax never before equaled in American history. These so-called "worth-less" stocks have been earning from \$15 to \$40 per share. They are paying huge excess profits taxes per share to the Treasury. In 1944 Rock Island paid \$40 per share in excess profits taxes, the Missouri Pacific \$56 a share and Missouri Pacific \$56 a share and the St. Louis South Western \$130 per share, or more in excess profits taxes than the entire issue outstanding. Dead cows give no milk. The capacity to pay such

is definite earning power in these stocks and it is idle fantasy to call them "worthless." Let us be realistic. The Bill S. 1253, dealing with future insolvencies, should be amended to include these carriers. What a pathetic spectacle to see our government blindly persisting in a wrong policy.

There are 19 major railroads in

There are 19 major railroads in reorganization right now. When they are cleaned up there may not be another railroad reorganization for two generations. Don't forget that 40% of the nation's mileage has been in reorganization since 1930. This is twice the figure of the great depression of the 1880s and 1890s. 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 contingencies, legislated in S. 1253, and to ignore present necessities met by the Hobbs Bill? We are legislating for an abstraction when reality faces us.

What is the basis for the opposition to the Hobbs Bill? It is said that the current reorganizations would be delayed. But the House Judiciary Committee unanimously denied that delay would result and cited ressons (Report result and cited reasons (Report, p. 7).

"It is not believed that the provisions of the bill will result in any delay in the pending cases. All of the facts in all of the pending cases are already of record. No long-drawn-out investigation in any case would be necessary to enable the court to pass judicial-ly upon the Commission's deter-mination of earning power. The standards by which the new capi-talization is to be measured, that is, the actual investment and the 19a valuation, are readily accessible from the files of the Commission, and in most cases have been introduced into the records already before the courts.

"We 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 Hobbs Bill is passed. But speculators HAVE already benefited because the Hobbs 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 \$50 and higher. The average of all defaulted bonds has risen 1000%. But stocks of defaulted rails 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 earn-ings. Besides, speculation is a democratic affair. It is not a restricted club. Everyone is eligible. There is no waiting list and no black-ball.

The present holders are overwhelmingly 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 would benefit. But

#### HESS & BUTCHART

HEMPHILL, FENTON & CAMPBELL

INCORPORATED

Investment Securities

PORTER BUILDING

PORTLAND 4. OREGON

Investment Securities

American Bank Building PORTLAND 5, OREGON

Pacific Northwest Securities

# **BLANKENSHIP, GOULD & BLAKELY**

INCORPORATED

WILCOX BUILDING

PORTLAND 4, OREGON

# Oregon Securities

We have a continuing interest in all Oregon Unlisted Stocks & Bonds.

RUSSELL, HOPPE, STEWART & BALFOUR Wilcox Building, Portland 4, Oregon Bell System Teletype PD 60

# E. M. ADAMS & Co.

AMERICAN BANK BUILDING PORTLAND 5, OREGON

JOHN GALBRAITH & COMPANY

We have specialized in

# **Pacific Northwest Securities**

since 1928

Quotations—Bids—Offerings

Correspondence Invited

Porter Building BEacon 7151 Portland 4, Oregon Bell System Teletype PD 83

they must necessarily be limited to relatively small amounts of stock, perhaps 1% of the total issue. However, the old stockholders, or the other 99% of the issue would receive the great benefit. The old holders cannot benefit if the old holder new buyers do not venture.

The tremendous improvement in the railroad situation is reflect-ed in the price of defaulted bonds and of solvent common stocks. Common stocks rose almost 300% on the average for solvent rail-roads. Stocks of roads barely esroads. Stocks of roads barely escaping default, like Baltimore & Ohio, rose 1150%, and Missouri Kansas Texas rose 6700%. But stocks of defaulted roads were frozen at practically zero. Bonds of defaulted railroads rose on the average 1000%. Some bonds rose of defaulted railroads rose on the average 1000%. Some bonds rose over 5000%. But their stocks were frozen near zero. Prices of shares of the solvent roads rose to reflect the improvement in business. Prices of shares of insolvent roads are below 1932 levels and reflect the freezing of depression conditions. There was indeed wild speculation but it was in the new "when issued" stock by new holders while old holders were frozen and wiped out. The old stockholders did not benefit, but could merely observe with chagrin. A similar rate awaits all the other bankrupt railroads in the West, from the Canadian border to the Rio Grande. Rio Grande.

Who owns the railroad shares Who owns the railroad shares now? Figures available at the Securities and Exchange Commission, the New York Stock Exchange and at the transfer agents of the railroad companies' stocks show significant statistics. Of the total number of stockholders, between 87% and 93% own less than 100 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 savings banks will become the owners of the railroads. Look at the institutions represented on the Board, or as Trustees of the roads already reorganized. The list looks like an officers' directory of in-surance companies. Little people from Maine to California, who expressed their faith in private enterprise by buying shares have been wiped out by the government through unwise legislation. Their places have been taken by a few powerful financial institutions.

Stockholders are victims of a legal impasse, and new legislation is required. The ICC Commisis required. The ICC Commissioners in their report on the re-organization of the Chicago North Western stated that they "are deeply sympathetic with the attempt to find some method by which the present stockholders might be lawfully afforded a continuing interest in this property.
... We reluctantly express the view that this is here impossible, view that this is here impossible, for the law as it stands is inexorably against such a course." Under the present law, as interpreted, the Commission's hands are tied by the courts' hands are tied by the Commission. Many thous and stockholders were wiped out because of this legal impasse. Such a statute must be changed.

The injustice of the present situation was stated in an opinion by Judge O. L. Phillips in May, 1945, in the Circuit Court of Ap-

peass:
"I feel impelled to suggest that
the elimination of the holders of
bonds—and of the stockholders 

A similar injustice was cited in an opinion by Federal Judge John C. Knox in the reorganization plan for the Equitable Office Building (New York). The plan made no provision for common stockholders. "I should not, unless I can help it, say to the stockholders that they have no interpolated the stockholders that they have no interpolated the stockholders." less I can help it, say to the stock-holders that they have no interest whatever in that building over a term of years. I should not hesitate to say that that building will have a permanent value for a long time of \$15 million ... and should not come to the debenture holders for their \$5 million. That is the end I am trying to avoid." (Hearings U. S. District Court, South District; July 13, 1945; No. 78, 476, page 708.)

"If this plan goes through the

"If this plan goes through the debenture holders will receive a bonanza. It might result in unjust enrichment for the debenture holders over the next few years." He therefore suggested that the trustees and interested groups work out a new plan to issue to the stockholders a Class B stock. (New York "Herald Tribune," July 14, 1945.) July 14, 1945.)

Why should not Bill S. 1253 be amended to include the best features of the Hobbs Bill, in order to relieve roads like the Missouri Pacific, St. Louis South Western and New Haven, which have paid most of the over-due interest on senior bonds?

Of the reorganizations since 1940, in 13% of the mileage, stockholders retained an equity interest because the plans were volun-tary as under the Chandler and McLaughlin Acts. But in 28% of McLaughlin Acts. But in 28% of the mileage, stockholders were wiped out and received nothing, as in the Western Pacific and Chicago North Western, reorgan-ozed under the destructive Sec-tion 77. Fifty-nine per cent re-maining can yet be salvaged for the small stockholders if Congress the small stockholders if Congress acts quickly, and either passes the Hobbs bill or an S. 1253, amended to include the Hobbs Bill. In several roads the plans are on the verge of execution, after which losses will be irretrievable.

Commissioner Carroll Miller of the Interstate Commerce Commission has been a courageous dissenter on behalf of the stockholder. Commissioner Miller's opinions in 1939 and 1940 in several reorganization cases cited here showed constructive imagination, an instinct for equity and business

judgment.
"Looking at the decline of railway traffic and earnings under the onset of the depression and the competitive attack of other types of carriers, it is comparatively easy to convince ourselves that easy to convince ourselves that neither rail traffic nor earnings will ever again attain the levels of the 1920s. The fact remains, how-ever, that there is no absolute cerever, that there is no absolute certainty that this is true. The forces of economic change which have been operating so adversely to the railroads may conceivably reverse themselves in another decade despite the gloomy present prospects of such an occurrence. "Nor does it follow that rail earnings may not approach or reach their former levels even though past traffic volumes do not return to the rails. In the field of cost reduction through rail con-

cost reduction through rail consolidation and coordination lie possibilities of savings of expenses which repeated and independent-ly made studies have estimated at hundreds of millions of dollars. In view of these circumstances,

equity holders an opportunity to of the company in the event of such consolidations, it appears to me that warrants should be issued in this reorganization. The optioned stock should be no-parvalue common, subordinate to the common stock authorized herein, and the receipts from the sales thereof should be used first to rethereof should be used first to re-tire fixed-interest indebtedness. The issuance, under such in-creased capitalization, to the pres-ent equity holders of a subordin-ate class of no-par-value common stock, with or without a cash con-tribution as might be appropriate, would give them an opportunity to participate in future earnings of the company. of the company.

of the company.

"S u c h deferred participating stock, if and when issued, would be no-par-value stock entitled, for example, to a dividend of \$X after, say, a dividend of \$Y on the proposed new common issued in connection with the reorganization. Thereafter any additional connection with the reorganiza-tion. Thereafter, any additional profits over and above the divi-dends on the common and de-ferred participating common stock would be divided between the common stock issuable under the plan and the proposed deferred participating common in an appropriate ratio, for example, equally share for share." (It might be convertible into a fractional share of common.—Ed.)

The subject of railroad reorganization is large and affects many interests. But one interest is not even being heard. That interest underlies our privately-owned railroads. Indeed, it underlies our whole system of private enterprise. And that interest is the private investor. This Bill deals solely with the creditors, as if the owners were nonexistent or as if the government owned the roads.

Those who believe in private enterprise should bend every effort to preserve the interest of the small stockholders. Commissioner Eastman quoted ICC Exparts No. 115 (1937, page 729), in a letter on a railroad reorganization: "The end in view, as we have stated, is the maintenance of an adequate national railway an adequate national railway transportation system. Such a sys-tem, so long as it is privately owned, obviously cannot be proowned, obviously cannot be pro-vided and maintained without a continuous inflow of capital. Ob-viously, also such an inflow of capital can only be assured by treatment of capital already in-vested which will invite and encourage further investment."

Chairman Wheeler of the Senate Committee on Interstate Com-merce introduced a resolution to investigate current railroad reorganizations and why solvent roads ganizations and why solvent roads are kept under the jurisdiction of the courts. Representative Chauncey Reed similarly introduced a resolution in the House to investigate railroad reorganization and pending the results, to suspend action by the ICC and the courts.

A conscienceless attitude either by the ICC or by our legislators must inevitably destroy private ownership. When the British under a labor government under-took public ownership and nation-ized the Bank of England, it gave just and full compensation to the owners. We confiscated the small stockholder and have achieved not government ownership of the railroads, but insurance-company ownership. Is this the end we seek?

The Hobbs Bill was approved The Hobbs Bill was approved by the House Judiciary Committee unanimously in June, 1944, or 18 months ago. It passed the House unanimously, minus one vote, in February, 1945, or 10 months ago. It is locked in a Senate Sub-Committee of the Judiciary and Interstate Commerce Committees under Chairman Wheeler. Of the Senators on these two Committees who expressed

#### IBA GROUP CHAIRMEN

CALIFORNIA

PACIFIC N'WEST







for debate? If the bill is unsound, will not public analysis kill it? Is it democratic process to prevent discussion?

Commissioner Mahaffie is re ported opposed to the Hobbs Bill because its enactment will involve too much detail work in making current railroad reorganizations more equitable. Shall the Senate allow such petty considerations to allow such petty considerations to deny equity to many hundred thousands of stockholders, mostly small people, from Maine to California. By contrast the SEC and the courts have repeatedly permitted revision of reorganization plans of utility companies when the financial position improved.

In a democracy the ultimate just, senseless source of power is in the electorate. An administrative body like the ICC is appointed for long terms and therefore is insensitive own Senators.

to public opinion. The legislative body like the Congress is elected for relatively short terms and therefore is responsive to the public will. Shall the administrators dictate policy to the legislators? Shall administrators, beyond the control of the people, be allowed to frustrate their wishes? The public have spoken. Their Representativeshave acted. Should not the Senate Sub-Committee release the Hobbs Bill promptly for debate? A few months from now may be too late. Several billion dollars invested in good faith will be confiscated. Is the Senate Sub-Committee willing to bear the fearful responsibility for such unjust, senseless, ruthless policy? To avert this fate, let the threatened stockholders plead with Senator B. K. Wheeler and their Senator B. K. Wheeler and their



# Canadian Securities

Government, Municipal Public Utility, Industrial

All issues quoted and dealt in. Dominion-wide service.

Wire connections: Montreal - Toronto - New York

#### **Royal Securities Corporation** Limited

244 St. James Street West -

Montreal, Canada

Toronto Halifax Saint John Quebec Ottawa Winnipeg Hamilton Calgary Vancouver St. John's, Nfld.

# CANADIAN SECURITIES

#### DAVIDSON & ROBERTSON

MEMBERS MONTREAL STOCK EXCHANGE MEMBERS MONTREAL CURB MARKET

266 Notre Dame St. West Montreal 1, Quebec Telephone: Plateau 3971

Windsor Hotel Rouyn. Quebec Telephone: 1819

Private wire connections with Toronto, Ont., and Rouyn, Que

igitized for FRASER n://fraser stlouisfed org

# Raw Material Supplies 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 like iron 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 over-looked two vital facts, one that many of our most essential items had of necessity to come from abroad because they were not found here, and two that our own supplies might someday be used

As to the first, such critical raw materials as tin and nickel do not exist 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.

As to the second, it is painfully clear that the abnormal demands of two wars plus two decades of heavy civilian consumption have taken an irreplaceable toll. Our taken an irreplaceable toll. Our high grade iron ore deposits in the Mesaba range have not many years left. The deposits in the U. S. from which high grade zinc concentrates are produced are being rapidly exhausted. Our good copper deposits will be a thing of history in another twenty-five years. There is much argument

about petroleum, because of the unknown nature of possible reserves, but many authorities will tell you that our petroleum resources may well approach the scarcity range within this lifetime.

We never had much high-grade bauvite the formilion had not become the scarcity that the scarcity had not become the scarcity that the scarcity had not become the scarcity that the scarcity had not become the scarcity had not beco

advante—the familiar base for aluminum—and we have used up a good part of these limited resources in this emergency. In countless instances our wood resources have countless instances our wood re-sources have been wastefully used, and many of our large stands of timber are gone with little or no reforestation plans to provide replacements for another generation

I could give many more examples, but this will be enough to emphasize the point I want to make, and that is that the U. S. is passing, slowly but surely, from a country of plenty to a country of scarcity in the field of metals and minerals and other essential supplies. It will be said of course that we have reserves of low grade materials that we could fall back on, and to some extent we could, but at much higher cost and with great difficulties.

Our technical and scientific skills will, of course, find new materials by the synthetic route. Some of these will take the place of items in short supply—rubber is a good example. Some will open up new fields of use—the plastics illustrate this possibility dramatically. The new fibre glass might be representative of both.

Important as the development of these new synthetics is, they can hardly be expected to make up for future possible domestic up for future possible domestic shortages in many of those bulk, low-cost materials such as copper and zinc — perhaps high-grade iron ore and petroleum—that have made such contributions to the development of our mass production officiency. duction efficiency.

# Our Future Raw Materials Position

It may not be stressing the point too far to suggest that we are moving toward an economic position similar to that in which England has found herself, that of having to depend on imports from abroad in order to maintain her very lifeblood of existence. It may hurt our pride, but harden our decision, to ask ourselves if the remarkable combination of assets which enabled this country to develop its fantastic strength, are both gone forever.

Some of these assets, however, we need never lose. We may waste them through carelessness, dissipate them through indifference, but they need not inevitably be used up if we will it to

the contrary.

The great American asset of skill is ours for always if we wish it that way. No country in the world has had so high an average of individual skills as this one. of individual skills as this one. First of course we are by temperament that kind of a people. From the days of the first settlers, whose skill in handicraft and woodsmanship, made their very existence; through the era of national development of the late. 1800's and of this century, envied by the whole world—the American people have shown an except can people have shown an ex-traordinary aptitude and skill.

More and better goods have steadily been produced and generally at lower and lower prices in terms of real wages. Invention and development have proceeded without material interruption The electrical industry, the auto-mobile industry, chemicals and plastics—these and many others have increasingly contributed to a better standard of living, to higher wages and shorter working

Yes, the American people, with their wealth of material resources, their skills and their cooperative approach, have undeniably created the most powerful nation in

But with this power must go responsibility. Responsibility to our own people at home, whose living has, to so large a degree, been integrated into a national fabric through the growth of business units and urban concentration. Responsibility to other nations, whose well-being is more and more dependent upon what we do. Our export and im-port policies, our lending policies, our control of immigration, and our control or immigration, and just the state of our internal prosperity—all these currents in our domestic picture may well grow to tidal waves as they reach foreign shores. Whether we like it or not, we have a responsibility for congration with the rest of for cooperation with the rest of the world, that we dare not evade or avoid.

Now cooperation is a trait of the American people, and the cooperative approach in the solution of our more obvious problems at home, at least, should present no basic difficulties. The almost nation-wide conflict today between labor and management is serious in its effect on reconversion and at some points, it seems to me, inexcusable, but I do not believe it is symptomatic of any fundamental cleavage. Some way or other I think this problem will be worked out.

#### Cooperation in the International Field

Cooperation in the international field is more difficult, and the outline of a better future is not outline of a better future is not so clear. Partly that is so because we have been so self-contained; we have made a comfortable fetish from the usually misquoted advice of President Washington on entangling foreign alliances; partly because so many of our foreign experiences have been unfamous we fail to distinguish behappy, we fail to distinguish be-tween those wisely entered into and those of haphazard incident.

It is only just now that we perceive that our tri-partite system of balanced powers in government does not lend itself too well to international negotiation and frequently leaves foreign governments and their nationals in grave uncertainty as to our position. There is no time to waste, as I see it, in finding operating devices, at least, which will tend to facilitate such international negotiations and allevi-ate those dangerous uncertainties. It is on my mind to talk a little about this asset of the cooperative approach because it is closely related to the other one of national skills, and to emphasize a very

grave danger I shall say some-thing about some acute British

#### The British Position

There are two big segments of. British production that have played an outstanding part in her history, coal and textiles. They have been of vital importance because they represented large ex-port items and so provided means of payment for the things Britain

of payment for the things Britain must import to live. There was a time when British coal and British textiles had an advantage in most every foreign market. That time is no longer.

The cost of mining coal and producing textiles has been steadily climbing until today their coal costs more than twice what it did before the war and textiles have had a generally similar pattern of increase. I will not take the time here to detail all the reathe time here to detail all the reasons; inadequate investment in more modern machinery and this in part because of what seems to me an unsound tax policy toward amortization; restriction of output and resistance to new ma-chines and new methods by labor; chines and new methods by labor; inadequate recognition of the need for good management; too much father and son and school tie in responsible positions: these and other unhappy evidences of shortsightedness on the part of government, of management and labor together contributed to a steadily growing inefficiency in the old-line industries that have brought England to a critically unhappy state. I should not leave this critical review without pointing out the hope that fies in the fact that Britain does recognize today what has been happening and seems determined to find corand seems determined to find cor-rections. But these must take time and a continued heavy toll of in-dividual sacrifice.

#### Lessons from British Policy

I do want to high-light the danger of the same thing happening in the United States. When the policies of either government or management or labor are such as to discourage these unique skills of ours, to break down the extraordinary conversition which extraordinary cooperation which has characterized the growth of of this nation, and so to dis-courage efficient production, then our democracy itself is endan-

As I said a moment ago, one may be annoyed at today's wide-spread disturbances between laspread disturbances between labor and management without regarding them as unlikely of normal readjustment; but one cannot disregard the slow but steady not disregard the slow but steady growth in many production practices that strike at the very heart of efficiency and cost reduction. The appeal for higher wages is understandable and natural; within practicable limits it is desirable, but when it fails to take into account the obligation for greater hourly output and lower final cost, the seeds of self-destruction are being sown. Labor has steadily made higher and higher real earnings in the United States because it has generally States because it has generally contributed more effort, more skill, and so lower-cost output.

Management generally has been willing to provide better and better equipment and facilities and working conditions as its con-tribution to larger earnings and lower-cost of production.

Let either of them change that

habit of thinking, and the result is inevitable. We should then see here what has happened in some of those older industries in Britain. The consequences might not be so prompt in making themselves apparent with us, because the ability to compete abroad is not so immediately and to the United States as to Britain. But they would surely come in time. A yery considerable difference

of opinion exists in America with regard to the place of the United States in world trade. Many people who regard there has as well informed will insist that our

# Railroad, Public Utility and Industrial Stocks and Bonds

Specialists in Power and Paper Securities

# Standard Securities Company

69 YONGE STREET, TORONTO

Telephone-Adelaide 5441

Magnus T. Paulson

William D. Ross

Gordon C. Simpson

Government, Municipal and Corporation Bonds

# Burns Bros. & Denton

244 BAY STREET, TORONTO

Telephone Adelaide 9371

Specializing In

Your inquiries on

Canadian Securities are Invited

IDLAND SECURITIES

#### **NEWSPRINT SECURITIES**

Trading in U. S. and Canadian Funds

# Lynch, Mulholland & Company

Affiliated with E. T. LYNCH & CO.
MEMBERS TORONTO STOCK EXCHANGE

Dominion Bank Bldg., Toronto

DOMINION BANK BLDG.

TORONTO, ONT

ADELAIDE 1385

Tel. Adelaide 598"

LONDON, ONT

METCALF 4500

prosperity is not materially in-fluenced by the business we do abroad, and particularly when the problem of payment for these problem of payment for these goods has to be taken into account. They will point to the small relative amount of such trade, and conclude that we could as well do without that, if, as they assume to be likely, increased imports and defaulted foreign loans or credits must follow.

Such reasoning is fallacious. Many areas of our country and many industries depend heavily for their very existence, let alone any prosperity, on trade abroad. While the amount of such trade in total may be termed marginal. it can well represent the differ-ence between a prosperous coun-try, with a steadily rising standard of living and one where pros-perity is marginal and uncertain and the standard of living under pressure to save itself.

The goods we should be bringing in to provide payments for our exports have, of course, the same or greater effects in their home countries.

#### Importance of Two-Way Trade

It can be only a scarcity and timorous philosophy that does not encourage every effort to en-large the flow of two-way trade. To provide such an atmosphere, nations must, of course, and ours in particular, fight against unnecessary restrictions on trade. There must be a willingness to lower tariffs, to work against bilateral arrangements, to facilitate good commercial loans and usable credits, to free the operations of shipping whereever that can poscredits, to free the operations of shipping whereever that can possibly be done—in other words, really to want to buy from and sell to the nationals of other countries. The people of the United States unhappily still have a long distance to go in this direction; but if they want the naximum of employment and prosperity at home, they have fully one way to go. They will insist that their government strengthen its organization in the field of foreign trade and international economics, so that it can deal firmly and promptly and intelligently with other governments; this will involve determining long-term policy, and generally adhering to it from one administration to another. Most of the economic issues in the foreign field today have nothing whatfield today have nothing what-soever to do realistically with either Republican or Democratic party practices.

They are difficult of resolution partly because we are not clear in our own minds yet as to where we are to stand with relation to the rest of the world. On the broad general question that isolationism is no longer the sentiment of the majority of our people, I am sure there is no doubt. But when it comes to spelling that out in specific terms, the shoe pinches. In principle, for example, we are deeply sympathetic toward the suffering of the liberated peoples of the world, but when it is proposed to share materials of which we don't have a surplus, objections begin to manifest themselves. There will be a world shortage of perhaps They are difficult of resolution manifest themselves. There will be a world shortage of perhaps two billion yards of cotton tex-tiles in 1946, and millions of peo-ple abroad will lack the barest rudiments of covering; we haven't all the cotton cloth we would like, but we are enormously better off, relatively and absolutely, than any of these war-torn areas. When any of these war-torn areas. When there is no positive action by Government, actually setting aside and making available such goods for foreign purchases, inevitably purchasing difficulties arise that are understandable. Most individual sellers would rather sell at home when there is an assured market and none of the complications that inevitably strend on the handling of an exattend on the handling of an export order. Without a determined policy, therefore, on the part of commerce and industry to set commerce and industry to set aside a part of its production for

# **IBA Holds 34th Annual Meeting**

(Continued from first page)
bocker, McClung & Knickerbocker, Houston.
Western Pennsylvania Group:
Milton G. Hulme, Glover & MacGregor, Pittsburgh.
Charles S. Garland, the newly
elected President, appointed the
following National Committee
Chairmen to serve for the coming following National Committee Chairmen to serve for the coming year, 1945-46:

year, 1945-46; Conference Committee—Albert H. Gordon, Kidder, Peabody & Co., New York

Education Committee Julien H. Collins, Julien Collins & Co.,

Chicago. Federal Legislation—Walter A. Schmidt, Schmidt, Poole & Co., Philadelphia.

Federal Taxation—Richard F.

Dunn, Auchincloss, Parker & Redpath, Washington.

Finance—Irvin L. Porter, The First National Bank of Chicago, Chicago.

Governmental Securities rey G. Lanston, The First Boston

Corp., New York.
Group Chairmen—Lee M. Limbert, Blyth & Co., Inc., New York.
Industrial Securities—R. McLean Stewart, Harriman Ripley & Co., Inc., New York. Membership—James M. Dain,

Membership—James M. Dain, James M. Dain & Co., Minneapolis. Municipal Securities—George L. Martin, Martin, Burns & Cor-bett, Inc., Chicago. Public Service Securities—Dun-can R. Linsley, The First Boston

Corp., New York.

export needs, there is likely to be continued pressure for some government action to make pro-vision for these urgent foreign

One may expect resistance to One may expect resistance to the imposition or maintenance of such controls by those who are strongly committed to getting government out of the area of control at the earliest possible moment. I emphasize this as typical of the difficulty in determining our attitude and a committed mining our attitude and a consistent policy in dealing with for-

eign needs.

There is much similarity, I think, between our state of mind regarding our relationships with other countries, and more partic-ularly those far away and whom we may not know well, and that which our ancestors had in the which our ancestors had in the extension of our own state boundaries in the early days of the last century. Josiah Quincy was he representative from Massachusetts in Congress in those years, when the settlers beyond the western ridge of mountains the western ridge of mountains were demanding statehood and seats in Congress. Quincy looked at the possibility of these voters in long huts with alarm—saw a danger in the votes these farmerwoodsmen would bring to Washington. With thundering voice he rose to his feet in the Congress

cago.
State Legislation — Robert G.
Mead, Stone & Webster and
Blodget, Inc., Chicago.

Stock Exchange Relations—Richard de La Chapelle, Shields & Co., New York.

D. Dean McCormick, Kebbon-McCormick & Co., Chicago, Chairman of the 1944-45 Membership Committee, reported a net gain of 31 members. The Association now has 689 members, the highest in the past five years, but still under the all-time high of 702 reported in 1937.

The Finance Committee pre-sented an audited statement of financial operations and financial financial operations and financial condition, under the Chairmanship of Irvin L. Porter of the First National Bank of Chicago. The Committee reported that during the last fiscal year, which closed on Aug. 31, the Association's normal operations showed surplus figures of \$26,300 compared with a surplus of \$6,200 for the 1944 fiscal year and a deficit of \$1,700 for the 1943 fiscal year. The substantial surplus of the past year was the largest the Association has enjoyed since the 1930 fiscal year when the surplus from operations was \$53,400.

and said: "The Bonds of the Union must be dissolved rather than admit these Westerners. As than admit these Westerners. As it will be the right of all, so it will be the duty of some to prepare definitely for a separation; amicably if they can, forcibly if they must."

But in 1812, Congress admitted Louisiana to the Union.

The extraordinary development of the resources of these new Western States and the contribu-Western States and the contribution which they made toward a powerful nation are obvious. The significance lies in the fact that the New England States themselves became richer and more powerful when they became a part of the larger whole.

To an extent one may hope that the United States will be richer in resources, better in standard of living, and with greater possibilities for the individual citizen as it is a part of a more prosperous world.

Let the United States fail to assess and assume a fair share of responsibility for repairing Europe, for participating in the task of assuring an orderly economic world, and we shall pay heavily for that lack of foresight. God give the American people indement investigation and over

#### IBA GROUP CHAIRMEN







W. F. Knickerbocker

#### J. C. Bradford Opens **New York Office**

J. C. Bradford & Co., Nashville, Tennessee, members of the New York Stock Exchange, announce the coening of a New York office at 40 Wall Street, with James M. Heller as resident manager. The firm also maintains a branch firm also maintains a branch office in Knoxville, Tennessee.

To Form Scheer & Company

Scheer & Company, members of the New York Stock Exchange will be formed as of Dec. 7 with will be formed as of Dec. 7 with offices at 25 Broad Street, New York City. Partners will be Herman N. Scheer, the Exchange member, Robert S. Scheer, David K. Perlman, Louis Chasin, and Bernard Turtle. Mr. Scheer has recently been active as an individual floor broker. vidual floor broker.

#### F. J. Ridgeway With Steiner, Rouse & Co.

Steiner, Rouse & Company, 25 Broad Street, New York City, members New York Stock Exmembers New York Stock Ex-change, announce that Francis J. Ridgeway, Lieutenant Colonel, Fi-nance Department, A.U.S., has re-turned from duty with the armed forces. He is now associated with the firm as manager of its de-partment for the development of new business.

#### 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 120 Broadway, New York City.

# McLEOD, YOUNG, WEIR & COMPANY



ACTIVE DEALERS

CANADIAN SECURITIES

Private Wire Connections to New York and Montreal

Metropolitan Building Elgin 0161 TORONTO

MONTREAL OTTAWA HAMILTON LONDON

#### BRAWLEY, CATHERS & COMPANY

#### CANADIAN

GOVERNMENT - MUNICIPAL - CORPORATION BONDS

CANADIAN BANK OF COMMERCE BUILDING

TORONTO

# Gairdner and Company Limited

Bond Dealers

Members of The Investment Dealers Association of Canada

320 Bay Street 360 St. James St. West Toronto Montreal

ELgin 2301 MArquette 4194

#### Gairdner, Son & Company Stock Brokers

Members of The Toronto Stock Exchange The Montreal Stock Exchange

320 Bay Street 360 St. James St. West Toronto Montreal

ELgin 2301 MArquette 4194

# Government's Role in Full Production

(Continued from page 2700) productive machine to do the best job it can possibly do for the common good. We want prosperity, in other words: a sustained, solid prosperity that is not subject to shattering ups and downs but that stays at the highest possible level over the longest possible periods of time. Call it by any name you like—full employment, full production, or plain, ordinary "good business conditions"—we do have universal agreement that that is what we want.

The only question is; how do

The only question is: how do we go about getting it?

To begin with, we may as well agree that Government can't get it for us. We can't spend our way into good business conditions just by dipping freely into the Federal treasury. We can't legislate full employment and full production into existence. At the very most, Government can do no more than make it possible for our free economy to operate at full speed. What Government does in that What Government does in that field can be extremely important, and I doubt that we can get a sustained level of prosperity unless Government does its part wisely and efficiently. But in the last analysis a free competitive economy has to be what its name implies—an economy that depends for its dynamic power on the free play of market forces to effect the best utilization of the nation's resources. It must be an economy that is determined to realize its own potentialities to realize its own potentialities to the utmost, and it must find within itself the leadership that will carry it on to ever higher levels of production.

When we talk about moving ahead toward a higher and more permanent kind of prosperity permanent kind of prosperity than we have ever had before, we are talking about a program in which business must take the initiative and bear certain risks. It is up to Government to encourage that initiative and to cushion those risks. The Administration's program is based upon that as-sumption. It wants to make it possible for business to do those possible for business to do those things which only business can do. The proposed full employment legislation is fundamentally a declaration of policy and an assumption of responsibility by the Federal Government that it will regist and not binder the misute. assist and not hinder the private enterprise system in operating at a high level of production to bring about adequate employment opportunities and a better standard of living for all of living for all.

Toward the same objective, the program of the Department of Commerce within the framework of the general welfare is designed to provide all possible help for business. It is the department's job to promote business: to provide services that business can't provide for itself, to speak for business in Government, and to work for a climate of public policy favorable to business expansion. The department's efprogram of the Department of pansion. The department's efforts have been and will continue be devoted to advancing all legitimate competitive business

- It is with these general goals in mind that a plan has been deweloped for strengthening the program of the department. Under this plan, the department will undertake to provide:
- 1-Revitalized foreign trade promotion services.
- 2—Management aids, technological aids, marketing aids, and other forms of direct service for business.
- 3—Strengthening of the technical bureaus and offices of the

business outlook.

The recent announcement of the department's statistical program, centered in the Bureau of the Census, has met with an enthu-siastic response from virtually all segments of business and indussegments of business and industry. It is planned to supplement the statistical program with a greatly strengthened analytical program in the Bureau of Foreign and Domestic Commerce. Considerable progress has been made in recent years in the keeping of the national accounts—in the department's analysis of the gross national product and nation gross national product and national income. These data, which the department has an obligation and responsibility to make available, have been widely recognized as useful management tools by business and industry.

The development of the outlook service in the Department of Ag-riculture has contributed mate-rially to the increased efficiency of American farm production. Without question the development of a parallel service for business would provide management with a better factual basis for conducting business activities. It is, of course, important to emphasize that forecasts of future business activity are based on business and industrial averages and always involve assumptions which may or may not come to pass. For these reasons there are pass. For these reasons there are definite limitations in applying business outlook projections to individual companies or even to specific industries. The averages which serve as a basis for forecasts do not apply to all individual companies. Moreover, management is always entitled to casts do not apply to all individ-ual companies. Moreover, man-agement is always entitled to question general assumptions made in the forecasts as they may apply to a particular business.

Nevertheless, I believe that you will agree with me that analytical materials of this type, descriptive of the current business situation and including the best possible judgment of the business outlook, will serve as valuable beacons in will serve as valuable beacons in the channels of economic activity. The success of the department's program will in large measure depend on the amount of cooperation, guidance and assistance the department receives from business in making available facts on cur-rent events and informed judgments on future trends.

These and the other elements of the department's program which have been described at greater length elsewhere are designed to help business meet the challenge of the postwar world. Let's get a clear picture of the problem that faces us. We want a sustained high level of invest-ment, of production, of employment, of profits. We are agreed, I think, that if we get that we are going to get it as a result of action by industry, with Government helping where Government help is necessary. But precisely how is it going to be possible for us to

We know, to begin with, that there isn't any physical obstacle to prevent us from reaching our goal. American industry proved during the war that it can reach just about any volume of produc-tion that is required. What we are up against now is a problem of financing this production by consumer purchases instead of Gov-ernment deficits. What markets do we need, in order to keep our do we need, in order to mediate industrial machine working comindustrial machine working comfortably close to capacity? Where are we going to find those markets?

Our foreign trade is going to be important, of course. We have got to do our part to help the rest of the world get back on its feet, 3.—Strengthening of the technical bureaus and offices of the department.

4.—A strong, balanced program of current and "benchmark" statistics and a complete analytical program to give business and Government current information

Our foreign trade is going to be important, of course. We have got to do our part to help the rest of the world get back on its feet, and after that has been done we can have an exceptionally large market for goods and services abroad. But we are not going to acceptance and wider application of this principle, which our mass production industries recognized long ago in paving the roads towards high volume production, lower prices and mass markets. In this way and only in this way, as far as I can see, lies the possibility of sustained prosperity.

on the economic situation and attain full production solely by a process of expanding our foreign trade. We shall remain primarily dependent on the domestic market

ket.

Obviously, the answer isn't simply one of raising wages, then raising prices, and going on into a vicious spiral of inflation. What we do need is a genuine increase in mass purchasing power. We are up against nothing less than the necessity for raising the American standard of raising the American standard of living—well above prewar levels—and that means making more goods and selling more of them to more people than ever before.

Public services performed by Government will be on a broader scale than in the prewar period, but that in itself will not bring the kind of increase in the standard of living that is possible. The job is one which must be done primarily by industry and labor. Satisfactory profits for stable en-terprises and higher rewards for venture capital in new undertak-ings are essential. At the same time real purchasing power in the hands of consumers of all classes must be adequate to sustain the new rate of production. This can come about through increased come about through increased money earnings, lower prices or improved quality of product. Probably all three factors should present in some degree, but h varying emphasis in particular industries according to circumstances.

high level of consumer A night level of consumer spending would mean that industry could operate on a high break-even point. I would like to suggest that in the past the break-even point has often been too low. It had to be low if industry had nothing better to look forward to than, on an average, an operation at two-thirds of capacity, or at two-thirds of capacity, or thereabouts. Obviously, business has to operate at a profit; the sen-sible businessman has to charge enough in good years to tide him over the bad years. If business and industry are doomed to operate at two-thirds of capacity, year in and year out, business-men inevitably must set prices so that they can make money at two-thirds of capacity operations. But if we succeed in reaching a higher operating level, and if the wide swings of the business cycle can be minimized, the low break-

even point is no longer essential.

All of which is simply another way of saying that the salvation of American industry-and of the American industry—and of the American economy and our free enterprise system itself—lies in a process which is perfectly familiar to all of you: technological improvement, greater productivity, expanded production, expanded consumption and increased profits based on high volume rather than high prices. We must find the golden mean in distribution which will assure adequate return to will assure adequate return to capital, to provide both the incentive and means for profitable investment, while simultaneously providing consumers with mass purchasing power to absorb high levels of production:

American industry has o stripped the rest of the world far in its genius for production. American industry's war record speaks for itself on this score. But genius for production, by itself, is not enough. Genius for production must be coupled with an understanding of the principles of distribution which will enable the productive machine to keep pro-ducing. This is nothing new to American industry or to this Association. What is needed is wider acceptance and wider application

#### IBA GROUP CHAIRMEN

SOUTHERN







MISSISSIPPI VY.

Garfield J. Taussiz

I sincerely believe lief is supported by the best available statistical analysis—that business, once the current flurries are over, can look forward to a few years of unprecedented peacetime prosperity. It seems clear to me, also, and I believe it is to you that owneded readers. is to you, that expanded produc-tion requires expanded demand to sustain it, and that the worker's purchasing power looms very large in that expanded demand. In addition, I believe that increased output per worker is essential to a steady rise in real wages. In this connection there should perhaps be further effort between management and labor to reach agreement on an incentive sustain it, and that the worker's reach agreement on an incentive wage method of compensating in-creased productivity in such a manner as to assure both adequate incentive for investment and maintenance of mass purchasing power.

Both inflationary and defla-tionary forces are at work in our economy. On the inflationary side there are huge backlogs of de-ferred demand for durable goods —amounting, in some cases, to several years' normal production. Back of these demands are swollen wartime savings. The pressure of these demands and these savings is being felt in markets where production is still restricted.

But in the very nature of things this inflationary force is not apt to be very lasting. Production is going to expand greatly in the next two years. The back-log of wartime demand will taper off as supplies again become abundant. If we hold the line on prices during the immediate future, this inflationary pressure should soon be dissipated.

The deflationary forces threaten to last a good deal longer. The unemployment that will probably appear next spring will not easily be wiped out, even if we do get a level of over-all production that by prewar standards would seem by prewar standards would seem very high. The drastic cutbacks in war production are reducing the income of wage and salary earners. Furthermore, farm prices are very sensitive to any drop in consumer purchasing pattern. are very sensitive to any drop in consumer purchasing power. As long as the economy operates at a level substantially below full employment, greatly reduced farm income is in prospect. What we must face, therefore, is the fact that the collective incomes of both farmers and salary that the collective incomes of both farmers and wage and salary earners are going to be substantially smaller in the next few years than they have been during the war. But these two groups make up the bulk of our consuming population. With such a cut in buying power, no industry can expect its position to be long maintained. Over the long run, in other words, the danger of deflaother words, the danger of defla-tion seems to dominate the picture.

President Truman's policy represents the simplest, most direct way of dealing with these con-flicting forces. In effect, it says: The way to prevent inflation is greatest opportunity and to hold the line on prices. And the nessmen have ever faced.

way to prevent deflation is to maintain the volume of pur-chasing power in the hands of the consuming public.

The long-run solution to our problem lies in the direction of seeking profits through mass proseeking profits through mass pro-duction and mass consumption. In that way we shall be able to achieve our basic objective of in-creased sales and sustained employment. Enormous stakes are involved in the widespread recog-nition and successful working out of this principle. It is doubtful that our form of economic organization can survive such repeated shocks of depression as we experienced in the 1930's.

The key to the problem of sustained high levels of production, employment, and sales may well be the key to the preservation of our free enterprise system and our economic liberties as we know them. Our free enterprise system which has produced a higher standard of living for the American people than any ever achieved by any people through any other system must be preserved. I am convinced that it can be preserved. But it will require the cooperation of all elements of our economy and a high order of states. economic liberties as we know omy and a high order of statesomy and a figh order of states, manship on the part of business, labor and Government leaders. We cannot afford to sell the American system of free enter-prise short with short-sighted policies and actions based on shortrun considerations. I believe you will agree with me that no con-ceivable immediate gain is worth such a price.

Moving ahead vigorously now may involve some risks; it can also bring very great gains. There also bring very great gains. There are outstanding historical examples in American industry of courage and vision by management in risking capital for the sake of mass production economies foreseeable only in the future. Capital today is in a good position to take such risks. Labor is in a good position to supply the cooperation that is vital for the expanded industrial production which is essential to a higher standard of living. And the nation as a whole will expect nothing less of all of us than that we do our level best to follow and to our level best to follow and to preserve the traditional American pattern. We cannot afford to frit-ter away our national assets and undermine our free enterprise system by shortsighted and selfish conduct on the part of any element of our economy.

We can have full production and full employment on a sustained basis. You gentlemen, as the managers of our outstanding industrial enterprises, must lead the way. Government can help to provide a favorable climate and disastrous decline. The real task is in your hands. The initiative is yours. And yours, also, in beyours. And yours, also, in beginning the second 50 years of your Congress of Industry, is the greatest opportunity any busi-

# Revising the Holding Company Act

We feel we have a right to ex-pect a spirit of cooperation from the Securities Exchange Commission that will bring to us unbiased, impartial, and judicial analysis of suggestions offered and constructive recommendations for implementing, clarifying, and improving the Act to better serve sound public policy.

We feel we have the right to we feel we have the right to expect a spirit of cooperation from the industry that will bring to us the facts in their simple realities, clearly delineating between any advocacy of self interest and recommendations for the common good.

We feel that sound law and good administration should build faith and trust in each other as between industry, and the Government's agencies.

#### No Ground for Distrust of SEC

I decry the feeling that the Securities Exchange Commission and industry have in common a mutual mistrust of each other.

Let there be an end to chaos and doubt and punitive and defensive acts, or need for punitive or defensive action.

Rochefoucauld says, "Hypocrisy is homage that falsehood pays to truth." Our Committee wants the truth and we have no welcome either for falsehood or

come either for falsehood or hypocrisy.

We cannot look with favor on either fantastic theories or ruthless practices.

If I may divert at this point to a personal view, it is my personal opinion that competition should be equalized between public and private enterprise.

private enterprise.

I have seen in widespread areas of our national economy—tax exemption tipping the scales against private enterprise in favor of public or collective ownership.

I believe that collectivism or communications are transfer for the communication of the communicatio

communism can stand only on the strength of its propaganda. I know its claim to equality in the sharing of the benefits of production is a muth

is a myth.

Economics are made of facts,

not fancies.

#### Private Operation vs. Collective Ownership

If we are realists and both examine our own national experience and go abroad for the experience of others, we can only be convinced that the American system of private enterprise and individual opportunity is the world's best system of national economy. No other system, by comparative factual analysis, can enter even the realm of competition with the American system. Those conclu-sions are the inevitables based only on the facts and figures—on the mathematics of economics apart from the added weight of value in the individuals' personal liberty. The American system of private enterprise has worked well. It never should be aban-

Collective ownership is growing in America in almost every phase of our economy. Tax exemption for collective ownership is an il-lusory concession creating real inof us who are not the direct beneficiaries of the specific project. In the field of public ownership of utilities the people are victimized by devices for financial manipulation and are persuaded by disposed accounting. by dishonest accounting. -

by dishonest accounting.

The American taxpayer is beset with a million "snares for the unwary." He is not awake to the realities. He is a somnambulist, sleep walking now but soon to be rudely awakened by the hurt of these hazards. He is whip-sawed coming and going in these expansions of collectivism, but he does not know it yet.

is a hard task and perhaps a collectivism with "hand-me-down" thankless one.

We feel we have a right to exare true or false

Equalization of competition be-tween public or collective ownertween public or collective owner-ship and operation of enterprises and private ownership and opera-tion of enterprises will bring out the facts and test truly the values. Then the claims will be fairly tested and the people will find with Jerome Frank that "We have

with Jerome Frank that "We have been cock-sure of many things that simply are not so."

Psychological waves of irrationalism and functicism have swept the world in many periods of history. The mania of witch-burning, the madness of Naziism, the fallacy of communism, all have, a cousinship with any sweeping fad or craze or mania whether it be miniature golf or Ku Klux Klanism. Wishful thinking dominates mass behavior and add to it the moving power of sentiment and moving power of sentiment and human psychology will invent a justifying theory for behavior however irrational.

The wishful thinking of those who are honest advocates of public ownership has invented theories that justify tax exemption or tax evasion; that justify almost any device or expediency. The credulity of the unsuspecting and sincere advocate of collective ownership of public utilities is played upon not only by the sincere demagogue who covers up great and long range benefit with en-ticement to prompt the petty advantage but also by the shrewd promoter and the wizard manipu-

On this stage absurb performances occur. The unsuspecting public is made stooge to the financial prestidigitator. The lamb of the rural district lies down to bed with the wolf of Wall Street. The black leg and the puritan are wed, and wishful thinking invents a

and wishful thinking invents a theory to justify it.

In Omaha and in Puget Sound the buyer went to market to buy some wool and laid down his money for a fresh shorn lamb.

The wily opportunist ever searching for the easy plum to pick her found a power for his

pick has found a new crop for his harvesting.

#### Correctives In Holding Company Act

The wolf of Wall Street is huffing and puffing again and this time he has a new disguise that I have, I think, properly labeled— "Swindle Incorporated."

Believing that Government is under oath to serve the public interest, I hold that we cannot osinterest, I hold that we cannot ostrich-ize our vision against a seeing eye knowledge of such performance. If the Holding Company Act can be implemented to bar such doors, then it should be so. The Federal Power Commission, Securities Exchange Commission, and Internal Revenue, should be marshalled to combat that wrong. And these agencies of Government should have an arm long enough and a sword sharp enough to cut down such crime where e'er it raises its serpent head.

And now speaking again of the and so it is that these special cases involving questionable transactions have been brought also into the forum of our delib-

We have in the forum of our Committee a scale on which to weigh public burdens. We trust the scale is correctly balanced to register the full weight of public interest. We trust that our eyes are focused to truth, our minds attuned to justice, and our processes considerate and fair. Committee

# Full Production Means Full Employment—Plus

(Continued from first page) other hand, the past year has given me a rich experience. So, for the rest of my life, I shall look back upon this crowded year with sincere gratitude to you who made it possible.

The year that it has been my honor to be your president has been a notable one for the world, for our country and for the Na-tional Association of Manufacturers. I am sure, however, that little ers. I am sure, however, that little purpose would be served here by undertaking to review even the major developments of these 12 months. Nor would it be fruitful to try predicting the problems which we will face in the year to come:

#### Problems Ahead

There will be many problems. There will be problems of production and of wages and of prices; there will be problems of taxes, of strikes, of crippling Governmental controls, continued despite the return of peace.

the return of peace.

We will have to tackle all of these with courage and with vision. But our most important responsibility will be to understand them in their proper perspective; to realize that these many problems stem from the one dominant problem of our day and age—the problem of creating age—the problem of Cleaning lasting prosperity in these United

The depression-spawned fear of economic insecurity is our real enemy. Cure it, and the public will be as cold to the blandishments of the panacea-peddlers as a convention of the American Medical Association would be to the spiel of an itinerant snake-oil doctor. Ignore it, and we feed a public psychosis which is an open invitation for demogogic attack upon every feature of our competitive enterprise system.

How can we make a frontal attack upon this problem of lasting prosperity—not prosperity for a few, or prosperity for one group or one section at the expense of others, but full and lasting pros-perity for the nation as a whole?

#### Production Is Panacea

You know the answer to that question. You know the answer to that question. You know that it is to be found in just one word—PRODUCTION. With full production we can have full prosperity, which means, not only full employment but full employment PLUS—full employment PLUS better wages based upon production; full employment PLUS an ever increasing standard of living based on a greater output of goods at more and more attractive selling prices; full employment PLUS economic, full employment PLUS economic, social and cultural progress; and, above all, full employment PLUS above all, full employment PLUS
the preservation of that freedom
of choice, both economic and political, which has been, and must
continue to be, the fundamental
right of every American citizen.
Full production with full emleyment PLUS is an attainable

Full production with full employment PLUS is an attainable objective for this nation. It is attainable if we will stop just hoping for it and all of us get down to work. We have the natural resources. We have the raw materials, the labor force, the productive capacity and the managerial know-how. We have all that it takes to give Americans a prosperity and security without

Committee will be done well, as it will be done faithfully. We hope in the end results we can have the unreserved approval of our the unreserved approval of our critics as well as those more favorably inclined. On the Holding Company Act we contemplate no sweeping change, no wide nor radical departure, but we do contemplate constructive improvement and an implementation to esses considerate and fair.

We know that our acts will be ment and an implementation to cautious and restrained by judicious care. We feel that the results of our study will justify the arduous labors of our task and Many people join the march of that what is finally done by the clearly dictate.

parallel in the history of the world.

But we cannot reach this objective by drifting or idle promises. Time may heal all wounds, ises. Time may heal all wounds, but it takes more than time to solve economic and social problems. It takes foresight. It takes wise, positive action.

First, we must take whatever First, we must take whatever steps are necessary to assure that there will be an adequate flow of private capital into productive job-making activities. Without such a flow of capital, there cannot be that growth of productive resources necessary to provide jobs for our growing population. Without such a flow of capital, we cannot turn out the increased supply of goods essential to a supply of goods essential to a rising standard of living for our people

people: Unfortunately, there is much misunderstanding in this country misunderstanding in this country, as to what is involved in the problem of assuring an adequate flow of private capital into productive chamels. This is especially true among those who have been trying to do our over-all thinking and planning for us. Too many and planning for us. Too many of these do-gooders assume that if the policies they recommend seem to be economically sound, there is no reason why investors should not be willing to go right ahead risking their savings. They assume, too, that if their policies leave enough leeway to make a profit which appears adequate to them, then investors also should be satisfied. And when their assumptions are questioned they be satisfied. And when their assumptions are questioned, they say that it is proof that "capital is on a sit-down strike," or charge that capital is trying to "sabotage the Government's social policies" and that investors are "putting property rights above human rights" property rights."

#### Essentials for Investment Flow

Essentials for Investment Flow
In a totalitarian economy, the
problem of investment may be as
simple as that. But it certainly
isn't that simple in this country.
We have never had here what
may be called "THE investor."
We haven't even a group of investors who act as a unit. But
we do have tens of millions of
investors, each of whom makes
up his own mind whether he will
risk his funds in productive enterprise. If we are to have adeterprise. If we are to have quate private investment, there-fore, we must:

First, have a tax system which makes it possible for savings to be accumulated;

Second, we must have Government policies, on taxes and otherwise, which do not destroy the wise, which do not destroy the willingness of those with savings to put their funds to active use; and,

Third, we must have a labor policy which does not result in wages taking so much of the gross income of a business that there is nothing left to maintain adequate reserves and to give a depart return to these who with cent return to those who risk their funds.

It is important, therefore, that our tax system permit the accumulation of savings to be invested profitably in productive enterprise which will supply jobs and more jobs. Our present tax system needs an intelligent over-hauling to exemplish that purposes hauling to accomplish that pur-

The income tax should be held to a level which will not discourage individual endeavor. Taxes on capital gains discourage proon capital gains discourage pro-duction and job - making and should be eliminated. Taxes on corporate business should be set below the point of discourage-ment. And a fair method should be devised to eliminate the double taxation of corporate income.

If business is to be the job-maker, it is as economically—if not politically—important to stimulate its incentives as it is to encourage the incentives of labor.

The importance of assuring an adequate flow of private capital into job-making activities simply cannot be over-exaggerated. Eliminate that flow—as we have pretty well done during the last 15 years—and our economic and political system must ultimately collapse, no matter what is done in any other direction. other direction.

#### Special Privileges

Special Privileges

The second broad line of action which I think we must follow, if if we are to reach our goal of full production and full employment PLUS, is in connection with special privileges. Now I know that there is room for argument on just what is, or is not, a special privilege. I realize how easy it is for each one of us to think that what is done for me is good sound. what is done for me is good sound (Continued on page 2787)

# THE COLUMBIA SYSTEM

Serves 1,600 communities in a territory where more than 5,000,000 people live and work.

COLUMBIA GAS & ELECTRIC CORPORATION

# Prospective Cost of Government in United States During 1947-1951

(Continued from page 2707) (Continued from page 2707)
about \$45 billions in taxes, the rest being huge deficit financing. Governments have commonly resorted to deficit financing in war and, as Adam Smith puts it, to avoid making the war not unpopular. In this case, little cynicism is needed to conclude that the amount of the deficit was productive of the objective sought but that the quiet acceptance of so much prodigality by the general citizenry indicates a degree of civic corruption auguring ill for the future in economy. The extent of this extravagance overthe future in economy. The ex-tent of this extravagance over-reaches the classical examples of all history, none of which sur-vived happily their lesser degree of misfortune.

of misfortune.

It is against this general weakness to spend that the appraisal of the ensuing five years of governmental costs in the United States must be made. Trying to avoid bias and simply judging candidly, one can weigh the position of government, the duties and compulsions with which it is presently saddled the common exently saddled, the common ex-pectancies (nowhere disavowed) with which it is confronted, the general trends which it has disgeneral trends which it has displayed, and a conclusion can be reached as to where it moves in the realms of cost. For it is the quo fata trahunt of the great Republic at this pinnacle of all earthly power.

The Prospect of Military Costs 1947-1951

The total war costs of the United States Government during fiscal 1945 are given as \$97 billions, which together with civil costs of \$8 billions, makes the total of cost at \$105 billions. This war cost as stated, however, includes indirect military costs. As all together the military costs. As all together the direct military establishment comprised some 11,500,000 men, the unit cost per man was approximately \$8,500.

The military cost, having been the greatest bulk of recent gov-ernment expenses, is the dominant factor in prospective government outlay.

In 1935 the Army with a personnel of 138,000 men cost \$489 millions, or about \$3,500 per head, while in 1936 with 166,000 men the cost of \$619 millions gave a unit cost of some \$3,700 per head. With the rise in wages, standards of living and expenses additional of living, and expenses additional to being quartered in foreign stations, the man cost per year of the Army during 1947-1951 will scarcely be less than \$5,000.

scarcely be less than \$5,000.

In 1935 the Navy had an active personnel of 93,000 men costing \$436 millions and in 1936 had a personnel of 103,000 men costing \$529 millions, or a unit cost of \$4,700 and \$5,100, respectively. The man year cost during 1947-1951 may be expected to reach nearly \$7,000.

Differently from the Civil War and World War I, the military es-tablishment of the United States will not decline with the same speed and degree after this war. It will remain to police both Germany and Japan, it will retain distant bases in the Atlantic and Pacific and on foreign shores for years to come. The soldiery must be transported, maintained and returned from the far reaches of the world. The latest devices and inventions must fly the conscripts wiffly the most modern gadgets.

maintaining naval and air stations and transporting men and supplies in a constant stream to the ends of the empire. Under such conditions it is unlikely that the Navy will abandon much above 75% of its present size. A naval establishment of 600,000 men is a most

	Military Personnel Total Cos	
	Army Navy Total in \$ Billio	n
45	8,300,000 3,200,000 11,500,000 97.0	- 1-
46	5,500,000 2,500,000 8,000,000 45.0	1
47	2,400,000 1,200,000 3,600,000 20.4	- k
48	1.800.000 800.000 2,600,000 14.6	1
49	1,600,000 700,000 2,300,000 12.9	
50	1,500,000 600,000 2,100,000 11.7	1
51	1,400,000 600,000 2,000,000 11.2	1
And in the	above there is no more. The interest on the nation	ıa

element for the one-year military training program. Furthermore, the foregoing are by no means the larger estimates of what is militarily desirable or politically advisable.

194 194 194

visable.

In matters of imperialism, to be successful, there is a choice between a lesser striking force acting promptly and vigorously and a larger force more slowly moving in menace to actual or brooding enemies. And republics being dilatory in moving swiftly in their defense usually must prepare themselves, after sad experience, to have ample forces available to counteract their slowness to act promptly and decisively. Hence it is to be concluded that the United States will not disband so readily States will not disband so readily as at the end of former wars but that with the memory of World War I experience it will tend to keep a military establishment of this size estimated and that it will tend to become more imperialistic tend to become more imperialistic rather than abandon this role un-willingly assumed. For while the great power of the United States is triumphant today over all of the world, yet the plaudits to the victory do not endure and the benefactor of today is sullenly regarded on the morrow. For the benefactor of today is sullenly regarded on the morrow. For the master of the world must cross and repress the expressions of others to grow, to expand, to take, to enrich themselves, and this constriction of the freedom of others, while it may bring peace from combat, yet it brings hatreds also.

The second largest cost of the Federal Government over the continuing years is the Federal debt which will total some \$285 to \$300 billions at June 30, 1946, closing the 1945 fiscal year. This debt incurs an interest charge of less than 2% during war years but when consolidated after the war will tend to have an interest charge of about 2% or just slightly totals:

to be reckoned upon in the period 1947-1951, as a low, and it is likely to be somewhat more. A garrison of 200,000 men in Germany, 500,000 in Japan and Asia and 100,000 elsewhere scattered would apparently constitute minimum foreign forces for the Army.

The Navy likewise can only be reduced in force to a position commensurate with the duties of policing the seven seas, supporting the Army on its distant posts, maintaining naval and air stations of war walk on loreign status, uneasily regard a fermenting world and anxiously search for something better than atomic bombs in case of rebellion or tur-

The manpower and cost requirements of the United States in the intervening years 1947-1951 would appear to be these, approximately:

the above there is no for the one-year military program. Furthermore, oing are by no means the timates of what is milisirable or politically adters of imperialism, to stul, there is a choice belesser striking force actually and vigorously and orce more slowly moving a moving swiftly in their usually must prepare es, after sad experience, popular favor.

popular favor.

Unemployment relief and assistance, aids to agriculture, public works, veterans' benefits and assistance, all have widespread public approbation.

The rehabilitation of the distressed world abroad meets with considerable general consideration and loans and assistance have been a recent policy. England would like \$2 billions a year to sustain her economy. Russia would like loans of \$6 to \$10 bilwould like \$2 billions a year to sustain her economy. Russia would like loans of \$6 to \$10 billions. Our rescued friends on the continent as well as our defeated enemies look toward us with supplication. To our Allies we extended lend-lease of \$39 billions in four years, and chiefly in two. It is likely that the restoration of the fallen world will cost us above \$20 billions in the next five years \$20 billions in the next five years in loans of a dubious nature and gifts of a positive kind for all sorts of ends, rebuilding destroyed facilities, improving damaged and lateries ted. deteriorated ones, removing damaged and deteriorated ones, removing wretchedness in occupied territories, facilitating commerce, supporting faltering monies and exchange and doing good in general,

directly and indirectly. A fair basis for all of the remaining costs of the Federal Government are shown in the accompanying table which tabulates the whole expectancy into resounding

#### Table of Federal Governmental Costs

	Pacific and on foreign shores for	(Millions of Dollers)	For'gn t
	years to come. The soldiery must		Loans,
	be transported, maintained and		Relief
	returned from the far reaches of	ment Nat'l & Work Agri- Public and on Govern-	and 1
	the world. The latest devices and	Costs Defense Relief culture Works Benefits Debt ment	Works
	inventions must fly the conscripts	11938_ \$6,977 \$1,029 \$2,142 \$804 \$649 \$502	
		1938- 0,301 1,200 2,520 1,100	
	swiftly, the most modern gadgets	1940 8,824 1,657 2,291 1,491 500 500 1111 683	100,00
	must be installed in their huts in	1941_ 13,862 6,301 2,144 1,208 703	
	icy climates or on sultry shores,	1942_ 33,980 26,011 1,691 1,141 659 556 1,260 769 1943_ 79,604 72,109 879 1,029 535 602 1,808 769	
	and the latest in jovial recreation	1944 105 235 97 000 550 924 402 881 2,700 916	
	must rouse the recruit from his	1945 105.235 97.000 550 924 402 881 3,600 916	
	nostalgia in foreign land.	1946_ 60.400 45.000 600 900 400 1,800 4,500 1,200	\$6,000
		1947_ 36,800 20,400 600 1,000 800 2,400 5,200 2,400	3,000
	It is not apparent that the gar-	11948 29,000 14,000 000 1,000 1,200 2,200	3,000
	risons without the United States	1 1949 30,500 12,900 1,500 1,400 1,200 2,000	2,000
	will be less than 700,000 to 900,000	1 1950 29,500 11,700 2,000 1,400 1,400 2,000 2,600	2,000
	men in the next five years. Nearly	1951 30,300 . 11,200 2,400 1,000 1,000	
	as many must be in training or in		pre-
	reserve in the United States, at	sents itself	
		more easily amplified than cut The cost of the Federal Go	vern-
2	least. Even without a program	Idown The social assistance in the social assi	each '
	of compulsory military training of		a last
	one year for all 18-year-olds, an		E last
	army of less than 1,400,000 is not	these figures given without too 100 years.	
		the state of the s	
	in a factor of the second	되는 사용에 되어진 이외에 다른 사용하였다. 이용에 하다는 지하면 그렇게 바라를 하는 사람이 됐다.	

	Government	Civilian (Thousa	War nds of Dollar	Veterans s)	Interest	Other
Civil War E	ra:		The state of the state of	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	radio I fort	the other
1851-60	\$60,163	\$21,233	\$27,781	\$1,537	\$2,776	\$6,841
1861-65	683,785	25,894	612,083	4,858	34,601	5,349
1866-70	377,642	54,525	156,199	23,428	135,441	8,050
1871-75	287,460		63,513	30,684	111,580	13,048
World War		The surface to	WAS SE	Tarre of L	at the things but	4 1 YER
1910-14	705,045	169,930	306,696	166,031	22,207	40,181
1915-17	1.157,442	509,549	432.867	164,832	23,516	27,478
1918-19	15,660,361	6,297,990	8,575,591	289,207	404,480	93,093
1920-24	4,603,951		1.296.095	616.674	1.001,745	366,981
1925-29	3,700,040	737,741	660,961	782,332	782,172	736,824

The cost of the national govern-The cost of the national government after both these major wars was above four and five times the cost of government before the wars. The costs in the succeeding peace years have been around one-third the cost of the war years, which percentage-wise is a very large reduction to have made.

To summarize as to national To summarize as to national government expenditures, they would appear to pivot around an average of \$34 billions per year during the quinquennium 1947-1951, as a rational appraisal. This figure is well above those currently quoted. But, considering the position of this government, the predicament as the most powthe position of this government, its predicament as the most powerful military and economic nation in the world, the complexion of its government, the temper of the times, and the yearnings of its people, this forecast is not probably a whit overstated in totals given.

But these totals are only a large part of the total cost of govern-ment in the United States. For there are the States and local governments within the United States and these instrumentalities add their costs to make up the en-

Turning from national expenditures to those of the States, there is likewise a great increase in their outgo. For the 48 States we bserve the trend:

1919	\$625,397,000
1925	1,481,414,000.
1930	2,154,779,000
1937	2,876,939,000
1940	3,372,261,000
1941	3,585,459,000

Like the national government, Like the national government, the States have been increasing their expenditures though during the war they have remained quiescent. With the coming of peace it is to be expected that there will be a resumption of the upward trend of State outlays.

Therefore, the development of the pressure for spending by the States leaves an estimate to be made of the years from 1946 through 1950:

through 1350.	
1946	\$3,700,000,000
1947	4,400,000,000
1948	4,700,000,000
1949	5,200,000,000
1950	5,500,000,000
1951	5,500,000,000
	Traffic I. C. Land J.

As to the local governments, these had risen after the last war in considerable degree. All together, these units between purely governmental functions, utilities and other service functions have in the years prior to the war absorbed up to \$6,600 millions of cost per annum. cost per annum.

These expenditures show in de-tail a vast rising trend of costs for local government:

1913	\$1,607,000,000
1924	4,538,000,000
1928	5,771,000,000
1932	5,727,000,000
1936	5,320,000,000
1940	5,860,000,000

Here again a considerable inrease in outgo is to be expected as there was following the price level rise and the increase in scope of activity after World War I. We would expect for calendar years:

would expect for	
1946	\$7,200,000,000
1947	8,400,000,000
1948	9,000,000,000
1949	9,400,000,000
1950	9,000,000,000
1951	9,700,000,000
The state of the s	Minus.

In effect, local government will increase by price and wage rises of between 30% and 40% and by increase in activities some 10% to 15%. The pressure on school costs is particularly intense. Unit costs is particularly intense. Unit costs per pupil, for both teachers and plant, are especially vulnerable to inflation with the common consent. The experience following World War I is not only to be repeated but apparently in an aggratuted degree. vated degree

The outlook for all government costs in the post-war years is thus expected:

	(Mills	ons of D	ollers	1.4	
7.	National		Local	Total	
46_	\$60,400	\$3,700	\$7,200	\$71,300	
47_	36.800	4,400	8,400	49,600	
48_	29,800	4,700	9,000	44.500	
49_	30,500	5,200	9,400	45,100	
50_	29,300	5,500	9,600	44,400	
51_	30,300	5,600	9,700	45,600	
1.00	,000	1000		S. S. O.	

therefore reached. have within the tolerable range in er-ror of 10%, the expenditures for government in the United States in the next five years.

It is an astonishing sum of money without relating it to the national income of those years.

National income is expected to be between \$110 and \$140 billions per annum according to the wide-ly variable estimates of economists and hopeful gentlemen. Present national income for 1945 is esti-mated at around \$160 to \$170 billions.

To balance the budget of all

To balance the budget of all American government in the slimest expenditures shown here, the \$46,500 millions in 1950, there would be required taxes of 33½% on a national income of \$140 billions. As 1950 is more likely to be showing recession from the first burst of postwar "prosperity," a national income of \$120 billions would require tax rates of nearly 40% to obtain the money to bal-40% to obtain the money to bal-ance total public spendings by the nation.

nation.

But it is, however, dubious if a nation of the productivity of the United States can support above 20% of the national income and have great prosperity or maintain a long period of 15 to 20 years of increase in wealth. With taxation above 25%, the failure to advance is certain within a very few years and decline in the national income will result in five to eight years.

will result in five to eight years.
The governors of a republic cannot and the masters of a despotism should not tax above these normal limits in peace years without feeling retaliation from the governed.

The governments of Europe after the last war drew back within these limits after a brief excess. Up to the war, govern-ments of and within the United States had not done so. The gov-ernors are vulnerable to attack if they persist in the excess of 25% after 1947 and politically are soon

Therefore, it is to be expected that government costs after the war will result in continuing deficits.

vits.

Vis a vis to this condition, the issue will be avoided as long as it is possible, in the general experience of mankind. Historically, the United States is pursuing a fiscal course in the classical fashion of those nations embracing monetary troubles of a severe nature. The troubles will therefore appear to the consternation of all and the surprise of most, despite all warning.

# Full Production Means Full Employment—Plus (Continued from page 2785) blic policy, but what is done for it is special privilege. Sut that is just quibbling. You but and I know that for years—it I don't mean just since 1933— The second example of special privilege I want to mention is that privilege I want to mention is that the President's recommendation.

(Continued from page 2785)
public policy, but what is done for
you is special privilege.

But that is just quibbling. You
know and I know that for years—
and I don't mean just since 1933—
we have become more and more a
nation of special privileges. At
some times it has been one group
which had the inside. At other
times it has been another group.
But no matter what group it has
been, the net effect has been to
create stresses and strains and social irritations. And as the granting and perpetuation of special
privileges have extended over
more and more of our economy,
the underlying situation has become worse and worse, and our
economic and political system has
become increasingly vulnerable to
attack, both from inside and outside.

We have got to clean up this

attack, both from inside and outside.

We have got to clean up this situation! And the only way it can be cleaned up is to get rid of these special privileges. We have got to get rid of, not just a few of them, and not just those which we don't happen to like, but all of them!

I recognize, of course, that this cannot be done overnight. But that does not justify delay in getting started.

Don't think of this as a negative program simply because it

Don't think of this as a negative program simply because it may involve undeing things that have been done or repealing laws that are already on the statute books. It's just as positive an action as pulling the weeds out of your garden so that what should be growing has a chance to grow. Let me give you a couple of examples of what I mean—and I'm deliberately picking hot ones.

I'm deliberately picking hot ones.

#### The Tariff Question

The Tariff Question

First, there is the question of the tariff. Now I am not a "free trader." I am convinced that the tariff has played a major and constructive part in the development of this country. But all of us know that the tariff can be, and too often has been, used in ways which benefit only one small group at the expense of the country as a whole. We also know that it can be used in such a way as to curtail production, competition and jobs, and thereby lower rather than raise the standard of living of the American people. And certainly we all know that if America is to maintain her place in the world, and attain maximum prosperity and security, that the tariff must not be used merely, as a means for protecting that the tariff must not be used merely as a means for protecting and enhancing the economic position of this or that producer or group. Rather, we must use the tariff as a positive tool for developing and strengthening the lasts productive capacity of the basic productive capacity of the nation.

nation.
Specifically, as I see the problem, we should continue to use the tariff to protect our markets against Government - subsidized dumping of foreign products and every other unfair method of competition. petition.

Second, we should use either the tariff or subsidies, whichever Congress determines will be the more economical, to assure adequate production of those items essential for national defense.

Finally in our own self into

Finally, in our own self-interest, our over-all national policy should be one of gradual reduction of tariff duties. Such reducshould be one of gradual reduction of tariff duties. Such reduction in each case should be continued to that point which will maximize production and consumption under competitive conditions in this country. At the same time, the rate of reduction should be such that it does not unduly disrupt our domestic trade and employment, nor offer difficult administrative problems.

But for the moment let's overlook that. What I want to emphasize is the necessity of having a tariff policy which, at every point, will be tested by the gauge of public, rather than private or group, welfare; a tariff policy that

Special Privileges to Labor

The second example of special privilege I want to mention is that accorded to labor. And just as I am not a "free trader," so I am not a "labor baiter." That is as true today as it was before the Management-Labor Conference. But of this I am sure: labor's worst enemy today isn't reactionary employers. It isn't, as many people think, the poor quality of so much of present labor leadership. Labor's worst enemy today is the shroud of special privilege in which it has been wrapped by its misguided and near sighted misguided and near - sighted friends. I think I can show that best by reference to some of the things that happened at the Management-Labor Conference.

agement-Labor Conference.

The management delegates went into that conference with a whole-hearted determination to find answers to as many of our present industrial relations problems as possible. And our program wasn't just one of vague generalities. We were prepared with specific suggestions and recommendations of just what, in our opinion, should be done.

Labor, on the contrary, had no such program. It had almost nothing to offer in the way of solutions. And the reason it had nothing to offer became clear very early in the conference. It was because labor prefers to maintain the status quo. Its stock answer to everything suggested by man-agement 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, although we made a real effort to get that issue settled. We drew up a list of some thirty odd specific acts, such as the determination of prices, accounting procedure, and so forth, which it seemed clear to us must be reserved to management. Labe reserved to management. Labor refused to accept a single one, and we were told officially by one of the labor delegates that by one of the labor delegates that the reason they had refused was that at some future time labor may want to bring any one of these functions into the realm of

Collective bargaining.

And so it was on almost every problem that was brought up. Laproblem that was brought up. La-bor refuses to accept equality be-fore the law. It refuses to accept responsibilities comparable to those of management. It refuses to give up the right to strike while negotiations are going on. It refuses to accept the sanctity of contracts and to provide a management. contracts and to provide a prac-tical means for enforcing their provisions. It refuses to provide any protection to employers, employees or the public against representational or jurisdictional dis-

putes.

In brief, the position of labor today is that it has been legally established in the driver's seat and it is unwilling to give up any of the special privileges involved in this position.

As I said a few minutes ago, I am not a "labor baiter." I'll fight with labor against anything that is designed to undermine the basic rights of labor. But special

that is designed to undermine the basic rights of labor. But special privilege is not the right of any man, or any group of people, in this country. Yet that is what we are up against in the field of labor today—just as a generation or so ago the public was up against special privilege in the field of business. And just as it took legislation to meet the business abuses of those days, so it will take legislation to solve the labor problem of today. problem of today.

#### Truman Labor Program Approved

Whether it can do so will depend upon the success with which the legislative proposal safeguards against the following perversions of the fact-finding principle:

1—The fact-finding process should be limited to disputes vitally affecting public health and safety and not to general indus-

safety and not to general industry.

2—Fact-finding boards should be appointed "from scratch" for each dispute. We should not establish a single, permanent agency or panel for this purpose. A permanent agency inevitably would establish certain fixed patterns—as did the War Labor Board—which would encourage one party or the other to by-pass the basic collective bargaining and conciliation processes in order to get its case as quickly as possible before the fact-finding group.

3—The board should hear all appropriate witnesses presented by either party, but should have no subpoena power to undertake "fishing expeditions" into the confidential affairs and records of either the union or the company.

4—The board should be limited to the finding of facts; it should not take sides by issuing recommendations for the settlement of the dispute. Such recommendations would be the moral equivalent of compulsory arbitration.

5—There should be strict enforcement of the principle that the status quo must be maintained by both parties during the fact-finding procedure. If management

by both parties during the fact-finding procedure. If management should attempt to modify the conditions of employment, or if the union should order or permit a strike, the government itself should have appropriate rights to enfore sanction to maintain that status quo.

We will need still further legis

We will need still further legislation in the labor field. But at least we have now recognized openly that labor's admitted right to strike is a right which, in common with all other human freedoms, may be qualified and regulated in the public interest.

As a result of the studies of the Management - Labor Conference, Congress now has some basis upon which to arrive at a sound decision on the exact changes which need to be made in our laws.

#### Sound Money and Credit System Needed

The third broad line of action which we must follow if we are to enjoy the continuing benefits of full production with full em-

to enjoy the continuing benefits of full production with full employment PLUS is sound management of our money and credit system, and above all the sound management of our Federal debt.

We must have a stable and clearly-defined monetary unit. We must have definite limits placed upon the credit expansion powers of our commercial banks. We must make interest rates serve as a guide to the degree of strain to which our financial system is subjected. We must make the banking system serve as a handmaiden of our economic system. We must not permit it to attempt to control the volume of business activity. And, finally, we must get the public debt into the hands of those who will hold it as a permanent investment until the bonds are paid off.

These are questions of national fiscal policy to which I do not

These are questions of national fiscal policy to which I do not profess to have pat answers. I am convinced that there is no one person, or no group of persons, who can indicate in detail just what would comprise such sound President Truman has made the first move in that direction with his request for statutory author; ity to appoint fact-finding commissions in disputes of major significance.

Management supported the factManagement supported the fact-

It is of such key importance to have answers to these questions of national fiscal policy that I believe that Congress should create a special committee of experts to a special committee of experts to re-examine the whole money, banking, and public debt problem and report specifically on what legislative changes are needed and what policies must be followed by the banking authorities in order to assure that we shall realize the maximum benefits from our money and credit system. Through lack of foresight and study we should not again have our whole economic system thrown into a depression through mismanagement in the financial field.

#### Summary of Proposals

To summarize, these are the three broad courses 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

job-making a ctivities, thereby making it possible to have that growth of capital resources which is necessary to provide increased production and jobs for our growing population.

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

country.
3. Restudy the money and credit system, and stop maneuvering the

Federal debt, so as to avoid converting prosperity into an infla-tionary boom and lay the basis for more dependable national prosperity. Now

perity.

Now this is not a program which business men can unload on others. Individually and collectively, we men of management have got to work within the system to make enterprise pay its richest blessings to the people. More, we've got to work outside our business in constructively advising government on the correcvising government on the corrective moves which I have outlined; not as an expression of personal irritations, 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 of the nation must show them that the objecmust show them that the objectives of management are predominantly in the public's behalf. We must demonstrate that we favor jobs for all who want to work at wages which will provide an everwidening 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 distributed level of prosperity for all persons, all groups and all sections of the nation.

Development of this leadership

Development of this leadership in over-all purpose by manage-ment is an indispensable "must" of the future. We've all got to be bigger men, of wider interests and



# WE KNOW JUST HOW YOU FEEL

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 unavoidably 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



# "Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The final week of the Victory Loan, in which institutions are entering their subscriptions to the drive issues, finds the Government bond market at ell-time highs. . . "Normal portfolio adjustments" have thus far been taken in stride, with certain issues pushing on to new tops, such as the longest bank eligible taxables and the long partially exempts. . . Heavy subscriptions were made on Monday for the loan bonds, because the institutional buyers wanted to put their funds to work as soon as possible; in order to save accrued interest, which has been accumulating on these obligations since the 15th of November, . . These purchases, principally for cash, were for the limit allowed under the Victory Loan formula. . . . Some deferred subscriptions were entered by institutions that have securities which will not be completely liquidated until after the drive is over. . .

#### BUYING OPPORTUNITIES

With the last big public financing drive almost history, and the new pattern of financing quite clearly defined—that of issuing short-term low coupon obligations to cut the debt burden, and low interest rates assured for some time to come—any minor price declines in the Government bond market, that may result from adjustments due to the Victory Loan, will be welcome buying opportunities.... Under the indicated program of future Treasury financing there cannot be any substantial recession in Government bond prices.

Nevertheless, the market for these securities is still made by human beings, which means that Government bond prices will continue to fluctuate, in the future, as they have in the past. . . . Accordingly one should be in a position to purchase the issues that meet individual requirements during periods of changing prices, which will occur from time to time.

#### PORTFOLIO CHANGES

Although no late figures are available on purchases and sales of Government securities by the various holders, the most recent Treasury bulletin shows that life insurance companies and other investors were the principal sellers of the  $2\frac{1}{12}$ s of 9/15/67/72...During the month of August the former disposed of \$38 millions and the latter \$44 millions, with the commercial banks the main buyer in the amount of \$79 millions... In July, life insurance companies sold \$30 millions of these bonds, which were bought by the deposit institutions.

institutions.

Present indications are that the life insurance companies are not selling the longest bank eligible issue in as sizable amounts as they have in the past... Nevertheless other investors still seem to be taking advantage of present high prices

to let out their bonds. . . .

The 2%, due Dec. 15, 1952/54, were bought by the commercial banks in the amount of \$105 millions in August and \$282 millions in July. . . . The principal sellers were other investors, who disposed of \$70 millions in August and \$237 millions in July. . . . Savings banks let out \$29 millions of this bond in August and \$42 millions of July. lions in July. . . .

#### MORE OF THE SAME

During the month of August the 2s, due June 15, 1952/54, were bought by the deposit banks to the extent of \$63 millions, with \$34 millions being taken on during July... Other investors sold \$39 millions of this security in August, while during July they bought \$27 millions... Savings banks sold \$18 millions in August and \$26 millions in July... Life insurance companies sold \$1 million in August and \$36 million in July... The 1½%, due Dec. 15, 1950, were taken on by the commercial banks in the amount of \$105 millions during August and \$333 millions in July... Other investors were the principal sellers of this issue in both of these months...

nonths. . In August the commercial banks bought \$57 millions of the 2%, due Sept. 15, 1951/53, and \$45 millions of the 1 $\frac{134}{6}$ , due 6/15/48, with other investors the sellers. . . The largest purchasers of the partially exempts were the commercial banks, with these institutions making their most substantial commitments during August in the 2 $\frac{1}{6}$ %, due March 15, 1955/60, followed by the 2 $\frac{3}{4}$ %, due 6/15/58/63 and the 2 $\frac{3}{4}$ %, due Sept. 15, 1956/54

lowed by the 24%, due 0/15/50/05 and the 2/4/6.

1956/59...

These banks made no purchases of the 23/4%, due 12/15/60/65 during August, but this obligation was their largest commitment among the partially exempts in July.... The sellers were insurance companies and other investors... The intermediate and short maturities of the partially exempts were disposed of by the commercial banks during August, with the principal buyers, other investors

VINSON'S POSITION

Secretary of the Treasury Fred M, Vinson in a speech at Indianapolis, Ind., last week, left no doubt as to where the Government stands on interest rates. . . . He stated: "It must be remembered to the first to the principles of free government for which United Nations waged this war, each of us must give his unremitting best until the job has been fully completed," he said.

For this is not the end of a glorious epoch. This is not the collapse of our civilization. This is not the decadence of the West. This is not the fulfillment of any of the smearing, socialistic, de-featism charges leveled at our so-

The United States is still a young nation, with vigor in its bones and courage in its heart. It still has seasoned, willing leadership perfectly capable of building the edifice of a better America for all.

Tomorrow's Markets Walter Whyte Says — By WALTER WHYTE.

Resumption of up - trend brings in new buying. Rotating advances in new groups pushing utilities & steels to the fore. Divergence of averages, when, as, and if, may be 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 what extent a public scare psychology could affect prices. Apparently the public selling didn't get far. At least it stopped almost completely Monday morning and by the time the afternoon passed what selling there was changed to buying.

Oddly enough the buying was attributable to President Truman's latest plan-to appoint a fact finding committee to settle strikes. How

#### **Eisenhower's Farewell** to His Troops

General Dwight D. Eisenhower, who had intended to return to Europe for a last visit with his troops before assuming his new duties as Chief of the United States Army, prevented, as he said, by circumstances from doing this, sent a farewell message on Nov. 29 to the American soldiers who had served under him. The message, issued by the War Department, was sent to Gen. Joseph T. McNarney, who has succeeded Gen. Eisenhower as American commander in Europe, and ican commander in Europe, and was addressed "to every member of the United States forces in Eu-rope." It read, according to Assorope." It read, according to Associated Press Washington advices: "To each of you—goodbye, good luck, and my undying thanks."

The General's message told the troops that there was yet much to do before the peace which they helped to win "can be firmly consolidated." He added, according to the Agraciated Breet.

the Associated Press:
"In the memory of those gallant comrades who can never return, and in continued loyalty to the

conscious of the effect that only a slight increase in interest rates would have on the already heavy debt burden, it seems reasonable to conclude that the Treasury will continue its policy of lightening this load, whenever the opportunity presents itself.

The British announcement that certain 2½% and 3% bonds would be discontinued shortly and that other 2½% obligations would be converted into 1¾% issues, is further proof of the fact that under the modern managed economy interest rates will be what the Government wants them to be. So long as the debt burden is heavy and there is need for long-term capital, as there is in England, the level of interest rates in that country will be low. . . . This trend toward lower interest rates, however, is not confined to England, but is world-wide. . . .

the new committee will work out is still too early to say. But if the past is any yardstick of the fuure, the com-mittee will make a lot of noise and bluster and end up about the same place that all such committees end up in.

But whatever the reason for the resumption of the rally it was enough to remove the fear selling that the General Motors strike started. How long this present buying wave will continue is something else. So long as buyers are in there with wide-open pocketbooks and are willing to pay almost anything to get aboard, so long will they go up. A piece of news can check the advance; if it is serious enough and full of headline inspiration, it can do more than check it. The public being fickle can turn around and start selling just as easily as it is buying to-day. If that happens, the storm that will be kicked up will be one you'll remember for a long time. At this writing, however, the skies seem blue, and what clouds there are don't look particularly ominous.

Looking at the price structure through technical glasses, it is all to the good. The lowest point the industrials made during the past few days was during the Thursday session, when they dipped below 190. But the dip merely brought them in line with the opening levels of that day. The rails on the other hand opened that day with a gain, dipped with the industrials, but together with the industrials closed off on the day. The next day, Friday, both averages worked together again. They opened above Thursday's closes and finished the day at about the best levels of the session.

If I stress the unanimity of the averages it is for the purpose of pointing out that the time to stop looking and begin acting is when the averages start going off in different directions, creating what is called a divergence. When divergence enters the market the shrewd trader starts

# **Pacific Coast** Securities

Orders Executed on Pacific Coast Exchanges

# Schwabacher & Co.

Members
New York Stock Exchange
New York Curb Exchange (Associate)
Chicago Board of Trade

14 Wall Street New York 5, N. Y. COrtlandt 7-4150 "Teletype NY 1-928 Private Wires to Principal Offices San Francisco — Santa Barbara Monterey — Oakland — Sacrament Fresno

looking for doors marked,

In any case there is no divergence present at this writing so it might be practical to take on a few more stocks provided they are still ob-tainable at specific prices by the time you read this. The stocks are as follows: American Foreign Power 2d Pfd., buy between 35 and 36, stop 34; American Steel Founders between 40 and 41, stop 39; Flintkote between 36 and 37, stop 35. As a matter of fact there is a possibility that these prices will be history by Thursday. So it might be advisable to buy them at the market. But whatever levels obtain then the stops remain fixed. To the above I suggest Pepsi-Cola if obtainable near the 34 level. The reason I pick that price is that it represents the stop point. The same thing applies to New York Central. It looks higher with 31-32 representing the buy point and 28 the critical level.

You already hold Lockheed at 32½, it's now about 38, and Western Union at 52 which is still about the same price. At this stage of the market cycle I frankly don't care for a stock like Western Union which is behind the parade. A stock which fails to go up with the general market can easily be a dangerous one to hold once they start going down. We'll hold Western Union for one more week. If it doesn't show more pep than it has recently I intend to ask you to sell it.

More next Thursday,
—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

#### LAMBORN & CO. 99 WALL STREET NEW YORK 5, N. Y.

SUGAR

Exports-Imports-Futures

Digby 4-2727

Established 1856

# H. Hentz & Co.

New York Stock Exchange New York Curb Exchange New York Cotton Exchange Commedity Exchange, Inc. Chicago Board of Trade Orleans Cotton Exchange

N. Y. Cotton Exchange Bldg. NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH GENEVA, SWITZERLAND

# (Continued from page 2703) ticles, trusts, monopolies, "yellow dog" contracts and injunctions in labor disputes have all been prohibited. In early days the right to strike

Are Strikes an Exercise of Right?

Yet strikes are assumed to be right. If this be true, it is because certain groups of our people are given the right to wage domestic warfare, to employ force to obtain compliance with their demands.

That a strike represents might and not right is occasionally acknowledged even by labor leaders. Thus recently a CIO spokesman, attacking Utah Copper Co.,

"The only way open to the unions to force the Copper Company to comply with the decision of the War Labor Board is to strike. The Company will concede nothing on a basis of reason."

It should be apparent to everyone that we cannot progress, can-not rebuild an abundant economy, cannot make a worthwhile place for our returning soldiers if we permit might to overpower right.

Nearly a quarter of a century ago Justice George Sutherland stated the very first requisite for maintenance of government by a free people when he said:

"We cannot maintain a gov we cannot maintain a gov-ernment of laws if the rights of some men are submitted to the test of liberty, and the rights of others to the test of power."

No reasonable man will dispute the truth of that statement, yet we today tell the employer he must "bargain in good faith" with we today ten the employer he must "bargain in good faith" with representatives chosen by his employees; we deny the individual employees the free right to select those they wish to represent them and make it possible for an organized minority of employees to coerce and intimidate others into acquiescing in a selection of representatives they would not willingly choose. We do not permit cumulative voting for the selection of collective bargaining representatives of employees. With a straight face we tell the employer to bargain in good faith and watch the labor leader make unreasonable demands, backed by the expressed or implied threat "give in or we call a strike." or we call a strike.'

#### Permitting Aggression at Home

We witnessed the Supreme Court of this country say it is all right for racketeers to threaten, and even to attack peaceful farmers trying to take their produce to market, so long as they preface their attack with the words "give me a job," and provided, of course, they belong to a union, since it is only those of us who belong to a union whose rights are now submitted to the test of power and not to the test of liberty. We witnessed the Supreme

while asserting a high moral position in international affairs, demanding that right pervail over might, we ignore the issue of morality in using force at home. We are not shocked at a threatened "demonstration" strike by Ward's employees,—an action comparable to the Manchurian border raids between the Russians and Jans. to the Manchurian border raids between the Russians and Japs; we stand for the "slow down," which is the younger brother of a strike, we permit "featherbedding" and take on the chin the cost of jurisdictional questions and disputes, all of which increase costs instead of increasing productivity. Yet we certainly do know that the only possible way of raising wages without injury to the worker through inflation lies in increased productivity and we know that increased wages follow increased productivity as surely as increased productivity as surely as the day follows the night, if for no other reason than that industry understands that its market grows only with the increased ability of the people to purchase. And that

power.

In early days the right to strike was questioned on the premise that it constituted a conspiracy. It was justified solely in recognition of the right of every man to work or refrain from working as he elected. We have now denied every man that right and have said to him "you may not work unless you belong to and pay tribute to that union which, by whatever means, has secured the right to represent the employees of a particular company or industry." Yet we continue to recognize the right to strike even when it is the right to strike even when it is in violation of an express written contract,—a contract entered into as required by the Wagner Act or at least as that Act has been construed by the courts.

Might is hard to down. Right is hard to maintain. Clarence Day, in a little verse summarized it this

"Might and right are always fighting

In our youth it seems exciting, Right is always nearly winning, Might can hardly keep from grinning.

We may in a sentence state our

of American labor, of nothing so threatening in its portent, for the pendulum inevitably swings and the distance it travels on the down stroke is measured by the height it attains on the up stroke.

I know of nothing in the past history of labor-industry relations comparable to the present situation. We can but hope that the sound common sense of the great body of American working men will be reflected in demanding such revisions of law as will place employer and employee in a position where true collective barsition where true collective bar-gaining in good faith, and by rep-resentatives really of the em-ployees' own choosing, will be possible.

# **Harold Chapel With** McDonald-Moore & Co.

(Special to The Financial Chronicle)
DETROIT, MICH. — Harold R. Chapel has become associated with McDonald-Moore & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. policy today. It is just this: "We Chapel was formerly a partner in do firmly resolve that right, not Crouse, Bennett, Smith & Co.

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

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

	Thirteen W Sept. 24, 1945	eeks Ended Sept. 25, 1944	Thirty-nine Sept. 24, 1945	Weeks Ended Sept. 25, 1944
New Ship Construction	\$20,864,000	\$28,714,000	\$74,678,000	- \$89,848,000
S ip Repairs and Conversions	743,000	2,430,000	2,387,000	5,111,000
Hydraulic Turbines and Accessores and Other	alle and the second	132211		
Work	1,414,000	842,000	3,417,000	2,176,000
Totals	\$23,021,000	\$31,986,000	\$80,482,000	\$97,135,000

By Order of the Board of Directors

R. I. FLETCHER

Comptroller

#### NOTICE OF REDEMPTION

to the holders of

#### NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B. DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Refunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereot, otgether with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as

become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as aforesaid with all coupons payable July 1, 1946, and thereafter attached. Coupons due January 1, 1946, may be detached and presented for payment in the usual manner. Intereduct January 1, 1946, on Jully registered bonds will be payable only upon surrender of such bonds for redemption. Registered bonds, in cases where payment to anyone other than the registered owner is desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

By A. M. Gottschald,

New York, N. Y., September 26, 1945

October 18, 1945

OFFER OF PREPAYMENT

Holders desiring to receive immediate payment of the full redemption price including interest to January 1, 1946, may do so upon presentation and surrender of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, with the January 1, 1946, and subsequent soupons attached.

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Willem van Marle to partnership as of December 6th. J. C. Luitweiler after that date will no longer act as Trustee for Mr. van Marle.

# Bendix Luitweiler Changes Danforth Gardozo With Pflugfelder, Bampton

Danforth Cardozo, formerly with Bank of New York, has become associated with Pflugfelder, Bampton & Rust. 61 Broadway, New York City, members of the New York Stock Exchange.

#### PREPAYMENT OFFER

to holders of

#### PACIFIC GAS AND ELECTRIC COMPANY

FIRST AND REFUNDING MORTGAGE BONDS OF SERIES I (31/2%) 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, or at 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

Attention is directed to the fact that not all outstanding Series I 31/2% Bonds have been called for redemption. A list showing the serial numbers of the bonds called may be obtained on request at any of the offices above noted.

> PACIFIC GAS AND ELECTRIC COMPANY By RAYMOND KINDIG, Secretary.

# SOUTHERN RAILWAY COMPANY

To the Holders of Southern Railway Company's Development and General Mortgage Bonds, 6% Series, due April 1, 1956;

and Development and General Mortgage Bonds, 61/2% Series, due April 1, 1956.

Southern Railway Company hereby extends until the close of business on Monday, Becember 24, 1945, its offer to purchase, for retirement, \$5,000,000 principal amount in the aggregate of the two bond issues set out in the heading, at the following

Six Per Cent Series

For each \$1,000 Development and General Mort-.\$1.180.00. amount from October 1, 1945, to December 31, 1945, inclusive, (being \$15.00 for each \$1,000 Bond).

Six and One-half Per Cent Series

.\$1,220.00,

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 15, New York. Coupon Bonds must be surrendered with April 1, 1946, and all subsequent coupons attached. Registered Bonds must be assigned in blank or be accompanied by appropriate detached assignments, with signatures guaranteed.

Bonds will be paid for in the order in which presented until the above mentioned \$5,000,000 principal amount shall have been acquired, provided, however, that the Company reserves the right (a) to accept such additional principal amount of Bonds, if presented within said period, as it may desire, accepting such proportion of each lot (to the nearest \$1,000) presented as the aggregate amount of Bonds in excess of said \$5,000,000 determined by the Company to be accepted bears to the total additional principal amount presented, without preference between the two Series, or (b) to reject any amount offered in excess of the first \$5,000,000 principal amount presented.

amount offered in excess of the first \$5,000,000 principal amount presented.

The Agent will pay, with reference to any Bonds presented for account of the owners thereof by any Bank, Trust Company, Member of a National Securities Exchange or Member of the National Association of Security Dealers, Inc. (such Bank, Trust Company or Member not being the owner), a commission of \$2.50 per \$1,000 Bond.

All Bonds purchased are to be cancelled, and United States Stamp Taxes are not payable on the sale.

SOUTHERN RAILWAY COMPANY

Washington, D. C. December 3, 1945.

By ERNEST E. NORRIS President.

500

# Calendar of New Security Flotations

200

#### NEW FILINGS

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

#### SATURDAY, DEC. 8

SATURDAY, DEC. 8

SOUTHERN ADVANCE BAG & PAPER.
CO., INC., on Nov. 19 filed a registration statement for 25,000 shares of 4½% cumulative preferred stock, par \$100.
Details—See issue of Nov. 22.
Offering—The company is offering 20,-202 shares of the new preferred in exchange to the holders of the outstanding 20,202 shares of 7% and 6% cumulative preferred stocks on the basis of one share of new for each share of 7% preferred and one share of new preferred and \$7.50 in cash for each share of 6% preferred. In addition, holders making the exchange will purchase any shares of new preferred not issued in the exchange and the shares of 4½% preferred not required for exchange.

Inderwriters—E. H. Rollins & Sons. Inc.

erwriters—E. H. Rollins & Sons, Inc. the underwriting group.

S. D. WARREN CO. on Nov. 19 filed a gistration statement for 30,000 shares 1.50 cumulative preferred stock, no par

value.

Details—See issue of Nov. 22.

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

Underwriters—First Boston Corporation heads the underwriting group.

heads the underwriting group.

PRESSED STEEL CAR CO., INC., on Nov. 19 filed a registration statement for 85,955 shares of 4½% cumulative convertible preferred stock, series A, par \$50.

Details—See issue of Nov. 29.

Offering—The company is offering to holders of 4ts common stock the 85,955 shares of 4½% preferred at the rate of one share of preferred for each 11 shares of common held of record at the close of business on Dec. 10, 1945. Subscription rights are exercisable on or before Dec. 21, 1945, at \$50 per share. The underwriters will purchase from the company such share of preferred stock as are not subscribed for and will offer them to the lublic at \$50 per share.

Underwriters—Kuhn, Loeb & Co. heads the underwriting group.

BATES MANUFACTURING CO. on Nov.

BATES MANUFACTURING CO. on Nov. 19-filed a registration-statement for 256, 500 shares of common stock, par \$10. Details—See issue of Nov. 29. Offering—The new shares are being offered first to the company's stockholders at a price to be filed by amendment. Each shareholder will be entitled to, subscribe to 1.9 shares for each share of outstanding stock. The underwiters will offer to the public at \$25 per share all of the 256,500 shares not subscribed for by stockholders, except as to certain shares offered by First Boston Corp. and Coffin & Burr, Inc., to minority stockholders of the four transferor mills participating in the Maine Mills plan. The First Boston Corp. and Coffin & Burr, Inc., together own individually a majority of the capital stock of Bates as well as of the following four mills: Androscoggin Mills, Edwards Manufacturing Co., Hill Manufacturing Co. and York Manufacturing Co. The First Boston and Coffin & Burr are offering an undetermined number of shares of common stock out of the shares which as underwriters they have agreed to purchase from the company to the minority stockholders of the four mills named above which are participating in the Maine mills plan. The Maine mills plan provides for the acquisition by Bates or its wholly-owned subsidiary, Bates Company, of the plants and certain other assets of the four mills named. Under the plan the original contractors or underwitters will offer to exchange a certain number of shares of Bates stock for minority holdings of stock in the four mills.

four mills.
Underwriters — First Boston Corp. and Coffin & Burr, Inc., head the underwriting

NATIONAL DAIRY PRODUCTS CORP. on Nov. 20 filed a registration statement for \$50,000,000 2%% debentures due Dec. 1, 1970.

1, 1970.

Details—See issue of Nov. 29.

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

Underwriters—Goldman, Sachs & Co. and Lehman Brothers head the underwriting group, which will include more than 100 underwriters.

FANSTEEL METALLURGICAL CORP. Nov. 20 filed a registration statement for common stock, without par value, the number of shares to be filed by amendment.

Details—See issue of Nov. 29.

Offering—Holders of record of the outstanding common stock will be given the right to subscribe to new common stock.

Offering—Holders of the standing common stock will be given the right to subscribe to new common stock, the record date, ratio and price all to be filled by amendment.

Underwriters—Hallgarten & Co., is the principal underwriter.

MONDAY, DEC. 10 UNITED STATES AIR CONDITIONING CORP, on Nov. 21 filled a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares

are to be offered through an underwriter.

Details—See issue of Nov. 29.

Offering—The price to the public is \$4.50
per share. Application has been made by
the corporation to list on the New York
Curb Exchange 350,000 shares of its common stock which is presently issued and
outstanding and application has been made
to list on the Curb 150,000 additional
shares to be sold under this prospectus.
Underwriter — George F. Breen, New
York, is named underwriter.

entered into an agreement to purchase 58,000 shares of common from Victor Products
Corp.

SUNDAY, DEC. 16

WOODALL INDUSTRIES, INC. on Nov.
27 registered 100,000 shares of 5% cumulative convertible preferred shares, par \$25.

Details—See issue of Nov. 29.

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

BRUNNER MANUFACTURING CO. on Nov. 21 filed a registration statement for 100,000 shares of common stock, par \$1. Of the total 15,004 shares are to be sold by the company and 84,996 shares to be sold by certain stockholders.

Details—See issue of Nov. 29.

Offering—The price to the public is \$7.75 per share.

per share.

Underwriters—Mohawk Valley Investing
Co., Inc., Geofge R. Cooley & Co., Inc.,
and Cohu & Torrey.

INVESTORS MUTUAL, INC., on Nov. 21 filed a registration statement for 3,000,000 shares of capital stock, no par value.

Details—See issue of Nov. 29.
Offering—At market.
Underwriter—Investors Syndicate, Minpanolis, Minp.

PHILADELPHIA TRANSPORTATION CO.

n Nov. 21 filed a registration statement or \$7,000,000 first and refunding mortage bonds series B due Dec. 1, 1970. The attention of the series of the series of the public will be filed by amendment.

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

Underwriters—Drexel & Co. is the principal underwriter.

#### WEDNESDAY, DEC. 12

CENTRAL POWER & LIGHT CO. on Nov. 23 filed a registration statement for 100,000 shares of preferred stock, par \$100 The dividend rate will be filed by amend-

The dividend rate will be filed by amendment,

Details—See issue of Nov. 29.

Offering—Central Power & Light Co.,

Mass., proposes to offer the holders of its

7% and 6% preferred stock an opportunity to exchange their shares for shares
of the new Texas concern on a share for
share basis plus cash. The dividend rate
on the new preferred will be specified by
underwriters in connection with the sale
at competitive bidding. It is expected the
exchange offer will be in effect for about
ten days and that the shares of the old
preferred stock not exchanged will be redeemed on Feb. 1, 1946, at \$120 per share
and accrued dividends, in the case of the
7% preferred, and at \$110 per share and
accrued dividends in the case of the
foregreed.

Indexwriters—The shares will be offered.

Underwriters—The shares will be offered for sale under the Commission's competitive bidding rule, and the names of under-writers will be filed by amendment.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par \$10. Details—See issue of Nov. 29. Offering—The price to the public is \$10 per share.

Underwriters-None. The securities are being offered by the corporation.

being offered by the corporation.

WELCH GRAPE JUICE CO. on Nov. 23 filed a registration statement for 20,392.8 shares of second preferred stock, par \$100. Details—See issue of Nov. 29. Offering—The 20,392.8 shares of second preferred are being offered to the holders of common stock, at the rate of two shares of second preferred for each 15 shares of common held, at \$100 per share. Navajo Corporation has agreed to purchase all of the unsubscribed shares at \$100 without any discount or commission. Navajo states it will purchase the unsubscribed shares for investment, and not for distribution to the public.

e public. Underwriters—None mentioned.

#### SATURDAY, DEC. 15

SATURDAY, DEC. 13

STATE STREET INVESTMENT CORP.
on Nov. 26 filed a registration statement
for 123,411 shares (additional) of no par
common stock, and stock purchase warrants entitling the bearers to subscribe in
the aggregate to said 123,411 shares of
common stock, to be given to issuer's
stockholders of record at the close of business on Dec. 15, 1945. In addition 34,113
shares already issued on Aug. 22, 1944, to
be registered to permit the re-sale thereof
when and as reacquired by issuer,
Detrils—See issue of Nov. 29.
Offering — Initial offering of 123,411
shares expected to be made on or about
Dec. 24, 1945, through the issuance of
stock purchase warrants to stockholders.
Underwriters—None.

O'SULLIVAN RUBBER CORP. on Nov. 26 filed a registration statement for 63,000 shares of common without par value, 6,000 shares of 5% cumulative preferred, par \$100 and \$500,000 4% first mortgage bonds. Of the common stock registered, 8,000 shares are issued and outstanding, and are being sold by Victor Products Corp. Details—See issue of Nov. 29.

Offering—The price to the public will be 'lad by amendment. The underwriter will purchase the securities at the following-prices: bonds at 95%, preferred stock at \$92 per share and common stock at \$4.50 per share. The principal underwriter

per share and community per share.
Underwriters—The principal underwriter.
Lassell & Co., Charlottesville, Va.
erwriter has agreed to purchase from the company 5.00 shares of common 6,000 shares of preferred and \$500,000 of 4% first mortgage bonds, and has also

27 registered 100,000 shares of 5% cumula-tive convertible preferred shares, par \$25. Details—See issue of Nov. 29. Offering—The price to the public will be filed by amendment. Underwriters—Paul H. Davis & Co. is named principal underwriter.

#### MONDAY, DEC. 17

MONDAY, DEC. 17

THE CONSOLIDATED. INCORPORATED, English name of La Consolidada, S. A., a Mexican corporation, has filed a registration statement for 166,667 American preferred shares and 614,667 American common shares. The underlying shares consist of 166,667 shares of 6% cumulative preferred, par 75 pesos, and 614,667 shares of common, par 25 pesos.

Address—Mexico City, Mexico.

Business—Manufacture and sale of metal products.

Offering—Company is offering 166,667 Mexican preferred shares at 75 pesos per share to the holders of Mexican common stock on a pro rata basis. American preferred shares will be issued against any Mexican preferred shares not subscribed for and will be purchased by the underwriters for offering in the United States at a price to be filed by amendment. The preferred shares are convertible to and including Dec. 31, 1950, unless previously redeemed, into American common stock on a share for share basis.

Proceeds—A part of the proceeds to be received from the sale of American preferred shares will be used, either directly or through a subsidiary, to pay for rolling mill equipment and a rolling mill site. Any balance, plus treasury funds, will be used o redemption, the 7% debenture bonds outstanding in the principal amount of 6,000,000 pesos (\$1,200,000) maturing Aug. 14, 1957.

Underwriters—Shields & Co. head the underwriting exponit

1957.
Underwriters—Shields & Co. head the underwriting group.

underwriting group.

Registration Statement No. 2-6026. Form C-3. (11-28-45).

SUBURBAN PROPANE GAS CORP. has SUBURBAN PROPANE GAS CORP. has filed a registration statement for \$4,500,000 12-year 41/4 % sinking fund debentures, due Dec. 1, 1957, and 493,155 shares of common stock (par \$1).

Address—400 West Mount Pleasant Ave., Livingston, N. J.
Business—Will engage primarily in the distribution of "Philgas," a fuel used for household farm commercial and industrial

distribution of "Philgas," a fuel used for household, farm, commercial and industrial

distribution of "Philigas," a fuel used for household, farm, commercial and industrial purposes.

Offering—The prices to the public will be flied by amendment.

Froeeds—Of the net proceeds, \$8,000,000 will be paid to Phililips Fetroleum Company as part of the purchase price of the business and properties of the 13 eastern retail districts of the Philigas division of Phililips which will be acquired by the corporation. The balance of the net proceeds will be available for general corporate purposes, the acquisition of the propane gas in bulk storage tanks and for working capital. The corporation was incorporated on Nov. 27, 1945. It has been organized to acquire the business of, and the properties used or held for use in the sale and distribution of liquefied petroleum gas (propane) under the trade name "Philipsas" by the 13 eastern retail districts of Philips Petroleum Co., located in eight states on the North Atlantic Seaboard and the District of Columbia, and the liquefied petroleum gas business of Suburban Gas Co. which properties are located in New Jersey, New York and Pennsylvania. Co. which properties are located in New Jersey, New York and Pennsylvania Suburban will acquire the properties from Philips for \$8,000,000 in cash and \$3,000,000 of 15-year debentures.

Underwriters — Eastman, Dillon & Co. heads the underwriting group.

Underwriters — Eastman, Dillon & Co. eads the underwriting group. Registration Statement No. 2-6027. Form -1. (11-28-45).

SEATTLE GAS CO. has filed a registra-tion statement for \$4,800,000 first mort-gage bonds due Jan. 1, 1976. The interest rate will be filed by amendment.

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

Proceeds—The net proceeds will be applied toward the redemption at 102½ of \$4,678.250 first and refunding mortgage bonds, 5% series A, due Oct. 1, 1954, which the company proposes to call for redemption on April 1, 1946. The company will supplement funds necessary to pay off the bonds and accrued interest from treasury funds.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of the underwriters filed by amend-

Registration Statement No. 2-6028. Form -1. (11-28-45).

#### TUESDAY, DEC. 18

GULF PUBLIC SERVICE CO., INC., has filed a registration statement for 312,500 shares of common stock (\$4 par). The shares are issued and are being sold by certain stockholders.

Address-New Iberia, La

Business Operating public utility co

offering—The price to the public filed by amendment.

Proceeds—The proceeds go to the selling tockholders. Underwriters—To be named by amend-

Registration Statement No. 2-6029. Form S-1. (11-29-45).

INDIANA STEEL PRODUCTS CO. has filed a registration statement for \$1,000,000 12-year 5% sinking fund debentures with warrants to purchase common stock and 40,000 shares of common (par \$1), reserved for exercise of common stock purchase warrants.

Address—6 North Michigan Avenue, Chicago 111.

chase warrants.

Address—6 North Michigan Avenue, Chicago, Ill.

Business—Maker of permanent magnets.

Offering—The company is offering to the holders of its outstanding shares of 6% convertible preferred stock, which have been called for redemption on Dec. 29, 1945, the opportunity to exchange the preferred at the redemption price of \$22 per share, for debentures, with warrants, at par, with cash adjustments for accrued dividend on preferred and accrued interest on the debentures. The underwriters are initially offering. \$340,000 of 'debentures, with warrants, for cash sale to the public at a price to be filed by amendment but not less than 102½.

Proceeds—Part of the proposed issue will be issued in exchange for preferred stock. Net proceeds from sale of \$340,000 will be used for corporate purposes, including approximately \$200,000 for additional machinery and equipment. A further-offering of debentures will be made to provide a sufficient amount of cash to redeem the sunexchanged shares.

Underwriters—Brallsford & Co., Chicago, and Kalman & Co., Inc., St. Paul.

Registration Statement No. 2-6030. Form \$2.2, (11-29-45).

GENERAL SHAREHOLDINGS CORP. has filed a registration statement for \$2,650,000 3% debentures, due Dec. 1, 1960. Address.—65 Broadway, New York, N. Y. Business.—A diversified, management investment company of the closed-end type. Offering.—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used with other funds, to pay, at their principal amount plus accrued interest, the corporation's bank loans maturing March 31, 1946, outstanding in the amount of \$2,650,000.

Underwriters — Union Securities Corp. heads the underwriting group.

Registration Statement No. 2-6031. Form S-4. (11-29-45).

#### WEDNESDAY, DEC. 19

PARKS AIRCRAFT SALES & SERVICE, INC., has filed a registration statement for 457,020 shares of common stock, par \$1.

457,020 shares of common stock, par \$1.

Address — Parks Metropolitan Airport,
East St. Louis, Ill.

Business—Aircraft sales and service business in the field of personal flying.

Offering—The stock will be offered first to stockholders (except Parks Air College, Inc.), on a basis of three shares for each one then owned, and to the stockholders of Parks Air College, Inc., on the basis of 1.75 shares for each share of Parks Air College then owned. The offering price is \$3.27 a share.

Froceeds—The purpose of the issue is to

Froceeds—The purpose of the issue is to finance the further development of a sales and service business for the personal type airplane, which is a new enterprise for the corporation. The corporation has a distributorship contract for "Ercoupe."

Underwriters — No underwriting — The stock is being offered solely by the com-

...Registration Statement No. 2-6032. Form S-12. (11-30-45).

#### SATURDAY, DEC. 22

ELECTRONIC CORP. OF AMERICA has filed registration statement for 70,000 shares 55 cent cumulative convertible preferred and 100,000 shares common stock \$1 par.

Address-45 West 18th St., New York,

Business Manufactures public address amplifiers and public address and recording systems.

Offering-Preferred stock \$10, common ock \$5.

Proceeds—General corporate purpose actuding payment of \$150,000 bank loan

Underwriters—First Colony Corp., Si-mons, Linburn & Co., Childs, Jeffries & Thorndike, Coburn & Middlebrook, Grubbs, Scott & Co., Hirsch & Co. and Irving J. Rice & Co.

Registration Statement No. 2-6033. Form S-1. (12-3-45).

#### SUNDAY, DEC. 23

MAREMONT AUTOMOTIVE PRODUCTS, INC. has filed a registration statement for \$1,000,000 4% sinking fund debentures, due Dec. 1, 1960. Price to public to be offered by amendment.

Address-1600 South Ashland Ave., Chi-

Business—Manufactures and sells variety of steel parts used in automotive and hardware industries.

Offering-Price to public to be offered amendment. Proceeds-+To pay off bank loans, demand otes and balance to working capital.

Underwriters-Kebbon, McCormick & Co. Chicago.

Registration Statement No. 2-6035. Form S-1. (12-4-45).

# DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALASKA AIBLINES, INC. on Ocf. 31 filed a registration statement for 125,000 shares of common stock (par \$1).

Details—See issue of Nov. 8.

Offering—Offering price to public, \$16 per share.

Underwriters—R. H. Johnson & Co. heads the underwriting group. ALLEGHANY CORP. on Nov. 16 filed a registration statement for 700,000 shares of common stock, par \$1. The shares are issued and outstanding and are being sold by certain stockholders. These stockholders are Allan P. Kirby. 600,000 shares; Walter W. Foskett, 50,000, and Funice M. Oakes, 50,000 shares.

W. Poskett, 50,000, and Funice M. Oakes, 50,000 shares, Details—See issue of Nov. 22:

Offering—The price to the public will be filled by amendment, Underwriters—The underwriting group is headed by Otis & Co.

headed by Otis & Co.

AMERICAN BANTAM CAR CO. on Oct.

18 filed a registration statement for 83,547
shares of prior preferred stock, par \$10,
and 375,971 shares of common, par \$1.

Details—See issue of Oct. 25.

Offering—Under an exchange offer the
holders of convertible preference stock
will be offered the privilege of exchanging
convertible preference for common on the
basis of 4½ shares of common for each
share of convertible preference under Option A. Under Option B they may exchange convertible preference for prior
preferred and common stock on the basis
of one share of prior preferred and two
shares of common for each share of comvertible preference.

Underwriters—None mentioned.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration
statement for 400,000 shares of 4% cumulative preferred non-voting shares.
Details—See issue of Oct. 11.
Offering—The price to the public is
\$5.50 per share.
Underwriters—The shares will be sold
through the efforts of the directors and
employees of the corporation.

BUFFALO NIAGARA ELECTRIC CORP. 1 Nov. 9 filed a registration statement r \$56,929,000 first mortgage bonds due ov. 1, 1975.

Nov. 1, 1975.

Details—See issue of Nov. 22.

Bids Invited—Bids for purchase of the bonds will be received at Room 1800, 15 Broad St., New York up to 11:30 a.m. FST on Dec. 11, the successful bidder to specify the interest rate.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration state-ment for 1,000,000 shares of common stock,

par 31.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwiters—John William Langs is named principal underwriter.

CAMDEN FORGE CO. on Oct. 29 filed a registration statement for 177,318 shares of common stock, par \$1. The shares registered are outstanding shares owned by Union Securities Corp., and constitute all of the outstanding common shares except 12 owned by directors.

Details—See issue of Nov. 1.

Underwriters—Names will be filed by amendment, to be selected by Union Securities Corp.

EUREKA CORP., LTD., on Sept. 28 filed registration statement for 2,595,000

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common par \$1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at \$1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at \$1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be execused by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

FLEMING-HALL TOBACCO CO., INC., on Oct. 31 filed a registration statement for 150,000 shares 6% cumulative preferred stock, par \$10, and 150,000 shares of common, par \$1.

Details—See issue of Nov. 8.

Offering—The stock will be offered in units consisting of one share of preferred and one share of common at \$15 per unit. Underwriters—Floyd D. Cerf Co. heads the group.

GENERAL INSTRUMENT CORP. on Oct. GENERAL INSTRUMENT CORP. on Oct, 25 filed a registration statement for 60,000 shares cumulative convertible preferred, \$20 par, and 260,000 shares of common, par \$1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of

gitized for FRASER p://fraser.stlouisfed.org/ the preferred. The 160,000 shares of com-rion stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

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

Underwriters—Burr & Co. heads the un-

derwriting group. GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200, 000 shares of common stock, par \$5. Details—See issue of Oct. 4. Offering—The price to the public is 750 har share.

per share.

erwriters—General Finance Co., AtGa., is fiscal agent. GRAY MANUFACTURING CO. on Sept

3 GRAY MANUFACTURING CO. on Sept. 28 filed a registration statement for 95,544 shares of capital stock, par 85. Details—See issue of Oct. 4. In amendment filed Nov. 20 company announced that 20,130 shares would be offered to stockholders at \$10,25 per share; unsubscribed shares may be sold at any time within year at \$10,50. Additional 3,364 shares offered in exchange for all outstanding stock and assets of B. A. Proctor Co., Inc.

Underwriters—None named.

HAMMERMILL PAPER CO. on Nov. 16 filed a registration statement for \$5,000,000 20-year. 3% sinking fund debentures due Dec. 1, 1965 and 15,000 shares of cumulative preferred stock. The dividend rate will be filed by amendment.

Details—See issue of Nov. 22.

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

[Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

heads the underwriting group.

HOWARD STORES CORP, on Nov. 15 filed a registration statement for 31,525 shares of cumulative preferred stock, par \$100 and 75,000 shares of common stock, par \$1. The common stock is being sold by certain stockholders.

Details—See issue of Nov. 22.
Offering—The company is offering the holders of its 31,525 shares of outstanding 54% cumulative preferred stock the oportunity to exchange their shares of old preferred for the new preferred stock on a share-for-share basis plus cash payment. The initial public offering prices will be flied by amendment.

Inderwriters—A. G. Becker & Co., 2nc., heads the underwriting group.

INSURANCE CO. OF NORTH AMERICA on Nov. 15 filed a registration statement for 300,000 shares of capital stock, par \$10. Details—See issue of Nov. 22.
Offering—The company is offering to its stockholders of record Nov. 30, 1945, subscription warrants to subscribe at \$40 per share on the basis of one new share for each four shares held.

MAINE PUBLIC SERVICE CO. on Nov. 14 filed a registration stetement for \$2,-200,000 first mortgage and collateral trust bonds due Oct. 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Nov. 22.

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

Index oy amendment.

Underwriters—The bonds are to be offered for sale at competitive bidding and the names of the underwriters will be filed by amendment.

MANUFACTURERS CREDIT CORP. on Nov. 13 filed a registration statement for 40,000 shares 6% preferred stock, \$25 par, and 40,000 shares of common stock, \$1 par, and 40,000 common stock purchase rants and 40,000 shares of common served for issuance upon exercise of rants.

nts.

Details—See issue of Nov. 22.

Offering—The offering price to the pubc will be \$30 per unit, a unit consisting
one share of preferred and one share

common stock
Underwriters—Walter F. Tellier, doing
usiness under the firm name of Tellier &
O. New York, is named principal under-

MARY LEE CANDIES, INC., on Nov. 15 filed a registration statement for 79,228 shares of common stock, par \$1. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The price to the public is \$7.87½ per share.

Inderwriters—The group is headed by Herrick, Waddell & Co., Inc., New York.

NATIONAL LINEN - SERVICE CORP. ov. 16 filed a registration statement

NATIONAL LINEN SERVICE CORP. on Nov. 18 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par \$100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of its \$5 cumulative preferred stock and \$7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. The price to the public is \$103 per share.

Underwriters—Ciement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

THE PANTASOTE CO. on Nov. 9 filed a registration statement for 100,000 shares of common stock, par \$1. The shares are issued and outstanding and are being sold

issued and outstanding and are being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The price to the public is

\$5.75 per share.

Underwriters—Van Alstyne. Noel & Co.,
heads the underwriting group.

PACIFIC TELEPHONE & TELEGRAPH

PACIFIC TELEPHONE & TELEGRAPH
CO. on Nov. 9 filed a registration statement for \$75.000,000 40-year 23/4% debentures due Dec. 1, 1985.

Underwriting—The names will be furnished by amendment. The company proposes to offer the bonds for sale at composes to offer the bonds for sale at competitive bidding and will receive bids at
Room 2315, 195 Broadway. New York, before 11:30 a.m. on Dec. 10, 1945.

PENNSYLVANIA POWER & LIGHT CO. on Sept. 24 registered 1,818,719 shares off. common stock, no par and 1,818,709 subscription warrants entitling holders to purchase such stock at \$10 a share.

Details—See issue of Sept. 27.

Offering—National Power & Light Co. as holder of all of the outstanding common stock of Pennsylvania Power & Light Co. is entitled to subscribe to 1,818,700 shares of the new common. National is offering to its stockholders of record Dec. 4 the right to subscribe to the new stock on the basis of 1/2 share of new Pennsylvania Power & Light common for each one share of National Power & Light Co. common stock held at \$10 per share. Rights expire Dec. 22: Electric Bond & Share Co. has agreed to take the number of shares proportionate to its common holdings in National 46.56% band National has agreed to take the shares not taken by its remaining stockholders.

RED BANK OIL CO. on May 31 filed a cegistration statement for 990,793 shares of common stock (bar \$1).

Details—See issue of June 7.

Offering—Of the shares registered Benact & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant. Underwriters—Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for \$500, 300 serial 4½% equipment trust certifi

nates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102. The average price to the public is given as 100.47.

as 100.47.
Underwriters—S. K. Cunningham, Inc., Attsburgh, and John Nordman Co., St., Jouis, Mo.

SIOUX CITY GAS & ELECTRIC CO. on Nov. 9 filed a registration statement for \$8,000,000 first mortgage and collateral trust bonds series due 1975; 38,000 shares of cumulative preferred stock, par \$100, and 153,006 shares of common stock, par \$12.50. The interest and dividend rate on preferred will be filed by amendment.

Details—See issue of Nov. 22.

Bids Invited—Bids for the purchase of the securities will be received at the Board Room at Commercial National Bank & Trust Co. 46 Wall Street, N. Y. City, up to 12 noon EST, Dec. 10. Each bid for bonds and the preferred stock shall specify the interest rate and the dividend rate respectively.

VALLEY OSAGE OIL CO. on: Aug. 13 filed a registration statement for 113,468 shares of class A stock (no par).

Details—See issue of Aug. 16.

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

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

VIRGINIA RED LAKE MINES, LTD, on June 24 filed a registration statement for 220,000 shares of capital stock, par \$1 (Canadian).

Details—See Issue of Aug. 2.
Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.
Underwiters—Willis E. Burnside & Co. New York.

WASHINGTON GAS LIGHT CO. on Nov. 14 filed. a registration statement for 40,000 shares of \$4.25 cumulative preferred stock, without par value, Details—See issue of Nov. 22.

Offering—The company is offering 40,000 shares of the new preferred stock to the holders of its outstanding 40,000 shares of \$5 cumulative preferred stock on basis of one share new plus \$1.10 for one share old. Unexchanged through underwriters at \$104 per share. Company proposes to redeem any unexchanged stock.

Underwriters—Alex. Brown & Sons; Auchincloss, Parker & Redpath; Johnston, Lemon & Co., Folger, Nolan & Co., Inc.; Goodwyn & Olds; Mackall & Coe; Ferris, Exnicios & Co., Inc.; Rebert C. Jones & Co., and Robinson, Rohrbaugh & Lukens.

WESTERN AIR LINES, INC., on Oct. 29 filed a registration statement for an indeterminate number of common shares, nor \$1

determinate number of common shares, par \$1.

Details—See issue of Nov. 8.

Offering—A certain number of shares, the figure to be supplied by amendment are being offered to stockholders through subscription warrants, the price and ratio to be supplied by amendment. The shares not purchased through subscription warrants will be offered for sale to the officers and directors of the corporation and/or the public at the offering price per share. In addition, a total of 76,310 shares are being offered to officers and employees at \$16.50 per share under an Employees' Stock Purchase Plan and a Management Stock Purchase Plan.

Underwriters—It is not contemplated that the issue will be underwritten.

WILSON & CO., INC., on Sept. 10 filed a registration statement for 250,000 shares of cumulative preferred stock and an un-specified number of common shares. By amendment filed with SEC company proposes to exchange outstanding 274,085

# President Not in Favor of Further Big-3 Meetings

ence

3. Negotiations are now under way among the Allies ruling Germany for a revision of the Potsdam Declaration of Germany in some respects. Chiefly the United States is seeking a modification of the arrangement which requires unanimous agreement among this Government, Russia, France and Britain before any decisions can be made by the Allied Control Council in Berlin. This effort at revision grows out of Byron Price's report on the possible failure of American aims and policies Germany.

4. Gen. George C. Marshall, the

President's special envoy to China

#### DIVIDEND NOTICES



CAN COMPANY

PREFERRED STOCK On November 27, 1945, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 2, 1946, to Stockholders of record at the close of business December 19, 1945, Transfer Books will remain open. Checks will be mailed. R. A. BURGER, Secretary



#### AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 159 Common Dividend No. 144 Common Dividend No. 145

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1945 payable January 2, 1946, a year end dividend of 35¢ per share on the Company able January 2, 1946, a year end divi-dend of 25¢ per share on the Common Stock payable December 28, 1945 and a dividend of 25¢ per share on the Com-mon Stock payable January 2, 1946 have been declared, to respective holders of record December 10, 1945. The stock transfer books will remain open.

November 28, 1945

E. F. PAGE



# QUPOND E. I. DU PONT DE NEMOURS

WILMINGTON, DELAWARE: November 19, 1945 WILMINGTON, DELAWARE: November 19, 1945
The Board of Directors has declared, this day a
dividend of \$1,12/4\$ as share on the outstanding
Preferred Stock, payable January 25, 1946, to
stockholders of record at the close of business on
January 10, 1946; also \$1,50 a share, as the
year end dividend for 1945, on the outstanding Common Stock, payable December 14, 1945,
to stockholders of record at the close of business
on November 26, 1945.

W. F. RASKOR Secretors

W. F. RASKOB, Secretary

#### **GUARANTY TRUST COMPANY OF WNE YORK**

New York, December 5, 1945.
The Board of Directors has declared a quarter ledden of Three Dollars (8.3) per share on the Capital Stock of this Company for the Quarter ending December 31, 1945, payable on January 2, 1946, to stockholders of record at the close of business December 12, 1945.

MATTHEW T. MURRAY, JR., Secretary.

shares of \$6 preferred for new \$4.25 preferred stock and to the extent of 50,000 shares of outstanding preferred for company's common stock probably on a ratio of 1 to 5½.

President Not in Pavor of Puriner Dig-3 meetings

President Truman, on Nov. 29, stated at a press conference that he was not in favor of meetings further among the Big Three for purposes of working out problems of, joint concern and felt that if, the United Nations Organization works as it was intended to it would be adequate to handle the job itself. In answer to questions as to whether revisions in Allied control policy and machinery for Germany might necessitate a meeting of himself, Prime Minister Attlee probably will leave for Chungking and Premier Stalin, the President expressed his views, according to Associated Press Washington advices, and at the same time devices, and at the same time devices are yet to be worked out, although Mr. Truman said that Marshall's

or himself, Prime Minister Attice
and Premier Stalin, the President
expressed his views, according to
Associated Press Washington advices, and at the same time developed the following points:

1. He does not share the fear,
which a questioning reporter said

which a questioning reporter said, some persons in the country hold, that Russia will not cooperate toward world peace or that Russia's policies will lead to war. He was very emphatic in stating that he did not share any such fears.

2. At a later date, the President will discuss fully the international situation, particularly as it in-volves efforts of the nations to cooperate for peace. The discus-sion may be at a news confer-

3. Negotiations are now under

# THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY New York, November 27, 1945. The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents (\$2.50) per share, being Dividend No. 94, on the Preferred Capital Stock of this Company, payable February 1, 1946, out of undivided net profits for the year ended June 30, 1945, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 28, 1945. The Board also declared on this day a dividend of One Dollar and Fifty Cents (\$1.50) per share, being Dividend No. 132, on the Common Capital Stock of this Company, payable March 2, 1946, to the holders of said Common Capital Stock registered on the books of the Company at the close of business January 25, 1946, to the holders of Freferred and Common Capital Stock, who have filed suitable orders therefor at this office. D. C. WILSON, Assistant Treasurer, Law Broadway, New York 5, N. Y.

Mr. Truman said that Marshall's basic job would be to carry out the policies which we've always had in China.

The President declined to comment at this news conference on the recently announced resignation of Ambassador Patrick J.

Hurley from his China post.

**DIVIDEND NOTICES** 

CALUMET AND HECLA CONSOLIDATED
COPPER COMPANY
A dividend of FUDEN COMPANY
A dividend of Events (30.05) per share
will be paid on December 20. 1945, to holders of
the Outstanding Capital Stock of the Calumet
and Heele Consolidated Copper Company of
record at the close of business December 8, 1945.
Checks will be malled from the Old Colony
Trust Company, Boston, Mass.
A. D. NICHOLAS, Secretary.
Boston, November 29, 1945.



#### CELANESE CORPORATION OF AMERICA 180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends.

FIRST PREFERRED STOCK \$4.75 SERIES

The regular quarterly dividend for the current quarter of \$1.1834 per share, payable January 1, 1946 to holders of record at the close of busi-ness December 17, 1945.

#### 7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of \$1.75 per share, payable January 1, 1946 to holders of record, at the close of business December 17, 1945.

#### COMMON STOCK

50 cents per share, payable December 31, 1945 to holders of record at the close of business December 17, 1945.

R. O. GILBERT

December 4, 1945.

#### DIVIDEND NOTICES

#### IRVING TRUST COMPANY

One Wall Street, New York

The Board of Directors has this day de-clared a quarterly dividend of 15 cents and an extra dividend of 20 cents (total 35 cents) per share on the capital stock of this Company, par \$10., payable January 2, 1946, to stockholders of record at the close of business December 10, 1945.

STEPHEN G. KENT, Secretary



#### Philip Morris & Co. Ltd., Inc.

A regular quarterly dividend of \$1.00 per share on the Cumulative Preferred Stock, 4% Series, has been declared payable February 1, 1946 to holders of Preferred Stock of record at the close of business on January 15, 1946.

Preferred Stock of record at the close of business on January 15, 1946.

There also has been declared a quarterly dividend of 37½¢ per share on the Common Stock, (\$5 Par), payable January 15, 1946 to holders of Common Stock of record at the close of business on December 31, 1945.

Pursuant to a resolution adopted at the Stockholders' Meeting held on Julys 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of \$10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of \$5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of \$5 each shall contain the share of the par value of \$5 per share, on the basis of two shares of new Common Stock of the par value of \$5 per share, on the basis of two shares of new Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per share of Common Stock of the par value of \$6 per s

L. G. HANSON, Treasurer.

#### UNION CARBIDE AND CARBON CORPORATION णवव

cash dividend of Seventy-five cents (75c) per share on the outstanding capital stock of this Corporation has been declared, payable Jan. 1, 1946, to stockholders of record at the close of business Dec. 6, 1945.

ROBERT W. WHITE, Vice-President

The Board of Directors of

#### Wentworth Manufacturing Company

has declared a dividend of twelve and one-half cents (12½c) per share on the out-standing common stock of the Company, payable on December 20, 1945 to stockholders of record at the close of business December 10, 1945. Checks will be mailed.

JOHN E. McDERMOTT,

# The Chesapeake and Ohio Railway Co.

A dividend for the fourth quarter of 1945 of seventy-five cents per share on \$25 par common stock will be paid January 2, 1946, to stockholders of record at close of business cember 7, 1945. Transfer books will not close.

H. F. LOHMEYER, Secretary

# **Bond Club of New York Appoints Committees**

Lee M. Limbert, Blyth & Co., Inc., president of the Bond Club of New York, announces the appointment of the following Committees for the year 1945-46.

Arrangements: T. Jerrold Bryce, Clark, Dodge & Co., chairman; Henry C. Brunie, Kidder, Peabody & Co.; Alfred Shriver, Morgan Stanley & Co.

Stanley & Co.

Reception: J. Emerson Thors,
Kuhn, Loeb & Co., chairman; A.
Glen Acheson, Lazard, Freres &
Co.; Walter F. Blaine, Goldman,
Sachs & Co.; W. Rufus Brent,
Eastman, Dillon & Co.; Wm. H. M.
Fenn, Phelps, Fenn & Co.; Clarence E. Goldsmith, White, Weld & Co.; C. Edward Grafmuller; W. Fenton Johnston, Smith, Barney & Co.; E. Fleetwood Dunstan, Bankers Trust Co.; Max A. Hewitt, Blyth & Co., Inc.; James J. Lee, Lee Higginson Corp.; George J. Leness, First Boston Corporation; William M. Rex, Clark, Dodge & Co.; Reginald W. Pressprich, Jr., R. W. Pressprich & Co.; and David L. Skinner, Harriman Ripley & Co.

# INDEX

Bank and Insurance Stocks2112
Business Man's Bookshelf2704
Galandar of New Security Flotations, 2790
Conadian Securities
Dealer - Broker Investment Recom-
mendations and Literature 2706
Municipal News and Notes
Mutual Funds
NSTA Notes
Our Reporter's Report2775
Our Reporter on Governments2188
Public Utility Securities 2704
Railroad Securities
Real Estate Securities2704
Securities Salesman's Corner2716
Tomorrow's Markets—Walter Whyte Says
Days /

Pennsylvania Securities Section on pages 2708 and 2709.

Publicity: William H. Long, Jr., chairman; Kenneth C. Hogate, Eugene P. Barry, Shields & Co.; and Lloyd S. Gilmour, Eastman, Dillon & Co.

Field Day: F. Kenneth Stephenon, Goldman, Sachs & Co., and Frank A. Willard, Reynolds & Co., co-chairmen; Robert E. Broome; Thomas T. Coxon, Mellon Securities Corp.; and Harold MacDougall, vice-chairmen.

# Schirmer, Atherton Co. James McCormick Jr.

BOSTON, MASS. — Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges, will admit John Gardner, Martin C. Lee, Alf C. Lootz, W. Robert Mason, Jr., and Edward P. Wyeth to partnership in the firm on Jan. 1. Mr. Gardner is office manager for Schirmer, Atherton & Co.

# To Admit Five Partners To Be Mixter Partner

BOSTON, MASS. — Mixter & Co., 82 Devonshire Street, members of the New York and Boston Stock Exchanges, wil admit James F. McCormick, Jr. to partnership in the firm on Jan. 1. Mr. McCormick has been with them for some time in charge of the Listed Bond Department.

Trading Markets in

Amalgamated Sugar Arteraft Mfg. Com. & Pfd. Baltimore Porcelain Steel Bendix Helicopter Bendix Home Appliances Clyde Porcelain Steel Du Mont Laboratories

Globe Aircraft Int'l Resist. 6% Pfd. & Com. Ironrite Ironer Com. & Pfd. Lear Inc. Majestic Radio & Television Telecoin Corporation Wilcox & Gay

## Kobbé, Gearhart & Company

Members New York Security Dealers Associates 45 NASSAU STREET, NEW YORK 5

RECTOR 2-3600

PHILADELPHIA TELEPHONE ENTERPRISE 6015

BELL TELETYPE NEW YORK 1-576

# FOREIGN SECURITIES MARKETS

Teletyre

# CARL MARKS & CO. INC.

FOREIGN SECURITIES

Telephone HAnover 2-0050

SPECIALISTS 50 Broad Street

New York 4, N.Y.

AFFILIATE: CARL MARKS & CO. Inc. CHICAGO

Memorandum Available For Dealers Only:

U. S. Air Conditioning

# WARD & CO.

Teletype: NY 1-1287 1-1288

Members N. Y. Security Dealers Ass'n.
120 BROADWAY, NEW YORK 5

**NEW ENGLAND** 

# TEXTILES

**New England Local Securities** 

#### WALTER J. CONNOLLY & CO. INCORPORATED 1923

24 FEDERAL STREET, BOSTON 10, MASS.

Telephone Hubbard 3790

Bell System Teletype BS-128

Columbus Auto Parts Sunshine Consolidated Pressurelube, Inc. U. S. Radiator, Pfd. Smith & Wesson

# W. T. BONN & CO.

120 Broadway New York 5 Telephone COrtlandt 7-0744 Bell Teletype NY 1-886

#### Northern Engineering Works Founded 1897

Manufacturers electric cranes & hoists DIVIDENDS:

1941, \$ .35 1944, 1942, 1.20 1945, 1943, 1.20 1946, 1945, 1.00 1946, ( .25) (1/10/46)

Net current assets \$13.56 per sh Net book value 20.63 " "

Current market to yield 7 % Circular upon request

# AMOS TREAT & CO.

40 Wall St., N. Y. 5 BO 9-4613

# General Public Utilities Corp.

(Successor Company to Associated Gas & Electric)

Common Stock - When Issued

Memorandum on Request

# G. A. Saxton & Co., Inc.

70 Pine Street, New York 5, N. Y.

WHitehall 4-4970

Teletype NY 1-609

#### Over-the-Counter Quotation Services For 32 Years

#### NATIONAL QUOTATION BUREAU, Inc. Established 1913

46 Front Street, New York 4, N. Y.

Chicago

San Francisco

Specializing in Unlisted Securities

BANK - INSURANCE

PUBLIC UTILITY — INDUSTRIAL — REAL ESTATE

**LUMBER & TIMBER** 

BONDS, PREFERRED AND COMMON STOCKS

BOUGHT - SOLD - QUOTED

# REMER, MITCHELL & REITZEL, INC.

208 So. La Salle St., Chicago 4 RANdolph 3736

WESTERN TINION 'WUX"

BELL SYSTEM TELETYPE

#### J. S. Strauss Visitor in Wall Street

Jack S. Strauss of J. S. Strauss & Co., 155. Montgomery Street, San Francisco, is in New York City calling on the dealers.

New England Public Service Du Mont Laboratories Air Cargo Transport Gaumont-British "A" Bendix Helicopter Majestic Radio U. S. Finishing

# M. S. WIEN & Co.

40 Exchange Pl., N. Y. 5 HA. 2-8780 Teletype N. Y. 1-1397

Sardik's Inc. Keyes Fibre Co. Haile Mines Inc. Waltham Watch Co. Finch Telecommunications Oklahoma Interstate Mining Airplane & Marine Instruments Schoellkoof Hutton & Pomerov

#### RALPH F. CARR & CO.

BOSTON 9, MASS.

Boston New York Teletype Hubbard 6442 Hanover 2-7913 BS 328

We specialize in all Insurance and Bank Stocks Industrial Issues Investment Trust Issues Public Utility Stocks and Bonds TEXTILE SECURITIES Securities with a New Eng. Market

#### Frederick C. Adams & Co.

Specialists in
New England Unlisted Securities 24 FEDERAL STREET, BOSTON 10
Established In 1922
Tel. HANcock 8715 Tele. BOston 22

# \$67.50

ARRIA'S on the 5% \$100 par proferred slack of a New England Company established in 1862.

Recent Price: 55

Write or call for Analysis M.C.P.

# Raymond & Co.

148 State St., Boston 9, Mass. Tel. CAP. 0425 : Teletype BS 259
N. Y. Telephone Hanover 2-7914

> WANTED Blocks of Securities

Hill, Thompson & Co., Inc.

Markets and Situations for De 120 Broadway, New York 5
Tel. REctor 2-2020 Tele. NY 1-2660