Final Edition

THURSDAY

In 2 Sections—Section 1

The COMMERCIAL & FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 156 Number 4110 | New York, N. Y., Thursday, September 24, 1942 | Price 60 Cents a Copy

OUR REPORTER'S REPORT

Observers report increasing evidence of growing public interest in lower-priced speculative railroad obligations which have been in a rising trend for several months.

Presumably the public, which has had little interest in speculation in recent years, is, belatedly, becoming aware of the revivifying influence which war business has been exerting upon the traffic and earnings of the rail carriers.

What has been happening in carrier bonds, that is those of roads in receivership and of companies which came quite close to the brink in the last decade, is vividly set forth in the performance of the so-called "defaulted rail bond average," compiled by Dow-Jones & Co.

On Jan. 2 last a group of ten selected defaulted liens had an average worth of 13.99. Currently the same ten bonds show an average worth of around 21.40 showing an indicated appreciation of some 53.3%.

The average for these issues set a low, in January of 1941, of 10.78 while the low for recent years was set on May, 1940 at 7.23.

Traders have been active in the group for some time, basing their operations on the rising trend of rail earnings, and perhaps equally important, the expectation that the new tax bill will include a provision permitting the carriers to retire their debt by purchase in the open market, without incurring a tax liability on the differential between the price paid and the par of the bond.

"Swapping" A Factor

Ever since the depression, institutional investors have been chiefly concerned with paring

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American Bankers Association "Convention In Print" Edition

In co-operation with the efforts of the Office of Defense Transportation, headed by Joseph B. Eastman, to limit civilian wartime travel to an absolute minimum, the American Bankers Association decided this year to cancel its annual convention and to substitute therefor a "Convention In Print." It is unfortunate that, owing to space limitations, we were unable to give in this issue of the "Chronicle" all of the articles which were prepared for the Association's "Convention In Print." Those that do appear are listed below and, in this connection, we wish to express our thanks to "Banking," the official organ of the Association, for making their publication in the "Chronicle" possible. It is not unlikely that it will be possible to publish in future issues of the "Chronicle" some of the papers necessarily omitted at this time, as they also constitute a valuable contribution to the study of the problems of banking in wartime and the important part played by the industry in the war effort.

INDEX OF ARTICLES

Our Reporter On "Governments"

When Secretary Morgenthau announced he was going to sell $1,500,000,000 of certificates of indebtedness carrying only 0.65% interest, most experts were shocked at the "close shaving," predicted banks outside of the big cities would sidestep the issue, concentrate instead on the 1¼% notes. . . . It was obvious country banks wouldn't want an issue bearing so slight an interest coupon. . . . Obvious New York City's and Chicago's banks would have to get behind the offering to put it over. . . . Well, the issue did go over, as naturally it would. . . . But allotments were on a straight 75% basis for all subscriptions over $25,000, and those were allotted in full. . . . For a $1,500,000,000 issue, only $1,992,000,000 of subscriptions were received. . . . That's not so good. . . . To put it mildly. . . .

And, in addition, the large allotment percentage must give Morgenthau the warning he needs. . . . Selling issues with such minor interest coupons is a delicate, dangerous task at this time. . . . The banks want certificates—surely. . . . But they don't care especially whether a maturity is six or eight months and they would rather have the extra few dollars' interest than the more or less theoretically greater protection of a shorter due date. . . .

The allotment figures on the September issues—75% on the certificates, 42% on the notes—tell us these things:

The market has had sufficient certificate issues for the time being. . . .

If any more certificate offerings are tried, the chances are the interest coupons will be around the ⅞% level, which proved so attractive on the flotation before this. . . .

The process of bringing liquidity into the short-term mart has been all but completed. . . .

The best move for the Treasury now is to move "out a bit" and into the intermediate or long-term market. . . .

THE DISCOUNT NOTES

There are more issues selling below par in the open market today than most observers realize. . . . Not important issues. . . . Not bonds that the big investors hold in huge quantities and that

(Continued on page 1086)

Chase Bank Celebrates 65th Anniversary

September 20 marked the 65th anniversary of the Chase National Bank, of New York, which was founded in 1877 by John Thompson, a prominent figure in the financial world of that period. It was named in honor of Salmon P. Chase, Secretary of the Treasury in the Cabinet of Abraham Lincoln.

The first statement of condition published by the bank as of

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DEALER BRIEFS

Dealer Asks NASD Pertinent Question

A New York State dealer firm has furnished us with a copy of a letter sent by them to the National Association of Securities Dealers, Inc., Philadelphia, concerning the proposed SEC bid and asked disclosure rule. At the writer's request, we are omitting both his name and that of the firm. Text of the letter follows:

"Pending determination of proposed rule X-15C1-10 of the Securities and Exchange Commission, will you be good enough to inform us whether the NASD may have postponed the payment date of the membership assessment due Oct. 1 for the fiscal year Oct. 1, 1942, to Nov. 30, 1943? Obviously, if the proposed regulation becomes effective, the majority of investment dealers will have no need for membership in the NASD or further incentive to continue in the securities business."

Eiger & Canniff Now With Hart Smith & Co.

Announcement is made of the association with Hart Smith & Co., 52 William St., New York City, of William Eiger and George V. Canniff. Mr. Eiger was formerly with H. E. Scott Co. and Royal Securities Corp.; Mr. Canniff was with Taylor, Bates & Co., and for many years with Harriman & Keech.

Hart Smith & Co. have offices in New York City, Montreal and Toronto, and have for many years been active in the field of Canadian securities.

New Nickel In Production

Mrs. Nellie Tayloe Ross, Director of the Mint, announces that production of the new "Victory-alloy" five-cent coin began on Sept. 18 at the Philadelphia Mint. The new coin consists of 35% silver, 56% copper and 9% manganese, thus saving for war use all the nickel and 25% of the copper of the present "nickel." The familiar Jefferson design will be continued in the new coin. The change in the metal composition of the new five-cent piece was referred to in these columns Sept. 17, page 979.

"Duke" Jr. In Solomons

"Duke" Hunter, Jr., son of "Duke" Hunter of Hunter & Co., 42 Broadway, New York City, is on active service in the Guadalcanal area in the Solomon Islands. "Duke" Jr. is a member of the U. S. Marine Corps.

Eberstadt Appointed To New WPB Post

The appointment of Ferdinand Eberstadt as a Vice Chairman of the War Production Board in charge of programs and schedules was announced on Sept. 19 by WPB Chairman Donald M. Nelson. Mr. Eberstadt is relinquishing his post as Chairman of the Army and Navy Munitions Board in order to accept the new assignment. In his position he will have charge of the flow of materials to manufacturers and producers throughout the war effort, taking over the responsibilities formerly held by James S. Knowlson, another WPB Vice Chairman and Mr. Nelson's deputy on the British-American Combined Production and Resources Board. The change, it was said, will leave Mr. Knowlson free to devote his time to the work of that board. Special advices from Washington to the New York "Herald-Tribune" on Sept. 19 said:

"In order that responsibility for control of materials may be centralized, both in respect to the program determination and the execution of allocations, it was explained at the WPB, Ernest Kanzler, recently appointed Director of Operations, will report to Chairman Nelson through Mr. Eberstadt.

"Under the new set-up, Mr. Nelson said, responsibility for seeing to it that proper programs and schedules are drawn up and the responsibility for making materials available to meet these programs and schedules are tied together by centering both responsibilities in Mr. Eberstadt. Responsibility for following through on all production schedules to see that they are met is up to Charles E. Wilson, recently appointed a Vice-Chairman."

Pittsburgh Bond Club To Hold Fall Outing

PITTSBURGH, PA.—The Bond Club of Pittsburgh will hold its annual Fall outing on Thursday, October 1st, at the Shannopin Country Club.

A feature of the day will be a golf tournament, the Bankers Cup to be awarded to the winner. Greens fee will be $1.50. Other sports featured will be Le Bocci, Mo-Skeet-O and tennis. Dinner will be at 7:30 p.m.—free to members; guests, $2.50.

Reservations should be made with G. C. Bodell, Chairman of the Outing Committee, Peoples-Pittsburgh Trust Company.

Hopkinson Re-Elected By Pennsylvania IBA

The Eastern Pennsylvania Group of the Investment Bankers Association re-elected Edward Hopkinson, Jr., partner in Drexel & Co., Chairman for the 1942-1943 year at its annual meeting held recently. Sydney P. Clark, E. W. Clark & Co., was again chosen Vice-Chairman and Albert R. Thayer, Thayer, Baker & Co., was named Secretary-Treasurer.

William D. Buzby, Jr., Butcher & Sherrerd; Walter A. Schmidt, Schmidt, Poole & Co., and Bertram W. Wilde, Janney & Co., were elected to the Executive Committee for three-year terms. Henry D. Boenning, Boenning & Co., was elected to fill the unexpired term of Thornton C. Pray, Wurts, Dulles & Co., who has resigned from the Committee.

Newman & Worms Will Join Ira Haupt & Co.

Following the dissolution of Newman Bros. & Worms on Sept. 30, Claude S. Newman, member of the New York Stock Exchange, and Samuel E. Worms will become partners in Ira Haupt & Co., 39 Broadway, New York, members of the New York Stock Exchange, on Oct. 1. Also admitted to partnership in Ira Haupt & Co. will be Jules R. Gimbernat, Jr., who has been with the firm for many years in charge of railroad bonds.

F. W. Morrow Becomes H. L. Emerson V.-P.

CLEVELAND, OHIO—Frank W. Morrow, member of the Cleveland Stock Exchange, has become a vice-president of H. L. Emerson & Co., Inc., Union Commerce Building, which has been elected to the Cleveland Exchange. Mr. Morrow was formerly proprietor of Morrow & Co. in Cleveland and prior thereto was a partner in Cunningham & Co. and its predecessor Kraus-Cunningham & Co.

R. S. Harris Is New With M. A. Saunders

MEMPHIS, TENN.—Richard S. Harris has become associated with M. A. Saunders & Co., Inc., Union Planters Bank Building. Mr. Harris for many years was proprietor of R. S. Harris & Company, which has now discontinued business.

Baltimore, Md.

If anyone tells you business is very good in the Free State of Maryland, that there is a great demand for Municipals, bank and insurance stocks, high grade bonds and preferreds, and speculative rails, and that the boardroom traders are keeping the order clerks busy, he is either a miracle man or something else.

On the other hand, one who says there is no business recalls the spies' evil report in *Numbers* 13. There is business to be had, notwithstanding the billions of investment dollars all of us are helping to direct into War Bonds; and while we are short-handed by many members of our organization being in the armed service, we are working harder than ever and doing a little in almost everything; and we have not lost our optimism.—*W. T. Childs, Stein Bros. & Boyce*

Boston, Mass.

Any investor contemplating a long-term investment in the insurance industry should include in his portfolio a selected list of casualty stocks. Also, we feel that in his selection of fire stocks he should give serious consideration to those fire companies with strong casualty affiliates.—*F. L. Putnam, F. L. Putnam & Company*

Denver, Colo.

We find investment demand and inquiry at a new low, due, no doubt, to war bond purchases by clients, prospective tax increases and lack of new issues. Some few flash offerings have gone fairly well on small allotments. Subject only to better war news, we expect this condition to continue indefinitely.—*Chas. W. Webb, Walter-Webb & Company*

The public in our territory are buying Government Bonds. Because of a limited number of new issues locally and nationally, there are few offerings to make. However, the over-the-counter securities here have held their price well and liquidation is of a minor character. Yields are excellent even after the estimating the new tax bill. Taxfree Municipals are scarce.

It appears that the bond man will have to trade in the "bid and asked" market for the duration.—*Gerald Peters, Peters, Writer & Christensen, Inc.*

Our clients are investing liberally in Government War Bonds. Municipals are very scarce and we expect very little if any new financing for the "duration" with very little refunding in prospect. Municipals offer too low a yield for the average individual investor and we find our clients looking towards stocks with long dividend records and proven management, for a more liberal return.—*Ernest E. Stone, Donald F. Brown & Company, Inc.*

Omaha, Neb.

No intelligent dealer can boast that business is good, and undoubtedly it is worse with some than with others. Some dealers have been so adversely affected, or fear they are going to be, that they are seriously talking about the end of the financial world.

A good cure for apprehension about the future is to spend a Saturday afternoon or two reading old files of the "Commercial & Financial Chronicle." An excellent place to start is about mid-1912 when Woodrow Wilson was campaigning for the Presidency. The "Chronicle" then as now accurately portrayed the sentiment of the financial world. If the reader in scanning the old files will occasionally reflect on all that has happened since those "parlous times" he can hardly help concluding that the future will take care of itself if he will just keep plugging away at the job today and tomorrow.—*Plummer P. Purdham, Burns, Potter & Company*

Louisville, Ky.

We are experiencing quite a demand for Kentucky Municipals, but the supply is limited.

We are also having a nice demand for local securities, such as—Belknap Hdwe. & Mfg. Company Common Stock, Commonwealth Life Insurance Company Stock and Louisville Gas & Electric Company 5% Preferred Stock.

We have also had quite a bit of activity in Railroad bonds that are in the process of reorganization, and have found people taking more and more to these.—*C. A. Lucas, Stein Bros. & Boyce*

St. Louis, Mo.

We are only qualified to comment on St. Louis, Kansas City and Southwest real estate securities and accordingly we can state that we have found an increasing demand for this type of securities by our retail clientele. Consequently our interest has remained on the bid side. — *Leonard Vogel, Glaser, Vogel & Co.*

St. Louis and our territory never was more prosperous! All buyers want income. Good securities are scarce. We look for a good market this fall and winter.—*Edward D. Jones, Edward D. Jones & Co.*

St. Louis Dealers are actively engaged in the sale of United States War Savings Bond and Tax Notes. There has been a splendid response in this area to the Government offerings.

The municipal market has been quiet with a reasonably constant demand for local and mid-western names of one to ten-year maturities from banks and individuals. Insurance companies have been more or less on the sidelines as far as municipal bond purchases are concerned.—*James F. Quigg, Mississippi Valley Trust Company*

Rails Attractive

The current situation in five defaulted railroad bonds offers attractive possibilities for potential income and profit, according to a circular being distributed by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of the circular are available from the firm upon request.

COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
William B. Dana Company
Publishers
25 Spruce Street, New York
BEekman 3-3341
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, President
William D. Riggs, Business Manager
Thursday, September 24, 1942

Published twice a week [every Thursday (general news and advertising issue) with a statistical issue on Monday]

Other offices: Chicago—In charge of Fred H. Gray, Western Representative, Field Building (Telephone State 0613). London—Edwards & Smith, 1 Drapers' Gardens, London, E.C.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of Mar. 8, 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. NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Hayden Golf Tourney Cancelled Due To War

Because of war time conditions, the Charles Hayden Trophy tournament which has been played for 19 successive years will not be held this year, according to an announcement by Nevil Ford, Chairman of the tournament committee. The tournament, which annually brought together some of Wall Street's best golfers representing about 40 investment firms, was established by the late Charles Hayden in 1922. Since his death it has been continued as a memorial to him. The First Boston Corporation, last year's winner, will continue in possession of the trophy until the tournament is resumed.

Robt. Bourne Joins Merrill Lynch Firm

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Robert K. Bourne has become associated with Merrill Lynch, Pierce, Fenner & Beane, 221 Montgomery St. Mr. Bourne was for many years connected with Hannaford & Talbot as manager of the bond trading department. In the past he served in the same capacity with James G. Flaherty & Co.

"News & Views"

In the current issue of "News & Views," Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, sees a definitely bullish outlook for the sale of securities under present conditions. Copies of this interesting bulletin, which also contains a discussion of some insurance issues which the firm feels appear particularly attractive, may be had from Butler-Huff & Co. upon request.

An interesting discussion of the tax position of the insurance industry has been prepared for distribution by Butler-Huff & Co., from whom copies may also be had upon request.

Halsey, Stuart Group Offers District Bonds

The Boston Metropolitan District, formed in 1929 to facilitate transit financing and planning in Boston and 13 adjacent communities, obtained close to a record low rate yesterday on a bond issue of $8,286,000, the sale attracting bids from three syndicates embracing many of the important firms and banks specializing in municipal financing. It was the largest purely municipal issue to reach the market in over two months.

Halsey, Stuart & Co., Inc., and 21 associates were the successful bidders, naming a price of 100.40 for 1¾s, 97.50 for 1½s or 93.28 for 1¼s. The award was made at the 1¼% rate and reoffering was started immediately at prices to yield 0.50 to 1.70% for Oct. 15, 1943 to 1967, maturities.

The Chase National Bank and associates bid 98.929 for 1¾s or 95.079 for 1½s. The First National Bank of New York bid 98.35 for 1¾s, or 94.54 for 1½s.

Associated with Halsey, Stuart & Co. are Lehman Brothers, Blair & Co., Inc., Phelps, Fenn & Co., Dick & Merle-Smith, B. J. Van Ingen & Co., Bacon, Stevenson & Co., Coffin & Burr, Kean, Taylor & Co., Hornblower & Weeks, Geo. B. Gibbons & Co., Otis & Co., Inc., Tucker, Anthony & Co., Arthur Perry & Co., Schoellkopf, Hutton & Pomeroy, Inc., Newburger, Loeb & Co., Alfred O'Gara & Co., Edw. Lowber Stokes & Co., H. C. Wainwright & Co., Wm. R. Compton & Co., Mullaney, Ross & Co. and David F. Rice & Co.

The proceeds of this issue will be used by the district authorities to redeem a like amount of Boston Elevated Railway Company 5% bonds maturing December 1, 1942.

Spiegel & Peiffer To Be NYSE Members

Spiegel & Peiffer, commodity brokerage firm, with offices at 2 Broadway, New York City, will become members of the New York Stock Exchange as of Oct. 1, when P. Peiffer, partner in the firm, acquires the Exchange membership of Frank H. Davis. L. P. Spiegel is the other member of the firm.

C. W. Orndorff With Hornblower & Weeks

(Special to The Financial Chronicle)

DETROIT, MICH.—Carl W. Orndorff has become associated with Hornblower & Weeks, Penobscot Building. Mr. Orndorff was formerly local manager for Otis & Co., and prior thereto was with Alison & Co., and was in charge of the Detroit office of Sills, Troxell & Minton.

Good Dealer Situation

Fairman & Co., 650 South Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange, have just issued an attractive sixteen-page booklet describing the issues of some companies which are especially active in shipbuilding and airplane manufacturing for the war effort. Copies of the booklet, entitled, "Ships and Planes for Uncle Sam," which will prove of real interest to dealers, may be had from the firm upon request.

I. Meisel To Be Partner

Irving Meisel will become a partner in Benjamin, Hill & Co., 1 Wall Street, New York City, members of the New York Stock Exchange on Oct. 1. Mr. Meisel, who has been office manager of the firm for some years, will act as alternate on the floor of the Exchange for Barets O. Benjamin.

NSTA Committee To Study SEC Proposal

At the meeting of the Officers and National Committeemen of the National Security Traders Association in Chicago, after a complete discussion of the aspects of the bid and asked disclosure rule proposed by the Securities and Exchange Commission (Rule X 15-C1-10), a committee was appointed by the association to confer with other organizations in the securities industry and to go to Philadelphia for conferences with the Commission regarding the rule.

Members of the Committee are: B. Winthrop Pizzini, B. W. Pizzini & Co., New York City, Chairman; Joseph W. Sener, Mackubin, Legg & Co., Baltimore, Md., and Wm. Perry Brown, Newman, Brown & Co., New Orleans, La.

The NSTA voted to make available to this committee the entire funds of the Treasury of the association to cover any expenses incurred in carrying out their work.

Utility Attractive

The $6 cumulative first preferred stock of Mississippi Power and Light Co. offers attractive possibilities at the present time according to a brief discussion of the issue contained in "The Preferred Stock Guide" for September 1942 just issued by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of the "Guide," which also contains current quotations on unlisted public utility stocks, may be had from the firm upon request.

Dealer-Investor Interest

According to a detailed analysis of the common stock of Foundation Company, issued by Luckhurst & Co., Inc., 60 Broad St., New York City, this stock offers to dealers and investors particularly interesting possibilities with the prospects pointing to tremendous post-war profits. Copies of the analysis may be had from Luckhurst & Co., Inc., upon request.

STANY Appoints New Nominating Committee

The Security Traders Association of New York announces the appointment of a nominating committee to select candidates for the election of officers, directors, committeemen and gratuity fund trustees for the year 1943.

Members of the committee are: John McLaughlin, White, Weld & Co., Chairman; Tom Evans, Lee Higginson Corporation; William Kumm, Dunne & Co.; Al Marsland, Wood, Gundy & Co., and Gus Schlosser, Unioin Securities Corporation.

The Traders Bowling League will start officially on Thursday, Oct. 1, at the Bowlmore Alleys, 110 University Place. All those interested in bowling should contact William Conary at B. W. Pizzini & Co. at the earliest moment possible.

STANY is urging all its members to cooperate to the fullest extent with the committee of the National Security Traders Association, which is studying the proposed SEC bid an dasked price disclosure rule.

Curb Members Adopt New Nominating Rule

Members of the New York Curb Exchange voted 228 to 1 in favor of an amendment to the constitution which permits an associate member to nominate a partner of his firm for regular membership in the Exchange, the Exchange announced on Sept. 18. The announcement of the Exchange says:

"The feature of the new provision is that such a nominee would have to pay a nominal charge of only $100 instead of the $1,000 initiation fee required.

"In June of this year an amendment was adopted permitting an associate member to transfer to regular membership without paying a transfer or initiation fee, if, at the time of his election he paid a fee of $1,000 or more. Prior to the adoption of that amendment such transfer fee was $500 if the membership cost $2,500 or more, and a proportionately higher initiation fee was required if such associate membership cost less than $2,500."

In The Armed Forces

Ernst Englander, partner in Hirsch, Lilienthal & Co., 25 Broad Street, New York City, has received a commission as First Lieutenant in the intelligence division of the Air Force.

John Hamel, Amott, Baker & Co., Inc., 150 Broadway, New York City, has been commissioned a First Lieutenant in the amphibian engineers corps.

Arthur Porter, Dick & Merle-Smith, 30 Pine Street, New York City, has joined the artillery division of the U. S. Army.

George S. Sobel, proprietor of Sobel & Company, 52 Broadway, New York City, has been appointed a captain in the Adjutant General's office and will report to the Adjutant General School at Ft. Washington, Md. on Oct. 1.

Wright With Bankamerica

(Special to The Financial Chronicle)

SAN JOSE, CALIF.—Albert R. Wright, formerly a partner in H. H. Buchanan & Co., has become associated with Bankamerica Co., Bank of America Building.

REAL ESTATE SECURITIES

Insurance Companies' Investment Occupancy Upswing of Downtown Real Estate

The recent report of Holgar J. Johnson, President of the Institute of Life Insurance, which showed purchases for the eight months of life insurance companies is interesting in that it shows the possible degree of confidence placed in various types of securities. Naturally, purchases of Government securities were the heaviest, with purchases of mortgages second and being the only other type of security where purchases showed an increase over the corresponding 1941 period. The following table is interesting:

Type of Security	Purchases 1942	Purchases 1941
Government	$2,023,000,000	$588,000,000
R. E. Mortgages	541,000,000	538,000,000
Public Utility	344,000,000	676,000,000
Railroad	99,000,000	195,000,000
State & Munic.	33,000,000	139,000,000

A survey of the financial district prepared by Schlang Bros. & Co. in 1941 contains some interesting facts about downtown real estate. This prominent firm of renting and managing agents considered the financial district for the purposes of the survey, the area from Cortlandt Street south to the Battery, including the 130 major buildings, eight or more stories in height.

The survey showed the district 84% rented, more than 20,000,000 square feet occupied, about 20% of the rented space occupied by banks, about 40% by industrial, utility, shipping firms, etc., some of them being Bethlehem Steel, International Nickel, U. S. Steel, Anaconda Copper, Phelps Dodge, International Tel. & Tel., American Water Works, Commonwealth & Southern, Columbia Gas & Electric, Associated Gas and Electric, and Allied Chemical, about 15% by lawyers, and only about 15% by the securities and stock brokerage business. At that time, about 500,000 square feet of space was occupied by Government agencies in buildings other than Federal buildings. Due to the war, of course, these agencies now occupy more than three times this amount of space, absorbing space in many properties, not the choice space but lower floors and lower priced. This has had the effect of increasing occupancy of many properties well in excess of 90% and has created revenues from space ordinarily not easy to rent. Also, due to war conditions, it has been necessary for many large industrial organizations to expand and absorb more space.

The natural question is, what will happen to the district at the end of the war. How much of the approximate 2,000,000 square feet occupied by Government agencies will be retained. If given up, it will, no doubt, be gradual. On the other hand, is it not possible that expansion after the war in the many industries which will return to normal production of their products, together with the natural following increase in exports and shipping create a demand for space far in excess of that made available through cancellation of Government leases. It is quite possible that the area, so called, but wrongfully based on space occupied, "the financial district" may be in for better times than it has enjoyed for many years.

Many of these downtown properties have real estate first mortgage bonds outstanding selling in the present market at considerable discounts, which even taken in relation to present real estate equity values, are underpriced, considering current yields and the future possibilities of the property.

Some properties that have shown increased occupancy through leases to Government agencies and through expansion of present tenants are:

	Approx. Present Occupancy
Broadway Barclay Bldg.	80%
80 Broad Street	85%
165 Broadway	90% +
40 Wall Street	82%
120 Broadway (Equitable Bldg.)	90% +
42 Broadway	90%
Wall and Beaver	84%

Current yields run as high as 15%.

New Cgo. Exch. Member

CHICAGO, ILL.—Marshall Forrest, Executive Vice-President of Ames, Emerich & Co., Inc., Chicago was elected to membership in The Chicago Stock Exchange by the Executive Committee, it is announced. Mr. Forrest has been associated with Ames, Emerich & Co. since it was organized in 1911, and his company is the fourth member corporation dealing in securities with the public to be admitted to membership in the Exchange.

SEC Reaffirms Expulsion

The order for the expulsion of Charles C. Wright, New York City broker, as a member of the New York Stock and Curb Exchanges, Philadelphia and Chicago Stock Exchanges, and the Chicago Board of Trade, has been reaffirmed by the Securities and Exchange Commission, the order to be effective Oct. 15. Mr. Wright had been ordered expelled four years ago from the exchanges on charges of manipulation of the market in an airplane stock in 1935.

PERSONNEL ITEMS

If you contemplate making additions to your personnel, please send in particulars to the Editor of the Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

DENVER, COLO. — **George W. Casey** has become associated with **Amos C. Sudler & Company**, First National Bank Building. Mr. Casey has been in the insurance business in Leadville since 1890.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Russell A. Kuhnlein** is now with **Smith, Hague & Co.**, Penobscot Building. Mr. Kuhnlein was previously with A. M. Kidder & Co. and prior thereto was with Sutro Bros. & Co.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Calvin K. Glover, Clinton T. King, Stuart G. Segar,** and **William P. Spear** have joined the staff of **Kennedy-Peterson, Inc.,** 75 Pearl Street. All were formerly with Turner, Sachs & Co.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—**Myran J. Crane** has become affiliated with **Straus Securities Co.**, Circle Tower. Mr. Crane in the past was with Fred A. Meyer and was an officer of C. O. Robinson & Co.

(Special to The Financial Chronicle)

LANSING, MICH.—**Edwin Hayden** is now with the **First Cleveland Corporation**, whose main office is in the National City Bank Building, Cleveland, Ohio. Mr. Hayden was formerly with Merrill Lynch, Pierce, Fenner & Beane, W. E. Hutton & Co., and Otis & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Walter E. Plettner**, previously with Bankamerica Company, has been added to the staff of **Blyth & Co., Inc.,** 215 West Sixth Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**James A. Trane** has become associated with **Fairman & Co.,** 650 South Spring Street. Mr. Trane was formerly with Fox, Castera and Co., Barbour, Smith & Co., and R. C. Wade & Co., Inc. In the past he was an officer of Squires & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Thomas F. Phair** has become connected with **Wyeth & Co.,** 647 South Spring Street. Mr. Phair was heretofore with Blyth & Co., Inc.

(Special to The Financial Chronicle)

OAKLAND, CALIF. — **Carl E. Oliver** has become associated with **Davies & Co.,** 1404 Franklin Street. Mr. Oliver was previously with Frank Knowlton & Co., E. F. Hutton & Co., and Wm. Cavalier & Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Raymond F. Hooper**, formerly with Bond & Goodwin, Inc., has joined the staff of **Townsend, Dabney & Tyson,** Fidelity Building.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**John Baker DeVault** has become affiliated with **Edward D. Jones & Co.,** 705 Olive Street. Mr. DeVault was previously with Alexander & Co., and prior thereto for a number of years with John J. Seerley & Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, FLA.—**Lawrence R. Leeby** is now with **Cohu & Torrey**, Walgreen Building.

(Special to The Financial Chronicle)

ST. PETERSBURG, FLA.—**Frank A. Van Deren** has joined the staff of **The Ranson-Davidson Company, Inc.,** Florida National Bank Building.

(Special to The Financial Chronicle)

SAN DIEGO, CALIF. — **Irving Passarino** has become associated with **Wesley Hall & Co.,** First National Building. Mr. Passarino was formerly with Wheaton and Roberts and prior thereto was local manager for Fox, Castera and Co. and H. R. Baker & Co.

SAN FRANCISCO, CALIF.—**Jacob Green Isenhour** has been added to the staff of **Bankamerica Company,** 300 Montgomery Street.

(Special to The Financial Chronicle)

SAN JOSE, CALIF. — **John F. Scofield** has rejoined **H. Irving Lee & Co.,** First National Bank Building. Mr. Scofield has recently been with the Bankamerica Company.

Transit Co. Interesting

Securities of the Third Avenue Transit Corporation appear particularly attractive at this time according to a detailed memorandum issued by Arthur Wiesenberger & Co., 56 Beaver Street, New York City, members of the New York Stock Exchange. In this memorandum, which supplements a previous study of the Third Avenue Transit Corporation, current operating results are included. "Traction securities," Arthur Wiesenberger & Co. states, "have been in the proverbial 'dog house' for the past 20 years and the investing public has been slow to realize that new conditions are creating earnings which are now bringing traction bonds into favor just as railroad bonds have come into new and profitable popularity during the past two years." Copies of the memorandum may be had from the firm upon request.

Result Of Treasury Bill Offering

Secretary of the Treasury Morgenthau announced on Sept. 21 that the tenders for $400,000,000, or thereabouts, of 91-day Treasury bills to be dated Sept. 23 and to mature Dec. 23, which were offered on Sept. 18, were opened on Sept. 21 at the Federal Reserve banks.

The details of this issue are as follows:

Total applied for—$795,564,000.

Total accepted—$400,037,000.

Range of accepted bids: (excepting one tender of $20,000).

High—99.925, equivalent rate of discount approximately 0.297 per cent a year.

Low—99.905, equivalent rate of discount approximately 0.376 per cent a year.

Average price—99.906, equivalent rate of discount approximately 0.370 per cent a year.

(19% of the amount bid for at the low price was accepted.)

Tomorrow's Markets Walter Whyte Says—

Rail advance in last phase. Look for industrials to take over. Present action shows improvement. All "stops" still apply.

By WALTER WHYTE

Up to the time this went to press the stock market acted better than in any period since the early July rise. Yet, despite its good action its behavior is negative rather than positive; by itself not a bad sign.

* * *

According to all yardsticks and barometers, news, as well as technical, the market showed down from the day it first reached the 108-110 level back in the week of July 11. It seemed like only a question of time when the bearish indications would be justified.

* * *

As the days dragged on the price level did recede. From a high of 108.91 (DJ.) on July 16 it went down to about 105 on Aug. 8. It then rallied back to about 108 on August 16, with prices remaining in the upper zone for more than two weeks, giving signs of penetrating the upper level. Apparently the "signs" were merely hopes expressed in market terms, for instead of going through prices again turned down.

* * *

On August 24 the averages had receded to about 106. Again the market was in a critical zone, but this time on the downside. If a serious reaction was to be avoided the 105-106 level must hold. It did hold. But instead of prices moving away from their lows they just drifted sideways for the next two weeks. In this aimless drift enough stocks managed to sort of ease their way up to bring the averages gradually back to the upper resistance area.

* * *

After making a high on about Sept. 5, the influence of overhanging stock in the 108-110 level again came into play. The market sold off. This time the sell-off managed to keep slightly above the previous lows, but got down into the 105-106 levels.

* * *

On Sept. 12, it began to repeat its performance of the previous swing: a side drift with gradual advances. From Sept. 12 until last night, Sept. 23, it recaptured about 2 points, once again poking its head against the 108-110 levels.

* * *

The strange thing about this performance is the fact it all happened during a period of news headlines, which, to say the least, were far from assuring. A Congressional lassitude towards anything but its own re-election a muddled tax program; deliberate delay on inflation check measures. And to add to all this the dreary news of the Nazi successes before Stalingrad and in the Caucasus. A decline of some severity in the face of such news would have been considered normal. Yet all the market actually did was to go up to a previous resistance point and give us all lovely dreams of at-last-it-is-here type, and back down to a base and scare us half to death with the fear the base wouldn't hold. This pendulum swing from wild eyed optimism to glum faced pessimism has gradually narrowed.

* * *

Today we have both pessimists and optimists arguing their points. What these points are is no concern of mine. I'm primarily concerned with the action of the market, more specifically its future than its past. Yet certain things cannot be overlooked. For if the market acts confused it does so only because it reflects the confusion of people in high places.

* * *

No industry, for example, can know from day to day what to expect in the way of taxes. So many plans have been suggested and discarded that business is completely at sea today.

* * *

In the matter of inflation controls the same confusion exists. Congress, according to executive dictum, has until Oct. 1 to come up with a workable plan. I needn't tell you how far Congress has moved. To top it off our talk of a second front remains just that—talk. Small wonder the

(Continued on page 1087)

RAILROAD SECURITIES

With the recent vastly increased speculative interest in reorganization rail bonds and the sharp recovery in prices, many rail bond men have begun to recommend a more cautious attitude on the theory that many of these issues have approached, if not passed, what might be considered as reasonable tops on the basis of proposed reorganization treatment. In particular, the Chicago, Rock Island & Pacific General 4s, 1988, are considered as falling in this category at present prices only fractionally below 30. Under the reorganization plan now before the District Court, these bonds are allocated only $83.51 in new 1st mortgage 4s, $454.14 in income 4½s, $445.98 in 5% preferred stock and 3.36 shares of common.

On the basis of past experience, and considering that income has been accruing on the new securities for less than a year (the proposed effective date of the plan is Jan. 1, 1942), the most optimistic estimate of the possible prices for these new securities, at least in the early stages of when-issued trading, have been around 80 for the 1st 4s, 40 for the income 4½s, 20 for the preferred and 5 for the common. On these projected prices for the new securities, the old General 4s would have an indicated value of a little less than 35½. However, they would obviously not sell at a parity with the new securities until the reorganization was consummated, and would not sell near to a parity until the reorganization had progressed well beyond the stage of mere approval by the District Court.

In initial when-issued trading it would be reasonable to expect an arbitrage spread of at least 20% with the possibility that it might be as high as 30%, as it has been in other reorganizations in the past. Figuring such arbitrage profits, and based on the above projected prices for the new securities, the Generals might logically sell between 27¼ and 29½ when trading started in the new securities. Even this will not be for some time yet as the District Court will not even act on the plan at least until a Supreme Court ruling has been made on one or the other of the reorganizations now on appeal. Supreme Court rulings are not expected until early fall at the earliest. It is being pointed out that considerable market risk exists in prices so close to ultimate reorganization values when consummation of the reorganization is not even in sight.

It is true that the road is earning at a rate that would make present prices look ridiculously low; old fixed charges will be earned more than two times this year. The road is also accumulating cash at a rapid rate with nothing to do with the excess funds under present conditions. The one trouble is that there appears to be no way that bond holders can participate directly in this new prosperity to any appreciable extent. It is generally believed that the cash may not be used to pay off interest matured prior to the effective date of the plan (Jan. 1, 1942) without nullifying the plan. Payment of such interest would effectively reduce the amount of each claim and thereby distort the allocation of new securities as provided in the plan.

If the Court holds to this theory, it appears that the only interest disbursement that could be expected by holders of the Rock Island General 4s would be that represented by earnings on the new securities from the effective date of the plan. Similar policies have been followed in the North Western and St. Paul cases. Through 1942, interest accruals on bonds allocated to the old General 4s will amount to only $23.77 per bond. Of this amount, only the fixed portion, $3.34 per bond, would be due and payable by Jan. 1, 1943. The balance, $20.43, represents income bond interest which would not be due until April 1.

Considered in the light of actualities of reorganization procedure and reorganization status of the bonds themselves, the only speculative appeal in the Rock Island bonds would appear to lie in the possibility of rejection of the plan by the District Court. If the plan was sent back to the Commission for revision, which will probably be determined by the Supreme Court's attitude in the St. Paul case, the bondholders would then presumably be in a position to petition for, and receive, substantial cash payments on account of back interest. Moreover, cash could be utilized to pay off prior claims, thus releasing additional new fixed interest bonds for allocation to the General Mortgage and other bonds. Substantial cash payments and a greater proportion of new fixed interest bonds in a revised reorganization would obviously be calculated to give the bonds a wide speculative move. Nevertheless, the expectation of such a move would have to be predicated mainly on the theory that the Supreme Court will uphold the Circuit Court in remanding the St. Paul reorganization to the ICC. This is contrary to the expectation of most close followers of railroad reorganizations.

Ins. Stocks Look Good

The current situation in Continental Casualty Co., Fidelity and Deposit Co., Fidelity & Guaranty Fire Corp., Fidelity-Phenix Fire Insurance Co., Fireman's Fund Indemnity Co., New Amsterdam Casualty Co., and Security Insurance Company, offer particularly attractive possibilities at the present time according to memoranda just issued by Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Copies of these memoranda may be had upon request by writing to Mackubin, Legg & Co.'s Bank and Insurance Stocks Department.

Weller With O'Melveny

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Stevens Weller and Charles J. Goold have become associated with O'Melveny-Wagenseller & Durst, 626 South Spring Street, members of the Los Angeles Stock Exchange. Both were formerly with Howard G. Rath Company, of which Mr. Weller was manager of the bond department.

Defaulted RR Bond Index

The defaulted railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range for Jan. 1, 1939, to date: high—42⅞; low—14¾; Sept. 23 price—42⅝.

Bank and Insurance Stocks

This Week — Bank Stocks

The war has wrought many changes in the modus vivendi of American banking. One of the most important and remarkable of these is the improved relationship between the banks of the country and the Administration at Washington. For the better part of a decade, bankers have been made to feel very unnecessary and very uncomfortable. Their unenviable position in a specially constructed "dog-house" of political manufacture had all the ear-marks of becoming permanent.

Considerably chastened and considerably more circumspect, the banking industry is now prepared—both psychologically and mechanically—to play a prominent part in the war effort. No longer does it "sulk in its tents" or endeavor to resist the evolution which, all along, has been more or less inevitable. Most of the so-called Old Guard have either been retired or have become resigned to the new order of life which, for better or worse, is now their heritage.

In any event, the olive branch is now waved cordially and emphatically on all sides—and it is hoped that the old antagonisms will be permitted to pass, unwept and unsung into the oblivion which they so richly deserve. Thus we shall simply be following the advice contained in what is, perhaps, the greatest wisecrack of all times, to wit, that we had better hang together or most assuredly we shall hang separately. Symbolic of the new sense of mutual responsibility and cooperation being manifest is the program of financing now being worked out by the Government and the banks to assure all war producers of adequate credit for factory construction or full scale operation.

A number of Executive orders and Enabling Acts were placed in effect as early as 1940 to help needy manufacturers, who would normally be ineligible for ordinary banking credit, but the broadest measure so far promulgated is that known as "Regulation V" of the Federal Reserve Board, dated April 6, 1942.

Some of the principal provisions set forth in Regulation V are as follows:

"1. Any borrower engaged in or about to engage in work necessary for the prosecution of the war is eligible for a V loan;

2. Loans are guaranteed by the actual Service (Army, Navy, Maritime Commission, etc.) authorizing or contracting for the work. A fee is paid by the loaning bank or banks to the Service arm involved and ranges from 10% to 40% of the interest collected, according to the degree of responsibility accepted;

3. The Government will repurchase unconditionally within 10 days after demand the guaranteed portion of any loan. Such demand can be made at any time prior to maturity and, in any event, not later than the 60th day after maturity;

4. In case of cancellation, the banks are further protected by a step ladder clause which reduces the unguaranteed portion of a loan in the same proportion as the percentage cancelled bears to the total of unfilled orders. If all orders are cancelled, as might occur on termination of the war, the guarantee would automatically become 100%.

The usefulness and significance of Regulation V is thus summarized by Mr. Mark A. Brown of the Harris Trust & Savings Bank, Chicago, in an address to the recent ABA convention: "It should be clear that Regulation V is good for the bank and good for the borrower, meanwhile performing its vital and patriotic function of speeding war production. It is a good guarantee and under it no contractor producing something which the services need will be left unfinanced. It should do much in helping many small concerns weather the transition from civilian to war production. Last December only 10,000 of our 184,000 industrial establishments were participating in defense production. Regulation V has vanquished the bugaboo of losses for contractor and banker alike, through cancellation of war orders. Its outstanding benefits might be summed up as follows:

"1. The borrower deals with his own bank of account just as he has always done in peacetime;

"2. Protection against losses through cancellation of contract is sufficiently broad as to eliminate any hesitation on the part of either borrower or lender proceeding, with all due dispatch, to work out any needed financing."

Originally, it was felt that Regulation V was primarily designed to take care of the country's smaller or weaker manufacturing concerns but it soon became evident that many of the largest units would also find it useful. Some of the leading automobile, aviation and shipbuilding manufacturers have already arranged so-called revolving credits with their banks and ultimately most of these may be replaced with Regulation V loans. Also, under Regulation V, the credit available to these large producers will be greatly expanded. According to present indications, most loans of this type will carry an interest rate of about 2½% on the amount actually used plus a certain allowance to the banks, covering unused credits, to reimburse them for their expense in connection therewith.

It is evident, therefore, that the banking industry will now be in a position to employ the greater proportion of its available earnings assets at a gross rate of pretty close to 2½%, if it so wishes, either through Regulation V loans or through the holding of Government bonds. Borrowing for war purposes has already been expanding rapidly as indicated by the report of the National War Loans Committee of the ABA. From April 1, 1941, to June 30, 1942, approximately $6,000,000,000 in war loans were made and the amount outstanding by quarters since the end of 1940 are as follows:

Dec. 31, 1940	$248,191,668
Mar. 31, 1941	429,050,262
June 30, 1941	682,323,755
Sept. 30, 1941	873,389,314
Dec. 31, 1941	1,079,884,680
Mar. 31, 1942	1,559,327,173
June 30, 1942	2,056,919,762

Obviously, the above figures are only a faint beginning of what promises to be the greatest credit expansion in history. V loans alone may ultimately run to 10, 15 or 20 billion dollars if the war is greatly prolonged. Added to the volume of Government bonds which the banking system will be expected to carry, this means an undreamed of expansion in the earnings assets of the banks. Thus the banking industry comes into its own again and it is only regrettable that it needed the war to do it. However, if the war can bring home to all of our conflicting elements their complete interdependence and mutuality of interest then, perhaps, the war will not be fought in vain.

INDIANA PIPE LINE COMPANY
26 Broadway, New York
September 19, 1942.
A dividend of Thirty (30) Cents per share has been declared on the Capital Stock ($7.50 par value) of this Company, payable November 14, 1942 to stockholders of record at the close of business October 23, 1942.
J. R. FAST, *Secretary.*

DIVIDEND NOTICES

New York, N. Y.
September 16, 1942.

Philip Morris & Co. Ltd. Inc.

A regular quarterly dividend of $1.06¼ per share on the Cumulative Preferred Stock, 4¼% Series, and a regular quarterly dividend of $1.12½ per share on the Cumulative Preferred Stock, 4½% Series, have been declared payable November 1, 1942 to holders of Preferred Stock of the respective series of record at the close of business on October 15, 1942.

There also has been declared a regular quarterly dividend of 75c per share on the Common Stock, payable October 15, 1942 to holders of Common Stock of record at the close of business on September 28, 1942.

L. G. HANSON. Treasurer.

SOUTHERN RAILWAY COMPANY
New York, September 22, 1942.
A dividend of One Dollar and Twenty-five cents per share ($1.25) on the preferred stock of Southern Railway Company has today been declared, payable November 2, 1942, to stockholders of record at the close of business October 15, 1942.
Cheques in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.
C. E. A. McCARTHY, *Secretary.*

DIVIDEND NOTICES

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED
NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER

A third interim dividend on the Ordinary Stock for the year ending 30th September, 1942, of tenpence for each £1 of Ordinary Stock, free of United Kingdom Income Tax, will be payable on 30th September, 1942.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 190 with the Guaranty Trust Company of New York, 11, Birchin Lane, London, E. C., for examination five clear business days (excluding Saturday) before payment is made.

Holders of Stock Warrants to Bearer who have not exchanged Talon No. 3 for Talon No. 4 but have deposited Talon No. 3 with the Guaranty Trust Company of New York in New York, in accordance with the arrangement which has been announced in the Press, are notified that Coupon No. 190 will be detached from the corresponding Talon No. 4 and cancelled by the Company in London as and when the dividend to which they are entitled is paid.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 30th September, 1942.

Coupon No. 78 must be deposited with the National Provincial Bank, Limited, Savoy Court, Strand, London, W. C., for examination five clear business days (excluding Saturday) before payment is made.

DATED 18th August, 1942.
BY ORDER,
D. M. OPPENHEIM, Secretary.
Rusham House, Egham, Surrey.

AMERICAN MANUFACTURING COMPANY
Noble and West Streets,
Brooklyn, New York
The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of 50c per share on the Common Stock of the Company. Both payable October 1, 1942 to Stockholders of record September 18, 1942.
ROBERT B. BROWN, *Treasurer.*

UNITED STATES SMELTING REFINING AND MINING COMPANY
The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock, and a dividend of One Dollar ($1.00) per share on the Common Capital Stock, both payable on October 15, 1942 to stockholders of record at the close of business October 1, 1942.
GEORGE MIXTER,
September 22, 1942. *Treasurer.*

International Minerals & Chemical Corporation
Formerly
International Agricultural Corporation

Dividends of 50 cents per share on the $5 Par Value Common Stock, and $1 per share on the 4% Cumulative Preferred Stock, payable September 30, 1942, to stockholders of record September 22, 1942, were declared by the Directors on September 9, 1942.

Checks will be mailed to the registered holders of 4% Cumulative Preferred Stock and registered holders of Common Stock, Par Value $5, of International Minerals & Chemical Corporation.

Holders of Internationl Agricultural Corporation stock or of International Minerals & Chemical Corporation 7% Prior Preference Stock, or International Minerals & Chemical Corporation No Par Value Common Stock should send their certificates for exchange to Bankers Trust Company, 16 Wall Street, New York, N. Y., in order that they may receive the dividend to which they are entitled.

ROBERT P. RESCH, Vice-President and Treasurer.

The Securities Salesman's Corner

PEP UP!

"There is no need to make a drudge of yourself. You should be so jumping keen about your work that you couldn't any more help hustling than you could help breathing."—Henry L. Doherty.

This advice was given to his key men by one of the country's greatest organization builders. The advice holds as true today as it did 20 years ago. Most certainly there are even more factors that tend to discourage anyone engaged in the Securities business than we have ever known before.

To enumerate just a few of the things which today hamper our efforts is not difficult. There is the uncertainty of events beyond the power of the best analytical minds to accurately forecast. Politicians have made such a mess of the economic facilities of the country that it is no longer possible to feel that any confidence can be placed in the many governmental decisions which affect the future of practically every business enterprise. In other words, it is no longer possible to dream about a future without having your tongue in your cheek. On the other hand, there are the many so-called reforms that the SEC has promulgated within the past few months that directly threaten the continued operation of the securities business as we have known it.

Sometimes it almost appears that the Nation is dividing itself into two classes of people. One group could probably be designated as the builders and the other group as the barkers. One class is busy building, creating and developing, while the other class manifests itself primarily by barking at the builders. Of the great mass who continually find fault with the established institutions and methods of doing business in this country, there are few that contribute anything of value to the material advancement of the country or the present day war effort.

Knowing all these things, what is there left for any man who still desires to conduct his securities business in the right way? He can either join up with the barkers; throw up his hands and quit, become a New Dealer and get a Government job and live off the taxpayers; thereby adding to the general confusion, or he can stay among the doers and continue his investment business.

One of the first things we would suggest, if any of our reader's belly has begun to fill up to the brim, and he is getting ready to call it a day, is to take a trip and go away from the business for a few weeks. Get away from it completely. A change will help you clear your mind and regain your perspective.

The only other thing that we can suggest that will help rekindle the interest that makes work a pleasure and keep your organization going, is to acquire the viewpoint, that after all you are doing *more* than selling securities. By this, we mean that the securities business is a merchandising operation, the same as any other business. The only difference is, that instead of selling tangibles, you are selling advice. You are ministering to the financial welfare of your fellowmen and this is one of the most important matters that human beings must cope with all throughout their lifetime. Then, for this reason the only thing that any sincere, honest individual who is engaged in our business could possibly do is to put his whole mind and effort into the task of selecting the right securities to the best of his ability. After you select what you wish to sell, then there is the job of finding the market, which is an interesting task if you go about it scientifically. Then, when you have found your market, comes the job of convincing others that they should do business with you. All of this involves planning and effort. The job can be done by any organization that still takes an interest in what it is doing; or as Henry Doherty put it, "Couldn't any more help hustling than they could help breathing."

Our Reporter's Report

(Continued from first page)

down their holdings of a wide list of railroad obligations in the belief that many roads faced increasingly lean years what with competition growing from all sides.

There has not been, however, any appreciable volume of arbitrary liquidation. On the contrary such interests have sought to trade themselves out as advantageously as possible.

Such operations have contributed no little to the recent substantial volume in secondary and lesser carrier liens. Much of this business has taken the form of "swapping" with the aim of improving the quality of issues held. But whenever the market reaches up to values fixed for disposal of a given issue there is little hesitation about letting go.

Central Maine Again

Judging from discussion in investment market quarters, bankers are going to be more than a little disappointed if the current month passes without the Central Maine Power Company calling for bids on its projected financing.

It is current belief that the company will send out an invitation for bids, to be opened about the middle of next month, on its $14,500,000 of first mortgage thirty-year bonds.

Several groups already have been gathered together to compete for the financing which is an outgrowth of a recapitalization plan undertaken by the company to meet the requirements of the Public Utility Holding Company Act. Serial notes in the amount of $5,000,000, running for one-to-ten years, originally included, were withdrawn for private sale.

Burlington Mills Offer

Inquiry in advance of the actual offering indicated that the 50,000 shares of additional $2.50 cumulative convertible preferred stock of Burlington Mills Corporation would be absorbed readily.

It was expected that bankers handling the financing would open subscription books today. This is the second block of the issue to be marketed, an equal amount having been offered publicly several months ago.

Funds to be derived from the sale at a price of 51¼, were to be used to augment the working capital of the issuer.

Seeking Higher Yields

Those who follow the situation closely report indications that trustees charged with handling some of the large forms of philantropic funds, such as college endowments, are doing considerable switching in an endeavor to obtain a higher return on funds involved.

Such operations are an outgrowth, in part at least, of the tapering off which has developed in such contributions in consequence of steadily rising tax liabilities of wealthy individuals in recent years.

Selling of this nature has been visible, it is contended, in certain high-grade railroad and utility bonds where the yield has become extremely small. The tendency thus far has been to seek to convert portions of portfolios into high-grade preferred stocks.

Where such bonds appear on the market, however, they have found ready takers among institutions which are feeling the dearth of new offerings.

Interesting Situation

Brown Co. 5s, due 1959, offer interesting possibilities, according to a circular issued by Charles King & Co., 61 Broadway, New York City, from whom copies may be had upon request.

Investment Trusts

TRENDS WITHIN TRENDS

In the field of security price trend forecasting there are many fetishes. Chart patterns, time cycles, even sun spots have their adherents who believe with almost religious fervor that the full solution to the delicate and complex problem of forecasting lies in one of these factors to the exclusion of all other factors!

Since the "averages" are limited in their broad movements to only two directions—up or down—even the most fantastic device for forecasting trends has the mathematical probability of being correct half of the time. Thus, the sponsors of all sorts of "crackpot" indicators are able to point out instances of "remarkable accuracy" in the operation of their particular fetish.

It is just plain common sense that the factors influencing security price trends are legion. Under one set of conditions a particular group of factors may dominate, whereas under a different set of conditions an entirely different group of factors may wield the greatest influence. Obviously, any market forecasting device which is based on some factors but ignores others is fundamentally unsound.

It is the constant endeavor of bona fide investment research organizations to weigh and consider **all** of the pertinent factors involved before forming judgments as to the probable trend of security prices. Frequently the technique of reaching investment decisions is standardized by reducing it to certain basic formulas. These formulas or measurements aid in applying the lessons of experience to current investment problems. They are not to be confused with the particular fetish of some financial "wizard."

The National Securities & Research Corporation under its Directing Economist, Dr. Fred R. Macaulay, has contributed extensive research studies to the development of comprehensive trend indicators. The company's well-known Investment Timing Index is an outgrowth of this work. In contrast to the "one-factor" fetishes which are so common, this Index is made up of eight component series covering (1) Medium-Grade Bonds, (2) Investment Confidence, (3) Industrial Production, (4) Construction Contracts Awarded, (5) Bank Activity, (6) Technical Trend Indicator, (7) High-Grade Bonds, and (8) Stock Yields.

In the Sept. 17 issue of *Investment Timing*, published weekly by National Securities & Research Corp., the present position of the Index and of its eight components is discussed. It is reported that all eight components now indicate a basic, long-term upward trend. The last component to give this signal was that of Stock Yields and the date of the signal was Sept. 16, 1942.

The bulletin also points out that the intermediate trend of stock prices is indicated as being down. This forecast, taken together with the longer-term forecast, anticipates the familiar phenomenon of "a trend within a trend." Should both forecasts prove correct, the market is approaching an ideal "buying spot" for purchasers of investment company shares.

Investment Company Briefs

"Best investment for investor; best deal for dealer," is the ambitious objective of Selected Investments Company, sponsor of Selected American Shares, Inc. Last week this sponsor announced the merger of its retail sales force with the Mid-Western division of E. H. Rollins & Sons, Inc., which latter firm will sell shares of the investment company at retail. Details of further steps with respect to dealer relationships will be announced shortly.

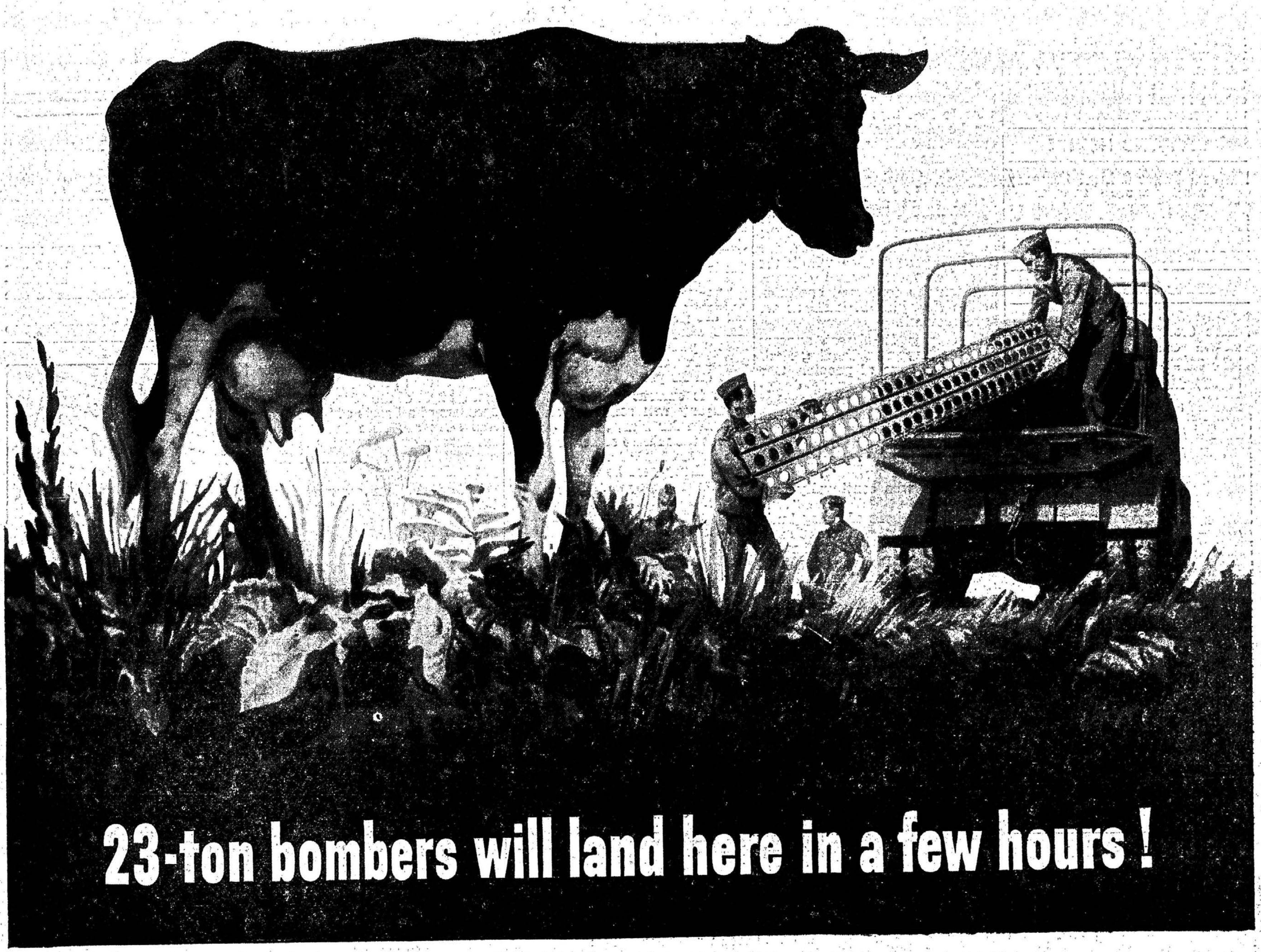
Total number of shares of Selected American Shares currently outstanding are reported to be in excess of the number outstanding as of the end of last year.

* * *

Purchases on balance for Affiliated Fund in the period between July 10 and Sept. 5 of this year amounted to $2,984,288. These purchases brought the "invested position" of the Fund's common stock (leverage) up to 148.9% from 103% as of last May when the program of reinvesting cash assets was begun. The remaining

(Continued on page 1084)

GET OUT OF THE WAY, BOSSIE...



GOSH, a cow can't call a meadow her own these days! A camel has no privacy in the desert! Even a crab on the beach may get chased away by a crew of American soldiers building a full-fledged airfield *overnight*—thanks to a new invention developed by U. S. Steel research.

Now any piece of fairly leveled ground can be an airport, even though it's treacherous sand or boggy pasture.

This new "magic carpet" is a steel landing mat made up of hundreds of lightweight perforated sections that lock tightly together. One company of soldiers can assemble or dismantle it in a few hours. And the portable airfield travels right up to the front, by truck, railroad or barge.

One top Air Force officer called it "the year's greatest achievement in aviation." This invention has been made available to important steel fabricators—so war production will be speeded.

Peacetime research in U. S. Steel's 174 laboratory organizations has made it possible for the nation to get the right steels for rigorous mechanized warfare. New steels that make our destroyers' turbines more powerful. New steels that help bring our bombers safely home. New steels that make our tanks the toughest on earth.

Our enemies will learn to their sorrow that not only America at peace—but America at war—has a backbone of steel.

FACTS WHICH WILL NOT GIVE AID AND COMFORT TO THE ENEMY

Since the war began in Europe, America's annual steel capacity has increased nearly 8,000,000 tons. This increase alone adds more steel than Japan's yearly capacity.

A new way of making bomb shells (developed at a plant of United States Steel and now being adopted by other plants) speeds bomb production many times over.

In May a unit of United States Steel broke a world's record by the multiple launching of four United States destroyers in 50 minutes. In July three more destroyers were launched by the same company in a brief 28 minutes . . . these are in addition to other ships launched singly and in pairs.

USS STEELS

UNITED STATES STEEL

AMERICAN BRIDGE COMPANY • AMERICAN STEEL & WIRE COMPANY BOYLE MANUFACTURING COMPANY • CARNEGIE-ILLINOIS STEEL CORPORATION • COLUMBIA STEEL COMPANY • CYCLONE FENCE DIVISION • FEDERAL SHIPBUILDING & DRY DOCK COMPANY • NATIONAL TUBE COMPANY • OIL WELL SUPPLY COMPANY • SCULLY STEEL PRODUCTS COMPANY • TENNESSEE COAL, IRON & RAILROAD COMPANY UNIVERSAL ATLAS CEMENT COMPANY • VIRGINIA BRIDGE COMPANY

United States Steel Export Co., Export Distributors

A Yearful Ahead

By HENRY W. KOENEKE

President, American Bankers Association, and President, Security Bank of Ponca City, Ponca City, Oklahoma

The events of the past year have been the most dramatic and far reaching in the history of the American Bankers Association. When this administration of your Association began 11 months ago, we were still a nation at peace, though we lived in a world at war. The nation was hastily arming to defend itself should defense become necessary. The shadow of war hung over the deliberations of our last general meeting, the convention in Chicago, Sept. 28 to Oct. 2. A review of those deliberations would indicate that in our hearts we knew that our turn might come at any moment. In many ways, unofficially and by resolution, we expressed our determination to meet whatever trials should come to us and to deal with them effectively. As the closing expression of that convention we said by resolution: "We are everlastingly grateful for the privilege of living in a democracy which holds fast to the principles of liberty and justice for all. We have unbounded faith in the resources and capacity of this country for meeting to the fullest its obligations in this trying hour. We have enduring confidence in the ability of the American people to preserve at any cost the rights and privileges which they enjoy in this free republic. We pledge our fullest support to effective policies and programs of government to defend and preserve democracy and democratic institutions."

Henry W. Koeneke

And in the address in which I acknowledged my election to the presidency of your Association, I added:

"These are emergency hours. The government must depend on its citizens and on their respective organizations during such times to render patriotic service whereever needed . . . Therefore, in our plans for the year ahead, we have this fundamental reservation—everything may be changed to enable us to do our part in the nation's defense program. The welfare of the country transcends all else. No sacrifice of time, effort, or money is too great whenever the nation's interests are imperiled. Uncle Sam can depend upon us now as in the past, for this organization is still the **American** Bankers Association."

Two months later the sword fell upon us. We are now at war in all the corners of the earth.

Ordinarily it might be expected that in a message like this one the events of the Association's year would be set forth in detail, showing how far its program was stepped up to a win-the-war pace. But there is no point in doing that herein since those dramatic events are chronicled and pictured elsewhere in this convention in print. I should like, however, to say that the American Bankers Association and the banks themselves have amply fulfilled the promises made in the words quoted. Indeed, they were already performing outstanding service to the preparatory war needs of the nation when these things were said. When the blow fell we were already deeply engaged in the process of helping the nation to arm itself. And because we were so engaged, it can be truly said that at no time in their long history has either the American Bankers Association or the American banking system been so well prepared for the crisis of war when it came.

We can look back with pride upon the manner in which the banks have risen to every occasion. They have performed with marked success every assignment given to them. They have anticipated the needs of the nation at every step, they have initiated necessary wartime banking service, they have been ready ahead of time to render whatever assistance has been needed. They represent the change-over from peace service to war service. They also represent the banks at their best—alert, flexible, able to anticipate, and ready to meet everything required in their area of activity. And they represent, too, the effectiveness of the leadership provided by the American Bankers Association and the state bankers associations. This service began not after Pearl Harbor, but in 1940, as soon as the national defense program was initiated, when the nature of the German menace was fully revealed by the attack on Belgium and Holland, the defeat of France and the rescue at Dunkirk.

The list is impressive. It includes the identification and freezing of the funds of enemy aliens, the organization and promotion of lending for the execution of war goods orders and the expansion of manufacturing facilities, financing of war housing, handling of payrolls of war production plants, assistance to government programs for delivery of next winter's coal supply, important assistance to the government in developing control of consumer credit as an anti-inflation measure, the sale of war savings bonds (the success of which has been due almost entirely to the service of banks, which have sold 85% of all the bonds sold), and, of course, the continued purchase of government bonds for their own account. And above all other things, the banking fraternity has contributed its full share of men to the armed forces. There are other services in the offing which banks may be asked to render as the war goes on and which they will do just as well as the record shows they have performed these.

This is a time when patriotic citizens do not stop to count the cost of service to their country. Its preservation is their first consideration. The banks will make many other contributions to war efforts. While these contributions will consist of extra duties yet unseen, they will also consist of the omission of things they have been accustomed to doing and substitution of other activities for them. That applies to the entire business community, to all of the population, as we are learning, through the effect of priorities on business, through shortages of all kinds, through the cessation of automobile and other manufacturing, and through the rationing of tires, gasoline and sugar, and, as we shall learn, through the rationing to come of other things, including, possibly, the rationing of transportation. In common with other business and social organizations we have already felt the retrictions of war in many ways. One of them, for instance, is the inability to hold the customary conventions, important as such gatherings are, an omission made necessary in order that adequate transportation be available for the movement of troops and military supplies, an omission asked by the wartime transporation authorities themselves.

To many of us such experiences are not entirely new. During the last war we experienced a sugar control, and business experienced both priorities and price controls. And during the bitter winter of 1917-18 the people in the North suffered heatless Mondays with fires either banked or out. Although motor cars were not in universal use, the production of automobile tires was drastically reduced as to number of styles and sizes. The same thing was true of agricultural implements and machinery. The variety and styles of clothing was likewise curtailed and the quality deteriorated. A brief but sharp picture of some of this was given by Bernard M. Baruch, chairman of the War Industries Board in the last war. He wrote:

"We had instituted a deferment of every type of building construction except that indispensable to the prosecution of the war. We had gasless, meatless, sugarless, fuelless days, and, in ways and methods too numerous to mention, we were greatly increasing the supply for essential uses by cutting off supply for non-essentials . . . Had the war gone on another year, our whole civil population would have gradually emerged in cheap but serviceable uniform. Types of shoes were to be reduced to two or three. The manufacture of pleasure automobiles was to cease. Flaps from pockets and unnecessary trim in clothing would have disappeared. Steel had already been taken out of women's corsets."

The deprivations experienced in the last war will undoubtedly be multiplied during this one. But we shall accept them, make the best of them, as we did the last time, and substitute as we can. For instance, in our Association activity, service to our members may be expected to increase rather than decrease. With a growing transportation shortage and increased movements of troops and supplies, and the utilization of hotels for war workers and army personnel, it is obvious that large meetings of convention proportions will be out of the question for the present. So we shall have to substitute for such meetings gatherings of a smaller and different type, such as the clinic type of meeting devoted to a single or limited number of subjects. In lieu of our annual convention the membership will express itself in regard to the business and policies of the Association through the Executive Council. The Executive Council is the governing body next to the membership assembled in convention. It consists of 116

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President Roosevelt Lauds Bankers' War Record

President Roosevelt, in a congratulatory letter to the members of the American Bankers Association, praised the bankers' "record of accomplishment" made during the past year but warned that "we have only just begun to fight." Saying the "convention in print" plan was helping to conserve vital transportation and other facilities, the President told the bankers that, if those on the home front are to be worthy of their fighting forces, they "must carry on the battle of production, wage war on inflation, combat complacency and fear." He added that bankers, as community leaders, "have a unique opportunity to promote that unity and teamwork which is so necessary to success."

The President's letter prepared for the "Convention in print" was addressed to Henry W. Koeneke, President of the A. B. A., and is given herewith as follows:

"My dear Mr. Koeneke:

"Please extend my hearty congratulations to the members of the American Bankers Association on this their annual convention. It is appropriate that the manner of your meeting in this year of historic decision should reflect the determination of American bankers to leave nothing undone that can in any way contribute to the object we all have in view—the defeat of our enemies. By holding this 'Convention in print' instead of assembling together as you have done for more than half a century, you are helping to conserve vital transportation and other facilities at a time when they are taxed to the utmost by the demands of the war.

"The bankers of America have a great obligation and great opportunity to serve our beloved Country in this hour of peril and they have answered the call to service joyfully and with stout hearts. For over a year they have played a distinguished role as volunteers in the promotion and sale of War Savings Bonds. They have met unprecedented demands from industry for the expansion and conversion necessary to win the battle of production. They have been in the forefront of the fight against inflation not only through the sale of savings bonds to the people but by putting into effect restrictions on consumer credit and combating unnecessary expenditures of all kinds. They have been indispensable in the freezing of foreign funds to prevent their use directly or indirectly by the enemy. I mention all this in the past tense not because the job is done but because even now it represents a record of accomplishment of which you all may be justly proud.

"But no one knows better than American bankers that we have only just begun to fight. American fighting forces are moving into battle on lines that encircle the globe. If we on the home front are to be worthy of them, we must carry on the battle of production, wage war on inflation, combat complacency and fear with the same spirit of courage and sacrifice with which they meet the enemy on land and sea and in the air. We, like they, can have no other thought than to win the war. All considerations of private interest or personal comfort must give way to a single-minded devotion to that aim. As community leaders, bankers have a unique opportunity to promote that unity and teamwork which is so necessary to success.

"Involved in this conflict are values too precious to be expressed in economic or financial terms. They include all those intangibles which make the name America a synonym for freedom throughout the world. Faith in freedom, in the honor and integrity of the common man, is what sustains us a Nation. United in this faith we are invincible.

"With best wishes, and again congratulations,

"Sincerely yours,

(Signed)

FRANKLIN D. ROOSEVELT."

Unfinished Business

By The Honorable HENRY W. MORGENTHAU

Secretary of the Treasury

We have come through a year of stress and strain since I last had the privilege of addressing the American Bankers Association on the subject of our financial and economic problems.

When I spoke to you in Chicago last October, coming events were already casting their shadow. At that time, and in the light of our financial experiences in the former World War, I reviewed the perils of inflation facing us, and I asked you to constitute yourselves sentinels of the nation, in your own banks and your own communities, to guard against any private encroachment upon the resources of materials or of credit needed for the national effort.

If this were not a moment of such deadly seriousness for our nation and for all free men, I might be tempted to think that we had not done too badly in our war financing in the year that has passed. By "we" I mean, of course, the American people, but also, in a special sense, the Treasury, the Federal Reserve System and the bankers, working together in a new partnership which we have entered into for the duration of the war—indeed, I hope for a much longer time, for our partnership must look beyond victory to the peace we shall have to win together.

In the fiscal year that ended June 30, $36,000,000,000 poured into the Treasury in tax revenues and in all forms of borrowing. There is no parallel in our history for this money-raising achievement, nor has the Government ever been able to draw upon such a wide variety of funds. We have not only raised $13,000,000,000 from taxes, but we have also borrowed a net amount of $3,000,000,000 through the sale of Tax Anticipation Notes. We have not only resorted to the conventional forms of borrowing from the banks and regular investors, but we have also enlisted additional institutional funds by issuing new types of securities, and we have sold War Savings Bonds to some 20,000,000 Americans to a total of $6,000,000,000 in the fiscal year just ended.

Without wishing to seem complacent—for complacency is as dangerous as a dozen of the enemy's mechanized divisions—I think it only right to call attention to these unprecedented borrowings, so smoothly carried out that the country as a whole has hardly become aware of their magnitude. We are surrounded at this moment by economic as well as military dangers, yet it is cause for some satisfaction that inflation has been more effectively controlled to date in this war, in the face of a production and expenditure program of immensely greater dimensions, than in the corresponding stage of our participation in the World War of 25 years ago.

I have just seen an estimate by the Department of Commerce showing that the people's savings in the first two quarters of 1942 were twice as great as in 1941, due partly to price ceilings, credit restrictions and to the growing shortages of many kinds of consumers' goods, but also in very large measure to the people's awareness of the need for saving. The estimate shows individual savings at an annual rate of $24,400,000,000 in the second quarter of this year, as compared with $19,300,000,000 in the first quarter and an average of $12,800,000,000 in 1941.

These results would not have been possible without the voluntary cooperation of millions of Americans representing every State and section, every occupation, every national background, race and creed.

In this voluntary program the bankers of America have stood in the forefront. They have given the equivalent of 25,000 full-time employees to the sale and promotion of War Bonds, and 85% of the sales made have been through the banks. They have been fighting in the front lines of our battle on the home front by carrying out the restrictions of Regulation W on consumer credit, by keeping a careful watch on all applications for non-essential loans, and by helping to freeze foreign funds which the enemy might have used to spy upon our war effort, to sabotage our production, or to demoralize our people. They have given their time and energy to this effort without thought of any compensation except the knowledge that they were helping their country in its time of greatest need.

I have said before on repeated occasions that we at the Treasury are deeply grateful to the Federal Reserve System and to every individual banker who has helped the program of war financing, and I should like to express my thanks once more for a splendid exhibition of cooperation and patriotism.

Yet we cannot afford to congratulate ourselves at this critical stage of the war. Whatever was accomplished in the past fiscal year is of little relevance when we remember the size of the financial as well as the military job ahead of us.

It would be carrying coals to Newcastle to explain to the bankers of America the magnitude of the financial problem confronting our Government this year in meeting the many and urgent demands of the war. You know that we shall have to borrow more than $50,000,000,000 in one way or another in the present fiscal year, even if Congress enacts a tax bill to yield $8,700,000,000 of additional revenue, as we at the Treasury have urged. Without any elaboration from me you can appreciate what the borrowing of $50,000,000,000 will entail.

The problem itself involves more than simply raising the money to pay the bills. To begin with, we have to manage our fiscal affairs so that the financial burden is distributed equitably. In achieving this, we must avoid any maneuver that threatens to hinder the maximum efficiency of our war production.

Above all, we must find the means to devote more than half of our national income this year solely to war purposes, yet without slackening the determination of the American people to win this war and win it outright. Our taxes and our borrowings must not handcuff the hands already willing to work for victory.

You would, I suppose, like me to give you some guidance as to the methods by which the Treasury proposes to raise these truly colossal sums. I wish that I could give you that guidance, but frankly, none of us can see more than a few months ahead through the murk of this most unpredictable of all wars. Besides, the decision in all cases does not rest with the Treasury alone.

I would not venture to guess, for example, what the new tax bill will yield, although I know that the American people are ready for a courageous tax program. In fact, they are ready to bear even greater burdens than the Treasury's minimum proposals of $8,700,000,000 in new revenue would impose upon them. I would not hazard a guess as to the future of rationing, although I feel deeply that we shall have to extend the scope and the severity of rationing before this year has ended.

I can, however, offer what I may call broad hints, based upon the principles which we have so far followed in our wartime financing and upon the dimensions of the task in which we are now engaged.

You may take it for granted that we shall continue to seek funds both from current and accumulated savings. In the field of taxes, we shall follow the enactment of a new revenue bill with renewed efforts to make the collection of taxes more effective. To this end we must intensify the sale of Tax Anticipation Notes, which afford millions of taxpayers the easiest possible method of saving in advance for the taxes that will be due next Spring.

In borrowing from the people directly, we intend to make every effort to reach and surpass our announced goal of $12,000,000,000 from the sale of War Bonds and Stamps in the fiscal year that ends June 30, 1943.

As I write these lines, the sales figures for July, amounting to more than $900,000,000 in a month, give us real ground for encouragement. So also does the fact that the sales of Series E bonds in the smaller denominations have shown a striking increase in recent months. Most encouraging of all is the increase in the number of workers purchasing War Savings Bonds through payroll deductions.

There are now more than 110,000 firms, employing over twenty-five million workers, that have a payroll savings plan in operation. In the month of July alone more than 18,000,000 workers subscribed $200,000,000 out of their pay for War Bond purchases, and payroll deductions are increasing at the rate of about $40,000,000 per month.

We confidently expect that by the end of 1942 well over 20,000,000 employees will be regularly investing at a rate approaching 10% of their gross earnings through payroll savings. This will mean that from $350,000,000 to $400,000,000 a month would be deducted voluntarily from payrolls next year to buy War Bonds. During 1943, on this basis, nearly $5,000,000,000 worth of War Bonds would be purchased in this way—all out of current wages and salaries, and all representing what we can regard as non-inflationary borrowing at its best.

Even if the War Bond sales realize all my expectations, we shall have to borrow increasingly and in utterly unprecedented amounts from other sources.

The members of the American Bankers Association are acutely aware of the hazards we run if we rely more than is necessary on the sale of Government securities to commercial banks. I often think, however, that the distinction between sales of Government securities to commercial banks and sales to others is overemphasized. What we are really trying to do is to sell as large a proportion of our securities as possible in such a way that their proceeds, when spent by the Government, will not constitute a net addition to the total spending of the economy.

I think it worth remembering that sales of Government securities to commercial banks do not add to the total spending of the economy if they are offset by decreases in the loans or other investments in banks, or if they are offset by the accumulation of balances in the banks which are genuine savings of depositors.

It is necessary, therefore, that we at the Treasury should go far deeper than the superficial distinction between sales of Government securities to banks and those to others and that we should look closely at the real sources of the funds. The most desirable source of funds is, of course, money borrowed from the current savings of the country. A substantial proportion of the proceeds of all classes of Government securities sold—including some of those sold to commercial banks—comes directly or indirectly from this source.

Yet inflation cannot be curbed merely by the passage of a courageous tax bill or by the successful borrowing of vast sums from current savings, or by a combination of bold and intelligent taxing and borrowing. We undoubtedly shall find it necessary to adopt more drastic control of consumer spending, in one form or another, than anything yet applied. I should not like to predict at this stage, for prediction is more than ever dangerous, but I do want you to be prepared for new controls and new sacrifices as the war moves into a new and more intense phase.

We have heard so much talk lately about the function of finance in winning this war and in checking inflation that I should like to clear the air on one point. Financial policies do not of themselves win wars. Wars are decided by battles. But the necessity for winning battles does not diminish the importance of raising the money to fight them. Nor does it lessen our responsibility for raising the money in a way that husbands the strength of the civilian economy instead of wasting it. For though wars may not be won by financial triumphs, they can be lost by financial blunders.

The successful financing of the war is, therefore, vital for victory. It is our job, and we must do it. It is our problem, and it is up to us to solve it.

As I told the Senate Finance Committee in July, I am convinced that the American people are ready for sacrifices greater than we imagine. I know also that American bankers as individuals and as a group are ready to put forth any effort that may be needed. Our war effort is calling upon the skill and the resources and the leadership of the American banker as never before. It demands of him a leadership and a sacrifice above and beyond his own private interests. At the same time, its success is essential to his survival.

In another crisis that brought anxious moments and dark days to us a quarter of a century ago, Woodrow Wilson said, "America is not anything if it consists of each of us. It is something only if it consists of all of us; and it can consist of all of us only as our spirits are banded together in a common enterprise: the enterprise of liberty and justice and right." These were the words of a great American at another time when the fibre of our nation was being tested. They are a watchword for every American today.

A New Housing Era

By MILES L. COLEAN

Research Director, Twentieth Century Fund, New York City

The impact of war upon housebuilding, with its challenge to technical ingenuity, its curtailment of supply, and its piling up of unsatisfied demand, already suggests both that the post-war period will be one of unusually large building activity and that this activity may be carried on in ways and under conditions quite unlike those of the thirties.

In a few respects the effects of the war on housing are similar to those of the depression. Private building is rapidly declining. Building organizations — particularly the small ones—are being forced out of business. Housebuilding labor is being dispersed in other activity. Owing to the difficulty even in making repairs, the condition of the existing stock of housing continues to decline. But here the resemblance to the depression stops. In all other ways, the conditions likely to be present at the beginning of the post-war era vary strikingly from those that we faced during the early thirties. Let us look at some of them.

1. House rents instead of declining will be kept from soaring only by rigid control—a control almost certain to be carried over into the new period.

2. The general level of income is steadily rising; the distribution of the increased income is exceedingly broad; and savings, particularly in the middle and lower income groups, are piling up. Demand, instead of drying up, is merely hidden behind the barrier of war restrictions.

3. This demand for housing is made more pressing by the increasing shortage of housing. The last decade saw only two nonfarm houses built for each five net additional families. There were few replacements of old houses, and the census of 1940 showed that the general condition of the existing stock was even worse than had been revealed by the Real Property Inventories of 1934.

4. Although the typical small housebuilder of the past may be forced from the picture, the war housing program has at least succeeded in keeping a number of fairly large organizations active. The pressure for speed and economy has served alike to break down old restraints and to develop new techniques. The wartime housebuilders, experienced in mechanized mass housing operations, will be ready and eager to carry on their activity in the postwar period.

5. Competition for peacetime markets among producers of war materials should not only create favorable prices but also make many new materials and new uses of materials available to housebuilding. Lumber, steel, aluminum, magnesium and plastics should all figure in the drive to make use of excess productive capacity.

Thus in sharp contrast with the first years of the last decade, it appears likely that we shall enter the post-war era with a very strong demand for new houses and the beginnings of an industry capable of meeting the demand. What does this all mean in terms of the quantity and kinds of housing?

Forecasting the housing market in normal times is difficult enough. Under the rapidly changing conditions of a war economy and with the many unpredictables that war occasions, it becomes a job for the foolhardy. Yet on the basis of certain assumptions we may at least get a glimpse of possibilities. We may, for instance, assume a fairly high level of national income at the close of the war—current estimates place it somewhere near $110 billion at 1940 prices. We may perhaps safely assume that the relationship of housebuilding to national income might be similar to prosperous years in the past—in 1925, the relationship was 7.2%, and for the complete building cycle (1919-1935) the average was 4.5%.

On this basis it may be estimated that a post-war production upwards of $5,000,000,000 to, say, $6,500,000,000 is well within possibility. How such an expenditure would be divided among the various classes of residential construction is again a question on which estimates may widely vary. Assuming an average cost (exclusive of land) of $3,400 for a non-farm dwelling unit, we might (at the $6,500,000,000 figure) produce over 1,300,000 new non-farm houses and still have nearly $2,000,000,000 left for new farm houses, housing repairs and alterations and miscellaneous residential construction.

Assuming such a program to be possible what sort of housing is likely to be produced? A part of it, obviously, will be for families in the upper end of the income scale—the typical custom or semi-custom built houses that we are familiar with. Considering the effects of the wartime suppression of building, the accumulation of savings and increase in incomes, there is likely to be a great deal of this kind of building. The $7,000 to $10,000 or $12,000 house will probably be much in demand. For a few years at least it should provide ample business for builders following more or less traditional methods of operation.

But this class of dwelling cannot be counted upon to go far in meeting the post-war demand. Then, as previously, the bulk of the potential market will come from the families in the lower three-quarters of the income scale, who have never been adequately served with new dwellings. And it is this group that stands to benefit most from the technical progress that has been made during the war period.

The war housing program has demonstrated that simple, comfortable, and attractive houses can be built, even under the difficult and expensive conditions created by the existing shortages, at prices around $4,000 (and sometimes less) a unit, including a reasonable allowance for the land. It has demonstrated that these houses are susceptible of mass production under highly mechanized methods of operation.

The large building organization, which was a factor of increasing importance during the past decade, is even more characteristic of housebuilding under war conditions. Projects of 500 to 1,000 units are a commonplace, while developments of 2,000, 3,000 and even 5,000 units have been carried on as single operations. And the factory, which before the war was only beginning to be used in the pre-assembly of house sections, has become almost the keynote of war production. Whether placed temporarily on or near the site of a large project, or operating on a permanent basis, independent of any of the several sites it may from time to time be serving, the factory seems to have been firmly established as an instrument of house production. While, in terms of size of organization, housebuilding may not yet have become big business, the war has certainly made it a bigger business than it was during the Thirties when the average production per builder was something around four houses a year.

These industrial changes are likely to result in the capture and extension of the market for low priced dwellings by the large producer whether he be the project builder, constructing considerable numbers of houses in one location, or the factory prefabricator serving a number of locations, and reaching even into the smaller communities where only a few, separately erected dwellings may be needed. It is not unlikely that an important part of the demand for more expensive houses—ranging to $12,000 at the 1940 price level—will gradually be met in the same way. The small scale, handicraft builder in the future is apt to be more and more confined to a limited market demanding a thoroughly custom-built article.

If such a shift in the method of house production takes place, it is bound to bring with it many new banking problems. The financial needs of the large producer, for both the production and the marketing of his product, are far different from those of the traditional house-by-house builder. Housing finance must, therefore, face modifications that will permit it to meet the special requirements resulting from the industrial change.

Traditionally the mortgage has been the instrument of housing finance, both for the producer and the purchaser. Either the prospective buyer obtained a loan or a commitment to make a loan before construction started, or the builder, if operating on his own

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FIVE ships a day ★ ★ ★
demands Industrial Teamwork
To attain our shipbuilding goal, Industrial Teamwork must be carried to a point undreamed of in days of peace. Steel plate and structural shapes alone will not create the ocean carriers on which so much of the world's hope depends; the cooperation of all men in all yards is essential to bring production to its highest, record-shattering tempo.
Yet even this is not enough. Industrial Teamwork must be carried outside the yards—to the other industries which supply the builders with their stuff of industrial life . . . Both in and outside the shipbuilding areas, Insurance contributes to and unifies Industrial Teamwork.
Insurance Aids Industrial Teamwork
Virtually every part of a gigantic shipbuilding program benefits from Insurance planning. Scientific surveys minimize hazards to plant and facilities. When disasters do occur, insurance dollars become available, permitting early resumption of production otherwise frequently impossible.
☆ THE HOME ☆
Insurance Company
NEW YORK
FIRE • AUTOMOBILE • MARINE INSURANCE

Bank Protection in Wartime

By FRED C. EGGERSTEDT

Second Vice-President, The Chase National Bank of New York

Within 10 minutes after special air-raid alarm bells sound throughout the floors of the various buildings comprising our Head Office organization, thousands of staff members arrive in orderly fashion in their safety areas, cash and securities have been moved to the vaults, records and other valuables are under cover, windows are open, lights are out, emergency medical quarters are staffed, fire brigade trucks are manned—and we are ready for whatever may come.

In common with other organizations located in cities along the nation's seaboards, which it is logical to presume are most vulnerable to enemy attack from the air, our air-raid defense program was put into effect soon after war was declared. Nevertheless, it is still in the process of refinement, with frequent surprise tests bringing to light minor imperfections in the plan. As is the case in any organization which must consider the many differing factors such as type of building construction, available safety areas and total personnel, our program was the result of careful study and planning based upon certain general instructions issued by the Office of Civilian Defense and the New York City Police Department. Any bank can readily accomplish the same result by a study of its own particular circumstances. Surprise tests frequent enough to keep the organization alert will effectively disclose any weaknesses of the plan.

Safety of the staff must be given first consideration; next comes the safe-guarding of cash, securities and records. Our plan was based upon this premise. Every employee received a printed card of instructions which specified the safety areas in our various buildings. In an emergency, employees who may be away from their desks go to the nearest safety area rather than return to their particular quarters. One of our early tests pointed to the logic of this point.

Each level has a floor warden, and in addition there are a number of monitors on each floor to conduct personnel to safety areas. Those assigned to take care of cash and securities are provided with containers which can be filled quickly and taken to the vaults. Each elevator in the various buildings is assigned a specific function, several to take securities to the vaults located below the street level, others to take doctors and nurses to first aid stations, while others under the control of wardens, move personnel to floors with safety areas. These safety areas, in most cases, are interior corridors providing maximum protection from blast damage and flying glass.

Building engineers and porters man our fire brigade trucks, and they are thoroughly drilled in the handling of incendiary bombs, fire fighting and emergency repair work. Our portable trucks, compact enough to enter the elevators, carry 60 items of equipment, such as fire-fighting apparatus, shovels, pickaxes, sand, hose, lamps, fuses, asbestos pads and gloves, and other items. They are located at strategic points in our buildings. Each floor has been provided with first-aid supplies, buckets of sand, and fire extinguishers and emergency phone outlets are located at many points. Several hundred members of our staff have taken first-aid courses and have been approved for emergency service by our Medical Department.

Our planning was made complex by the fact that our Head Office is located in two main buildings, in one of which is centered our commercial banking activities and in the other our Trust Department. Our other buildings adjacent to these large bank buildings were a further complication. Adjoining our main building, as an example, is an eight-story structure which we consider unsafe in event of air raids. It was necessary, therefore, to provide safety areas in our main building for the employees in this building.

We have been informed that all but the upper four or five floors of a steel and concrete structure are relatively safe from bombs, and we therefore have arranged to evacuate these levels. Personnel on the ground floor and below are moved to our second floor, which is 45 feet above street level.

After individual instructions were issued, meetings were held with small groups and departments, at which our program was outlined in detail. Suggestions were invited, and many were found to be helpful. Thereafter drills were staged, a floor at a time, to test the plan, and minor changes resulting from delays and over-crowded dispersal areas were effected. After all floors were tested, each group of buildings had an all-out surprise alarm. The speed with which the floors were evacuated and valuables moved to the vaults was highly satisfactory.

As new employees enter the bank they receive a copy of the original instructions, and each department has its own specific plan posted prominently on the walls and bulletin boards. Alternates are appointed for all wardens, monitors and first-aid volunteers, who act in case the principal is unavailable through illness or vacation, or at luncheon. Alarm bells are controlled from our central watch room, which connects with all floors of all buildings and results in simultaneous warning of the danger we are prepared to face.

Effects Of The War On Banking

By W. RANDOLPH BURGESS

Vice Chairman of the Board, The National City Bank of New York

Bankers these days are using spare minutes to jot down figures on the backs of envelopes, the corners of newspapers and even on table cloths. They are trying to figure how their banks will look in deposits, earnings, and capital position, as a net result of the Government financing and tax programs.

The Under Secretary of the Treasury has just told the Congress that by next June 30 the member bank holdings of Government securities are likely to be about double their present holdings. They now own about 24 billion dollars worth, and less than a year from now, despite higher taxes and vigorous efforts to sell bonds to investors, banks are likely to hold over 48 billion dollars of government securities. And that is not all. There may be one, two or "X" years more of the same sort of increase.

W. R. Burgess

There is no question about doing the job; there can be no holding back. Each bank is prepared to carry its share of the load. Excess reserves have declined and the margin of profit on successive new issues has been pared down to the vanishing point. But the banks have continued to enter their subscriptions for the larger and more frequent Treasury issues. As Secretary Morgenthau testified the banks were not being forced to subscribe. They have responded willingly because they understood the task to be done and their share in it.

The Economic Policy Commission of the American Bankers Association last Spring made an analysis of the war financing problem. Even as the report was coming off the press the government estimates for spending and borrowing were revised upward.

The following table shows the probable effect on the banks of the latest budget estimates:

Effect of Government Security Purchases on All Member Banks, Assuming Continuance of Current Trends
(In Billions of Dollars)

	6-30, 1941	6-30,* 1942	6-30,* 1943
Total Loans and Investments:			
Loans	16.7	18.0	18.0
Governments	18.1	23.6	48.8
Other Investments	5.8	6.0	6.0
Total	40.6	47.6	72.8
Liabilities:			
Deposits	58.5	64.9	87.9
Capital Funds	5.8	6.0	6.2
Capital Funds Ratios:			
To Deposits	9.9%	9.2%	7.0%
To Loans and Investments	14.3%	12.6%	8.5%

*Estimated.

One painful subject for envelope jottings is bank reserves. Where will the banks get the money to buy all these securities? A year ago they had excess reserves of five billion dollars. Today they have only two billion dollars. How can you buy 24 billion dollars of bonds with two billion dollars of cash?

Here we encounter the most confusing and perplexing concept in economics—the ratio of reserves to credit expansion. Without spelling it all out, the central point is that when banks expand their loans and investments, they must be able to put up at the Reserve banks the reserves legally required for the corresponding expansion of deposits. The average percentage of reserves to deposits in the United States is just under 20% and if this ratio is maintained it will take nearly five billion dollars of reserves to finance the purchase of 24 billion dollars of government securities. Actually even more reserve money will be required, for currency demand has been increasing under the stress of huge production and payrolls and rising prices. There is also some hoarding. Currency in circulation rose almost three billion in the past 12 months. When currency is drawn from the banks it uses up reserves, dollar for dollar.

Thus, about eight billion dollars of extra bank reserves are likely to be needed before the end of this fiscal year (assuming the present two billion of excess reserves are maintained). Where will they come from?

In World War I the banks borrowed from the Federal Reserve banks most of the extra reserve money they needed. That could be done again. But there are other alternatives. The legal reserve requirement could be reduced, thus freeing reserves for the new load to be carried. Or the Federal Reserve System could buy government securities, thus pouring reserve funds into the banks.

The banks will carry through this big undertaking with more confidence if they do not have to borrow heavily and continuously. They are reluctant, and with reason, to be borrowers for extended periods. In the course of this huge program with its great shifts of funds about the country, some banks may have to borrow at times. They should do so freely when necessary. Under these circumstances borrowing will be a sign that a bank is doing its share in the Government's financing program.

But that program will be carried through more smoothly and with less risk of unstable money rates if the banks can obtain in other ways the bulk of new reserves required—by reduction in reserve requirements, and by Federal Reserve open market purchases. The Reserve System has given clear indication of moving in that direction, by substantial purchases of goverments and by securing the passage of legislation giving them greater flexibility in dealing with reserve requirements. The new amendment gives them the power to change the requirements of banks in central reserve cities separately from those of other groups of banks.

The net of all this is that every bank may go ahead and buy its share of the new government issues with assurance that additional reserves will be available as needed.

Of course, this does not mean a bank can afford to neglect its reserve position. In the period we face the management of reserves will be one of a banker's essential tasks—just as it used to be. This problem, however, has been greatly eased by the increase in the outstanding volume of Treasury bills and certificates readily saleable at any time.

These facilities and the demonstrated readiness of the Reserve System to put out additional reserve funds support the full participation of all banks in the financing program.

Another figure bankers are working out on the backs of envelopes is their capital position after another year or two of expansion. As the foregoing table shows there will be quite a shrinkage.

Of course, the old standard ratio between capital and deposits was not a wholly satisfactory measure of soundness. It was only good if you could assume that all funds were employed at equal risk. How much capital a bank needs depends on the risk of loss, and that is a question of character of assets. If a bank holds mortgages, or long-term corporate bonds, or is heavily loaned up, the risk is much larger and the cap-

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A Wartime Investment Policy

By DR. MARCUS NADLER
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As the financial needs of the Government grow, holdings of Government obligations by the banks are bound to increase. It has been estimated that during the present fiscal year the banks may be called upon to absorb between 25 and 30 billion dollars of newly issued governments. The banking institutions throughout the country must therefore adopt an investment policy coordinated to the present needs of the Government.

Such a policy divides itself into two parts, both aiming at the same objective. The one deals with the purchase of new securities to be offered by the Government, while the other concerns itself with the management of the present portfolio.

The broad investment policy of a bank should be based on the following principles: (1) safety, (2) liquidity to meet possible withdrawals of deposits, and (3) maintenance of satisfactory earnings.

Safety—United States Government obligations are the safest securities available in the country. The holders of these obligations are certain that they will be paid promptly, principal and interest when due. The only risk attached to Government securities is that they are subject to fluctuation. The longer the maturity of an obligation, the greater is the risk of price fluctuation. In this respect, however, certain factors should be considered; namely, (1) that during the war, and for some time thereafter, the money market will be entirely dominated by the needs of the Treasury and that the monetary authorities have the power to keep money rates at any level they may desire; (2) a repetition in the Government bond market of what happened during 1920 when the Liberty Bonds witnessed a sharp decline is not to be expected, and (3) a repetition of the decline in Government bond prices, as occurred during the banking panic, under present conditions, is impossible. Hence, while it cannot be denied that the risk of price fluctuation does exist in long-term Government bonds, these fluctuations can and probably will be on only a moderate scale.

Liquidity—The increase in the holdings of Government securities by the banks will be accompanied by a corresponding rise in the volume of deposits. A general decrease in deposits can be caused by a wholesale reduction in loans, a sharp increase in the volume of currency, and the liquidation of a large amount of securities held by banks. None of these developments on any considerable scale is to be expected. A reduction in the volume of deposits can also take place if the refunding operation, carried out by the Government after the war, are intended to transfer obligations held by the banks to ultimate investors. If this is not done, and it is doubtful whether it can be accomplished on a large scale, then the volume of deposits is bound to remain large for a considerable period. There is, however, a possibility that some sections of the country may lose deposits after the war. Banks located in communities which have greatly benefited from the war effort will find their deposits increasing at a more rapid pace than others located in sections not favorably affected by the war. Part of these deposits may be lost to other sections after the war, when the national economy assumes a more normal character.

Similarly, the sharp increase in income of the farms will cause a material increase in deposits in certain farm communities, since during the war they will not be able to purchase durable consumer goods as well as farm equipment to the same extent as before. After the war when these commodities again become available their acquisition by the farmers is bound to lead to an outflow of deposits.

An institution which maintains a portion of its assets in liquid form, i.e., in short-term Government obligations, will be in a position to meet this outflow of deposits without being forced to sell medium- or longer-term Government obligations which are subject to price fluctuations.

Furthermore, since the increase in the volume of deposits will not be accompanied by a corresponding increase in capital, surplus and undivided profits, it is clear that the ratio of capital accounts to deposits, which is already lower than before, will decrease rapidly. The capital of a bank is intended as a cushion against potential losses on its earning assets. Since short-term Government obligations carry no risk whatsoever, no cushion is necessary against them. Hence, the smaller the ratio of the capital accounts of an institution to deposits the greater will be the incentive on the part of the banks to keep part of their earning assets in liquid form.

Maintenance of Earnings—The earnings of the banks will be derived more and more from investments since the volume of loans, particularly of the smaller institutions, may decrease. Loans made for the purpose of financing durable consumer goods may disappear entirely within a reasonably short period of time. It is also likely that loans made for the purpose of enabling merchants to carry consumer goods inventories will be reduced as the volume of inventories is gradually curtailed.

Since the earnings of the banks will depend more and more on investments, their investment policy should be so formulated as to assure the individual institutions sufficient earnings not merely to meet overhead expenditures and to pay dividends but also to accumulate a moderate amount of surplus. Since the Government is offering short-term as well as medium-term obligations, banks are in a position to adopt an investment policy which would assure them the greatest degree of safety combined with a fair degree of liquidity, as well as moderate earnings.

It is impossible to lay down any hard and fast rule which would suit the investment needs of all institutions, since each bank is confronted with different problems which it must solve in the manner best suited to its own needs. But in the main, the investment policy of an individual bank should be based on the following considerations:

(1) Composition of the deposits, i.e., time deposits versus demand deposits. Furthermore, a bank must also take into consideration what proportion of its deposits is vulnerable and subject to immediate withdrawal. The swing in deposits, i.e., the amount of deposits that an individual bank may lose within a relatively short period of time also must be taken into consideration.

(2) Composition of the existing assets must be carefully analyzed before a definite investment policy can be adopted. It is obvious that the investment policy of a bank whose assets consist to a considerable extent of mortgages and other long-term commitments will be different from that of a bank whose assets are composed primarily of self-liquidating commercial loans and of short- and medium-term Government bonds.

(3) Ratio of capital to total earnings assets will also play an important role in determining the investment policy of a bank. An institution whose ratio is small naturally will be hesitant to acquire assets subject to risk or wide fluctuations. On the other hand, an institution whose capital resources are large in proportion to its earning assets is in a better position to acquire longer-term Government securities subject to price fluctuations.

Furthermore, the investment policies of a bank will also in part be determined by its size and location, since the investment problem of an institution located in the money market center differs materially from that of an institution located in a small rural community. For the purpose of the present study, the investment policies of banks may be divided into the traditional classifications; namely, central reserve banks, reserve city banks, and others.

The investment problems of the institutions in the different categories become apparent from an analysis of the composition of their deposits, as may be seen from the table below.

COMPOSITION OF DEPOSITS OF ALL MEMBER BANKS APRIL 4, 1942

	All Member Banks	Central Reserve City Member Banks	Reserve City Member Banks	Country Member Banks
Total deposits	$61,012,603	$21,519,704	$22,240,056	$17,252,843
Demand deposits	48,925,916	20,283,018	17,541,379	11,101,519
Per cent. of total	80.2%	94.3%	78.9%	64.3%
Time deposits	12,086,687	1,236,686	4,698,677	6,151,324
Per cent. of total	19.8%	5.7%	21.1%	35.7%

RATIO OF CAPITAL ACCOUNTS TO TOTAL DEPOSITS

	All Member Banks	Central Reserve City Member Banks	Reserve City Member Banks	Country Member Banks
Total deposits	$61,012,603	$21,519,704	$22,240,056	$17,252,843
Total capital accounts	5,929,558	1,943,813	1,980,953	2,004,792
Per cent. of total	9.7%	9.0%	8.9%	11.6%

Whereas time deposits of the central reserve city member banks represent less than 6% of their total deposits, they aggregate 21% in the case of reserve city mem-

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Importance Of Savings In Our National Life

By PHILIP A BENSON

President of The Dime Savings Bank of Brookyn, New York

There is no doubt that the present situation offers a challenge to every savings banker. We now have the opportunity for a truly great service to our country, for the reaffirmation of our faith in savings and for demonstration of the vitality of savings banks and their popularity as agencies of thrift. It may have been thought within recent years that the old-fashioned virtues of thrift and savings were becoming out-moded. Such is not the case, however, for the value of savings in our national life stands out as a fact of constantly increasing importance. Savings is a necessary element in our present program for it is a major factor in financing the national war effort. Savings is a necessity also in the stabilization of our entire economic structure for it is a definite preventive of disastrous inflation. In other words, savings is not only a virtue and an evidence of good citizenship and good character; it has in these significant days become a national necessity.

Philip A. Benson

One of the major problems of the savings bank in the present emergency is therefore to realize the vital necessity of savings and the important part each bank plays in promoting it; to do its utmost to preach and to teach the gospel of savings and to proclaim its urgency on every occasion and through every possible medium. The savings banks of New York State, as a group, are doing this in a Statewide plan of advertising using newspapers, radio and motion pictures. Individual banks are supplementing the State effort and are using advertising media to promote savings for the benefit of the national war effort. Some banks—The Dime Savings Bank of Brooklyn is an example—are also emphasizing the fact that saving now is of especial advantage to the individual in that it is first being loaned to his country, and later, as it is returned to him, it will furnish the means to purchase those things that are unobtainable now and which will be available when the war is over.

Part of the problem of the savings banks in promoting savings for the war effort and for the purpose of acquiring funds for post-war expenditures is to make it clear to all those who are receiving salaries and wages that savings must come from current earnings and not from past savings. Past savings are already at work and are invested in the bonds of our Government or in the country's industries or in mortgage loans. It is the creation of savings out of current earnings that is going to do the really important job for the country and for the individual, and savings banks have a great responsibility in educating people to this fact.

Savings banks must also make it clear that in promoting savings now they are doing so solely from the viewpoint of the value of savings to the national economy. We are not seeking our own advantage nor are we trying to increase profits. We are offering our banks as agencies through which savings from pay envelopes and other sources may flow into government channels. The present time can well prove to be a golden opportunity for the savings banks to increase their prestige and influence.

Another problem that strikes me as being of great importance to savings bankers is that of building strong and well managed banks. Just as a soldier trains for active service, so must we increase our strength and efficiency for whatever responsibilities may lie ahead.

We own some real estate and are perhaps still acquiring it. This property should be reappraised and increased efforts made to liquidate it. We must continue every effort to put our mortgage portfolio on a sound basis, both by placing all mortgages on an amortized basis and by building up reserves.

Mortgage problems are very real and urgent, and they must be faced courageously and firmly. We must also continue improving our bond portfolio, eliminating second grade bonds, substituting governments for them. We have frequent opportunities of investing in new issues of government bonds.

I anticipate a great future for our savings banks. Savings are vital to a healthy national life. We must watch to see that no other agency takes the time-honored place of the savings bank in the field of thrift and savings. We must play our part now as good soldiers, as efficient workmen, as true Americans.

Ten Fundamentals Of Wartime Banking

By HERBERT V. PROCHNOW

Assistant Vice President, The First National Bank, Chicago

Today we live in one of those intense hours of history in which the world seems impatient to crowd the changes of a century into a decade. Vast and confusing as were the pressing problems of the 1930's, one may suspect that the decade beginning with 1940 will present bankers with responsibilities of even greater magnitude.

One thing is certain, the direction of our thinking now must be dictated by two primary objectives: first, how can bankers assist in the winning of a war that seems destined to change so significantly every nation in the world; and, second, how can bankers operate their institutions so that when the war is over the banks may take a major part in reconstructing our economy? A consideration of these objectives indicates that there are at least 10 practical fundamentals to be observed in wartime:

1. Maintain a flexible and competent staff of employees

The longer the duration of the war, the greater will be the loss of trained personnel to the armed forces. Every employee should be trained in one or more jobs in addition to his own. In other words, every position should be covered by two or more employees.

2. Increase operating efficiency

With a fairly long war and a progressively greater shortage in persons available for employment, it is evident that operating efficiency must be increased. The inability to employ adequate personnel may necessitate each employee taking over more work. This can be accomplished by greater efficiency on present jobs.

3. Analyze costs and services to maintain profitable operation

In 1931, over 58% of the gross earnings of our national banks (which may be considered typical of all banks) represented earnings from loans and discounts; in 1941, the figure was reduced to 48.7%. In 1931, 24.5% of the gross earnings came from securities; in 1941, 32%. In the same period, interest rates were steadily declining, the average yield on United States Government obligations decreasing approximately 33%. In that decade, also, service charges on deposit accounts increased from 1.6% of the gross earnings to 4.8%. The latter percentage is small, but every additional 1% of such income in relation to the capital stock is very important.

Some banks now show as high as 10 to 20% of their gross earnings in service charges. These charges are a necessity in the sound operation of banks whose local loans decreased greatly in the last decade. Moreover, in many communities today substantially increased farm and industrial income is resulting in the retirement of loans. Bankers may thus find it necessary to reexamine their service charges, including those for handling checking and savings accounts, issuing drafts and cashier's checks, collecting all types of items, making telegraphic payments of money, safekeeping securities, stopping payments, returning items, paying overdrafts, and rendering other services for which banks may fairly ask reimbursement. The booklet of the American Bankers Association on the 100% or complete analysis plan for checking accounts is recommended.

4. Conserve earnings and build up reserves

To the extent that earnings permit, wisdom dictates the building of strong internal reserves. A period of great world economic change and transition carries with it the possibility of some unanticipated losses.

5. Strengthen customer relationships

The war finally will end, and the banker who has strengthened his relationships with his customers and assisted them constructively in handling their present difficult war problems is certain to be in an advantageous position later. There are, for example, agricultural sections today in which it is said Government agencies have over 90% of the non-real estate agricultural loans. Some of these loans are, of course, not bankable. However, in some sections, bankers who aggressively worked with farmers to develop local agricultural conditions have maintained their loan positions relatively well and have reduced Government competition.

6. Urge the public to save

In some instances, bankers have been shortsighted in recent years in not urging the building of savings accounts by the public. The inability to obtain adequate earnings on these accounts has been the customary reason given for this attitude. Actually, however, the failure to promote savings more aggressively would seem to reflect a lack of understanding of the significant role of savings in banking and in the economic progress of a nation.

There is no means by which a people can escape the necessity for thrift. It is through the medium of saving that a nation creates the instruments of capital, such as machinery, hydroelectric plants and factories. Economic progress and thrift are as inseparable as liberty and democracy in the United States.

There are approximately 47,000,000 savings accounts. It is through these savings accounts that many banks have their principal financial relationships with the people in their communities. A public responsibility of such vast proportions is one which needs constant cultivation and encouragement, for here in no small sense the hopes and fortunes of multiplied thousands of men and women have been placed in the banker's care.

7. Work cooperatively through the American Bankers Association and State associations to improve operating procedures

By exchanging experiences with other banks, inefficiences can be eliminated and weak points in operating procedures can be improved. By mutual cooperation more uniform cost accounting systems can be developed so that banks in various sized classifications can measure their operating efficiency. In some States, such as Ohio, the bankers' associations have made commendable studies in this field.

8. Examine all financial and economic proposals in the light of experience and fact

The rapid and far-reaching readjustments which accompany war and postwar periods invariably bring conflicting proposals for changes in our financial and economic systems. Confronted by these proposals, it is not sufficient simply to insist on a dogmatic adherence to what may be antiquated doctrines. Nor, on the other hand, can a banker blindly acquiesce in obviously unsound theories and experiments. There is always a sound middle ground between rank reaction and rank radicalism. From the breadth of his financial relationships with all kinds of industry and business, and from the wide variety of economic problems which confront him, the banker is in a position to bring balanced judgment and clear thinking to each new proposal.

9. Promote the sale of Government securities to the public

For reasons with which every banker is thoroughly familiar, it is imperative that he lend full support to all activities which assist in the sale to the public of United States Government obligations for the financing of the war. Thus, he will help to assure a sound financial structure now and in the future.

10. Use every opportunity to present to the public the proper functions of our banking system in the nation's life

To the extent that men and women understand the operation of our banking system, it will have widespread public support and will be free from those vexatious problems which would be disadvantageous to its sound and proper functioning. More than ever, in the years to come, the processes of banking and business will be assessed and evaluated in terms of public service.

A New Housing Era

(Continued from page 1076)

account, obtained funds by mortgaging the property on which he was working. Through the transfer of that mortgage to the ultimate purchaser, the same instrument frequently served the purposes of both producer and consumer credit. Commercial credit in the ordinary sense was not characteristically used for construction purposes, and, when it was, at least a commitment to make a mortgage loan on the completed property was usually present.

In dealing with the small builder without any appreciable investment in plant or equipment and usually with no certain prospects for continuing in business, a form of security that looked beyond the credit of the producer to the value of the product itself was essential. Morever, for such a builder, this type of financing was usually satisfactory. It took care of his immediate capital requirements, and it usually provided him with a relatively painless escape in case his sales or rentals did not materialize.

The customary modes of housing finance are not so well suited to the large producer, whose credit needs are likely to be greater and more various than those of the small builder. Since the large mechanized producer must have a considerable investment in plant and equipment, he may need credit to help provide these essentials. Since he must purchase materials on a large scale, he will need credit to finance his inventory. Since a considerable part of his work will be done away from the building site and perhaps considerably in advance of final site assembly, he will need credit to help tide over the period of production. He may also find it necessary to assist in financing dealers.

For none of these operations does the mortgage on the individual house or group of houses fit the purpose. For the most part the need will be for short term and intermediate commercial loans, secured by the general assets and credit of the producer rather than his completed or partially completed products. Here should be an important new field of banking business. Since large scale production necessarily means greater concentration, the financing too is likely to be concentrated in fewer and larger institutions than the ordinary dwelling construction loan of today.

The post-war period is likely to bring changes not only in the type of producer's credit but in the ways of financing the purchaser as well. Although it is possible that wartime savings may, for a time and especially for the more costly types of houses, result in a greater than usual proportion of low ratio loans, it is hardly likely that any large volume of low priced house construction can be maintained without the low down payments and long payment period that were characteristic of home purchase loans in the thirties.

Such change as there is likely to be from this pattern will probably be in the direction of even lower down payments. In spite of the probability of an unusually high level of savings, the years following the war are likely to be unsettled years. During the process of reconverting war industry and of developing new peacetime products, employment opportunities are likely to shift rapidly, new migration may occur, and the prospect of moving will at least be present. In spite of their savings, therefore, large numbers of families may be unwilling to enter into long term contracts involving much risk of their capital.

At the same time the building of rental housing will undoubtedly continue to be handicapped by the same difficulties that, in spite of a great increase in the rental demand, held it back during the thirties. The almost certain continuance of rent restrictions into the post-war years may add to the difficulties of producing new dwellings on a straight rental basis. The escape from this dilemma may be through the development of various forms of lease purchase plan, under which the down payment may be virtually eliminated and title passed after the requisite number of regular monthly payments.

The working out of such schemes will involve considerable financial ingenuity. The property possibly may be mortgaged, but in the builder's rather than the owner's name. Or new types of housing operating companies may evolve, which would initially own the projects, gradually transferring them to the purchasers—involving not only new methods of financing but new forms of trustee relationships. Or, following the pattern of the Metropolitan Life Insurance Company, financial institutions may themselves increasingly undertake directly the ownership of housing properties.

A different type of financial problem may grow out of the new technology. The construction of large sections of the structure in a shop or factory gives the house a new demountability and mobility that was not inherent in the traditional house rooted at every stage to the ground on which it stood. While of course, it is possible to fix a prefabricated house as firmly to the soil as its predecessor, it is also possible so to construct it as to make it readily and quickly removable at small cost. There has been a marked trend toward the latter in the war housing program.

To the extent that this trend continues, the dwelling loses its quality as real estate, and the concepts of ownership, transfer of title, and financing applicable to real estate tend to lose, or to suffer modification in, their applicability to the dwelling. The dwelling as a repossessable chattel subject to such instruments as the conditional bill of sale is a possibility not to be ignored in the development of the financial patterns of the future.

The war has not only eliminated business-as-usual so far as housebuilding and home finance are concerned; it even promises to carry us technically beyond a point where a return to business-as-we-have-known-it will be possible. New housing construction privately financed can play a vital role in the period of post-war readjustment. The greatness of that role and the success with which it can be played will depend upon how well the new problems are analyzed and how thoroughly the needs for new methods and new points of view are anticipated.

A Yearful Ahead

(Continued from page 1073)

bankers coming from all sections of the country, most of whom are elected to the Council by the state bankers associations. The Executive Council will meet in New York on September 28-29 to consider the business of the Association and give direction to its policies.

The problems and situations which will arise to confront banks during the war will probably be more difficult and acute than those arising in peace time and will therefore call for closer association between the ABA and its members, and require even more active service on the part of the Association. Because of this, Association activity may be expected to increase. And in developing new avenues of service, perhaps we shall even improve on what has been done in the past.

The months ahead will call for resourcefulness. There will be problems growing out of the wartime fiscal operations of the government, the drying up of the civilian economy, rising taxes and the continued low interest rates, the loss of manpower and other things. However, they are not problems that will be insoluble to resourceful men. Already many resourceful bankers are meeting some of these difficulties by ingenious methods and practices, operating within the framework of good banking yet adapting their operations to new conditions.

That is what all of us must do. War is an intolerant taskmaster. It requires that private institutions serve its needs as effectively as they serve the needs of the peacetime way of life. Otherwise it may not tolerate them. Therefore we have a dual obligation as private institutions. It is to see that these institutions serve as effectively as a wartime mechanism as they do as a peacetime mechanism. As they help to win the war and to serve the war needs of the people will they assure their continued place in society.

The times also call for united effort and for leadership of that effort. To provide these is the function of the bankers associations. It is, therefore, quite essential that the bankers associations, who provide these functions, have the continued wholehearted cooperation and support of the bankers generally. In this respect the American Bankers Association is thoroughly equipped to serve you. In the critical months ahead it will carry on in your behalf more intensively than ever.

The Impact Of Inflation On Banking

By CLYDE D. HARRIS

President, First National Bank, Cape Girardeau, Missouri

It is not my intention, nor am I capable of entering into a profound discussion of the causes of inflation. I am interested in considering only the impact of inflation on banking.

Conditions affecting the operation of banks during the five-year period immediately preceding our entry into the present war were as nearly satisfactory as this generation of bankers will ever experience. Freed of the worry of maintaining cash reserves, and the fear of abnormal withdrawals by depositors, bankers were able to devote themselves to developing loans, to conducting sound, profitable banks, and to furnishing a well rounded service to the public. During this comparatively short period the capital structure of well managed banks was substantially increased. Surplus and undivided profits, accounts and reserves ample to meet any contingency were built up.

These favorable conditions for the operation of banks might have been expected to continue had not the greater portion of the world's population become engaged in war. Nothing so disrupts the world's economic equilibrium as war. War brings inflation which is followed by inevitable deflation. Right now our economic stability is threatened by the inflation brought about by the acceleration of our industrial machine in preparation first for defense and now for carrying on the war. Inflation is no longer just a threat, it is a reality. Many do not realize the extent to which it has already progressed. As an example, Bureau of Labor Statistics show that within the past three years average factory weekly earnings have increased 50%; prices on farm products have increased 71%, and the price of all commodities 31%.

Most of us who are managing banks today were in the banking business during the first World War and can remember how prices of farm products increased steadily and continuously until corn was selling at $2 per bushel; wheat at $3; hogs at 18 cents per pound and prime steers at 20 cents. As a consequence of these high prices, the prices paid for farm land almost doubled during the world war period. Most of us can also remember that in the short space of 10 months from August, 1920, to June, 1921, prices of farm commodities tumbled precipitately. The price of hogs and cattle fell to four cents per pound in this brief period. Everyone remembers the effect of this deflation period on banks in agricultural states. From 1921 to 1927 more than half of the banks in agricultural states had closed.

Many are now asking the question whether the stage is being set for a repetition of what happened during and following World War I. Will land prices again respond to the spectacular rise that is taking place in the price of farm commodities?

It may be possible to minimize inflation if drastic enough steps are taken in time. But regardless of all the safeguards that are thrown around us, we must still expect inflation to a lesser or greater extent, followed by deflation. The extent of the deflation will be equal to and in inverse ratio to the extent of the inflation which we have. The old adage that "whatever goes up must come down" is still true. Deflation of prices may be expected wherever there has been inflation and in an approximately equal proportion. If you can tell me where we have inflation today, I can tell you where we will have deflation tomorrow. The feature about deflation that makes it so destructive is the rapid pace at which it moves.

Certainly there is no better way to forestall inflation than through taxation and a wide distribution of War Savings Bonds. If it were possible to divert all the extra income that will be made available because of the war program into taxes, and into investment in Government securities, inflation could be greatly minimized. In other words, the profits arising from our war effort would go a long way toward financing the cost of the war itself if all who receive an increase in income because of the war, whether employer or employee, applied all this increase to paying for the war.

With Government officials, the public press, and numerous other agencies making an effort to enlighten the public to the dangers of inflation, it is probable that we may prevent inflation of the worst type. But is is such a subtle and insidious thing that it creeps upon us before we are aware. The price level does not advance by leaps and bounds, but in a gradual, steady climb. Prices that seemed high a year ago or two years ago now seem perfectly normal. After a while we become accustomed to higher prices and begin to think that the price level will always remain as it is now or perhaps continue to advance. It is only a step to the conclusion that we are living in a new era—in short, that we will never return to conditions as they once were. We adjust ourselves to increasingly higher prices and throw caution to the wind.

I know of no business that suffers more from inflation than does banking. Or, rather, I should say, from the period of deflation which inevitably follows inflation. It is the greatest danger that banking has to contend with. This is true for the reason that banks lend against values—values measured in terms of prices. The danger lies in that we bankers forget that prices which exist today will not exist a year from now. We are too prone to accept existing conditions as permanent. We bankers have been notoriously poor economists. Most of us are not students of economics and know little of the history of prices. Too many of us have gotten into the banking business for some other reason than because we were men of foresight, good judgment, and vision.

Shall we cease making loans because we are in a period of high price levels? The answer is "No." We must continue to do business in order to make enough profits to pay at least our operating expenses. But we can raise our margin requirements. If we loaned up to three-fourths the value of cattle when prime steers were selling at eight cents per pound, we can perhaps loan one-half or less of their present price.

What part can we as bankers play in preventing, or at least in minimizing, inflation?

(1) First of all, we can avoid making loans that tend toward inflation.

(2) We can discourage our customers from making wild and unnecessary investments, such as mortgaging the home farm to buy the farm adjoining it, as was done during the first World War, only to lose both farms later.

(3) In making loans, we can keep in mind how each individual loan will be affected when deflation sets in. If we make each individual loan on a sound basis, we need not worry about the aggregate.

(4) Take advantage of present favorable conditions to eliminate undesirable loans and other undesirable assets. This is a good time to liquidate all slow assets.

(5) Pursue a conservative policy in paying dividends, to the end that we may build up reserves sufficiently large to meet the evil days that are sure to fall upon us.

(6) Banks should endeavor to place themselves in such sound condition that they will not need to call upon Government agencies for help when the next emergency arises.

If banks will observe these practices, there is ample reason for believing that the banks of this country will be able to take the next deflation period in much better stride than they did the last two major depressions. Banks have never been in better condition to meet any emergency that may arise. The fact that we are being so thoroughly educated to the dangers of inflation may go a long way toward minimizing it; for to be forewarned is to be forearmed. Best of all, most banks today are operating under capable and experienced management, management thoroughly awake to the fact that in this day of uncertainty the banker's responsibility is boundless; that on the integrity of his character, the soundness of his judgment, the clearness of his vision, rests in a large measure the story of what tomorrow will bring in personal happiness, community safety and national greatness.

War Finance In Canada

By GEORGE W. SPINNEY

Chairman of the Dominion of Canada's National War Finance Committee and General Manager of the Bank of Montreal

On Sept. 9, 1939, the Canadian people, through their elected representatives in Parliament, decided to declare war on Germany and to join in the fight against Hitlerism. At that time Canada had only 11,000 men in her armed forces, and virtually no war industry.

Today Canada's active Navy, Army and Air Force number nearly 500,000, all of whom have volunteered for service anywhere in the world. Many thousands more are enlisted for home defense and in reserve units.

Today more than 40% of Canada's economic energies have been mobilized into wartime activities, and war weapons and munitions made in Canada are in use by the armed forces of the United Nations in practically every theatre of war in the world.

Supplies from the United States have played a vital role in the building of Canada's war production. In addition, Canada and the United States for some time past have followed joint programs for the defense of the North American continent, for the co-ordination of war production, and the efficient utilization of raw materials.

The tremendous growth of war activity, and its impact on the Canadian economy, may be measured by the record of dollar outlay for war purposes by the Dominion Government, and by the relationship of these amounts to Canada's national income.

Disbursements of the Government for war and non-war purposes in the last pre-war fiscal year, ended March 31, 1939, and in each fiscal year thereafter, are set out below:

Year Ending March 31—	Outlay in Millions of Dollars Total	War	Non-War
1939	$574	$34	$540
1940	804	235	569
1941	1,680	1,186	494
1942 (Preliminary)	3,027	2,479	548
1943 (Budget)	3,900	3,330	570

Total outlay in the current financial year, ending March 31, 1943, is nearly seven times the level of outlay in the year ended March 31, 1939. Expenditure for war alone comprises over 85% of total outlay in the current financial year.

At the outbreak of hostilities, expenditures for defense purposes were barely 1% of the national income. In 1941, the 35% level was passed. And this year the upward trend continues, the level of 50% lurking just over the horizon. These figures become even more significant when it is realized that Canada's national income this year will probably be about 70% greater than 1938, due largely to increased production and employment.

The magnitude of Canada's contribution to this war is illustrated by the fact that during the war of 1914-18 war expenditures in any year did not exceed 10% of the national income. Further, prospective disbursements for war in the present fiscal year are equivalent to over 85% of the entire national income in the year 1938, and to more than the whole national income in any of the years 1932 to 1935, inclusive.

The mobilization of Canada's resources for war and the fight against inflationary developments have required tremendous increases in taxation and borrowing, as well as the introduction of extensive non-financial controls, such as over-all price control, stabilization of wages and salaries, priorities, rationing, foreign exchange control, and the direction of manpower under a selective service program. Controls of this kind, while new to Canada, and involving great administrative difficulties, in the main are producing the desired results.

Taxation and borrowing have been the main instruments of Government control over civilian spending since the start of the war, although the non-financial (Continued on page 1083)

War Finance In Canada

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controls have multiplied and increased in importance with the steady growth of pressure on Canada's resources of men, materials and machines.

Four budgets have been presented to the Canadian House of Commons since the war began, each of which has pushed taxation to higher levels.

The first war budget in September, 1939, was relatively mild in its tax proposals, as idle resources were present on a large scale and there was no pressing need to discourage civilian spending. Over the next three years production for war surged upward, spendable income in the hands of the public increased greatly, and shortages of resources began to multiply with increasing rapidity. To meet these developments, the second budget in June, 1940, the third in April, 1941, and the fourth in June, 1942, imposed extremely heavy tax increases, all of which were designed primarily to hold down the rising tide of civilian spending.

The proportion of Dominion Government outlay covered by taxation in the last pre-war fiscal year ended March 31, 1939, and in each fiscal year thereafter, is set out in the following table:

(Millions of Dollars) Year Ending March 31				(Preliminary)	(Budget)
Item—	1939	1940	1941	1942	1943
Total outlay	$574	$804	$1,680	$3,027	$3,900
Taxation receipts	499	535	857	1,462	2,050
Per cent. receipts of outlay	87%	66%	51%	48%	52%
Borrowing needs	75	269	823	1,565	1,850

Taxation in the current fiscal year ending March 31, 1943, is expected to produce four times the volume of income that it did in the last pre-war fiscal year, ended March 31, 1939.

The tremendous expansion in taxation revenue since the war began is due to three causes: first, new taxes have been introduced; second, the rates of existing taxes have been raised and their coverage extended; third, the bases of practically all taxes have expanded due to increased trade, employment and income.

While tax increases have fallen most heavily on persons in the middle and upper income levels, the lower income groups, whose aggregate earnings have increased very substantially as a result of war conditions, have been asked for a relatively large contribution. The severity of the increases in taxation on personal incomes may be seen from the following table which sets out a comparison of personal income taxes payable on various incomes at pre-war rates and at the new rates established by the budget just brought down on June 23, 1942.

INCOME TAX PAYABLE

	Single Man	New Budget		Married Person—No Children	New Budget	
Income Level	Pre-War	Total	Refundable	Pre-War	Total	Refundable
$700	Nil	$40	$20	Nil	Nil	Nil
1,000	Nil	172	80	Nil	Nil	Nil
1,250	$11	267	100	Nil	$50	$25
1,500	22	367	120	Nil	217	108
2,500	74	826	200	$22	651	250
5,000	265	2,128	400	177	1,878	500
10,000	940	5,112	800	779	4,762	1,000
50,000	15,330	35,703	800	14,944	34,553	1,000
100,000	40,416	81,137	800	39,921	78,987	1,000
500,000	318,600	473,104	800	317,925	462,954	1,000

Under the new budget, a part of total income taxes is refundable to the taxpayer. The above table shows the amount of total taxes which is refundable at each income level. This refundable portion of total taxes is refundable currently to the extent it is offset by payments in 1942 on account of life insurance premiums, principal payments on a mortgage, and pension fund payments; the balance, if any, being refundable to the taxpayer after the war with accrued interest at 2%. In effect, this refundable feature operates as a minimum savings requirement as it equalizes the base from which voluntary savings start and assures that everybody, in one way or another, saves a reasonable minimum amount during the war years without creating hardship for those who are obligated to save amounts by way of life insurance, mortgage payments, or pension funds.

In the field of corporate taxation, income taxes on corporations in the last pre-war fiscal year ended March 31, 1939, produced about $85,000,000. In the current year it is estimated that income tax on corporations and excess profits tax will produce about $770,000,000. The minimum rate of tax on corporations is now 40% of profits, and the rate of excess profits tax is 100%, of which 20% is refundable to the corporation after the war.

Candians have accepted these tremendous increases in taxation willingly with the knowledge that these policies, while involving short-run hardships, will produce the best results over the longer term.

In addition to these large tax increases, a substantial amount of borrowing has been necessary, and by far the greater part of it has come from non-banking sources.

Public borrowing operations since the start of the war have consisted of four large bond issues which produced $2,075,000,000 of new money, net sales of War Savings Certificates amounting to over $150,000,000 up to July, 1942, and net sales of non-interest-bearing certificates amounting to over $9,000,000 up to the present time.

Each of these four public bond issues was successfully oversubscribed. The Victory Loan operations in June, 1941, and in February, 1942, established new record highs in the dollar amount of bonds sold.

Further, in total number of subscribers, the Victory Loan of February, 1942, exceeded any other public bond issue in the history of the Dominion. The average: one out of every seven people in Canada was a subscriber to this loan.

The date of each of these issues, the amount of bonds sold, new money and conversion, and the number of subscribers, are set out below:

Date of Issue—	Total	(Millions of Dollars) New Money	Conversion	Number of Subscribers
January, 1940	$250	$200	$50	178,000
September, 1940	325	300	25	151,000
June, 1941	837	730	107	968,000
February, 1942	997	845	152	1,681,000

The first two bond issues sold in January and September, 1940, were distributed in much the same manner as pre-war Government loans, individual investment dealers and others being free to compete for subscriptions.

In the period following September, 1940, Canada's war effort experienced sharp expansion and the trend of events indicated clearly that Governmental expenditure for war and Governmental borrowing needs, would continue to increase for some time to come.

Under these circumstances, it became obvious that the Canadian people would have to greatly increase their savings and that an organization sufficiently large to canvass every potential purchaser of Government securities would have to be established for future Governmental borrowing operations.

The third loan, or First Victory Loan, in June, 1941, marked the change-over from the competitive to the cooperative method of selling Government bonds to the public. The organization which was created to distribute this issue involved the cooperative efforts of some 18,000 persons throughout Canada, including about 1,900 persons from the ranks of Canadian investment dealers and brokers. In general, the organizational work and the canvass of large corporate and individual investors was carried out by persons recruited from the staffs of investment dealers and brokers, with the general canvass work being done by the other members of the organization.

Early in 1942, the Dominion Government established the National War Finance Committee. This new committee took over the functions of the committee which had directed the 1941 Victory Loan and the committee which had been entrusted with the task of promoting the sale of War Savings Certificates and Stamps since their introduction in May, 1940. The National War Finance Committee, staffed largely by persons who had previously been associated with the Victory Loan Committee and the War Savings Committee, now has the responsibility of promoting maximum voluntary savings by all classes of Canadians, and of channeling these savings to Government use through the sale of Government securities.

The first big borrowing operation conducted by the National War Finance Committee was the Second Victory Loan in February, 1942.

At the present time, the National War Finance Committee is engaged in establishing an organization in each province throughout Canada which will undertake the sale of Government securities to the public throughout the entire year, this continuous effort to be supplemented, from time to time, by large scale borrowing operations comparable to the First and Second Victory Loans.

From this brief review, it is obvious that war service and war production are now Canada's biggest and most important jobs. Industry has undergone a revolutionary change and expansion. The armed forces are steadily growing in strength, nearly 15% of Canada's adult male population now being in the armed forces. Rates of taxation and public borrowing operations have expanded to unprecedented levels. Direct controls of many kinds have been imposed on the Canadian economy. Civilian wartime living standards are headed downwards.

In cooperation with the other United Nations, Canadians are grimly resolved to make every sacrifice and to bear whatever burdens may be necessary to win this all-out struggle for survival.

Transportation In Wartime

By JOSEPH B. EASTMAN

Coordinator of Defense Transportation

I greatly appreciate the way in which the American Bankers Association has co-operated with the Office of Defense Transportation. Not only has our suggestion been followed that vacations be spread and arranged so as to begin and end in mid-week, but the Association has also called off its annual convention. Instead of the convention, it is printing in this magazine the papers which would have been read at the convention, and I find it a pleasure to add one of my own.

Total war such as we have today brings into action, not only the armies and navies, but the productivities of entire populations and all the resources that nations possess. The one thing that ties all of these activities together is transportation. We cannot fight a war without it, and we cannot fight our best unless transportation functions somewhere near 100% in efficiency.

Our domestic transportation system has come reasonably close to such a performance ever since the beginning of the emergency in 1939. I can say this without boasting, since I have had comparatively little to do with it, for the Office of Defense Transportation was not created until about the first of this year.

The major credit for the excellent performance must go to the carriers and their employees and to the shippers of the United States, who have cooperated so well with the carriers. The railroads did not forget the lessons taught them by the last war. This time they were well organized and had their plans ready. Those plans are based on the proposition that the way to move freight is to keep the cars rolling and that the unforgivable sin is to allow cars to be loaded which cannot be unloaded when they reach their destination, and thus to convert them into storage facilities.

Thus far there has been no breakdown and no serious congestion in domestic transportation. It has done adequately and well all that it has been called upon to do. When our great production programs were first started, many people entertained the fear that the railroads would not be able to do their part. For several years, in the face of declining traffic and a great increase in competition from other forms of transportation, the railroads had permitted their supply of both cars and locomotives to decrease materially. For example, compared with 1929 when traffic was at a peak, freight cars available for service had gone down in number more than 30%, and to a lesser degree motive power had also decreased. Both cars and locomotives seemed old and the impression was widespread that because of the years of poverty, road-bed and track had not been well maintained. In the past three years, predictions have been common that the railroads would not be able to stand up under the strain of the rapidly increasing traffic. Yet in 1941, they set an all-time record of ton-miles of freight carried, and because of the more rapid circulation and efficient use of freight cars in that year, a car was equal to one and one-third cars compared to 1929.

This year the general increase in traffic has continued and in addition the railroads have been put to an extra and a very heavy strain, not only because of the extensive and continuous movement of troops, but also because they have been called upon to carry a great volume of freight which formerly moved by water. For a long time no ships have operated between our East and West coasts through the Panama Canal. The railroads have had to take up the entire burden of transcontinental traffic at a time when our war with Japan has made it exceedingly heavy. In the past, the Eastern Seaboard has been supplied with petroleum mostly by tankers operating on the ocean from Gulf ports. During the week of Pearl Harbor, the railroads carried about 70,000 barrels of oil a day by tank cars to this territory. Today the tankers have largely been withdrawn and the railroads are carrying not far from 800,000 barrels per day, much of it from the remote Southwest. Much of the coal moving to New England has in the past come from Hampton Roads by collier and barge. The submarine menace has impaired that method of supply and the movement of coal by railroad to New England has greatly increased. Many commodities which formerly came into eastern ports by ocean from the Gulf and South America are now moving to Gulf ports and thence by rail to eastern destinations.

A great deal of this diverted traffic must necessarily be hauled long distances. Because of this and the further fact that cars are being loaded on the average more heavily, ton-miles are increasing at more than double the rate of car loadings. The number of car loadings per week is no longer an accurate index of railroad performance. It understates the facts.

You may have seen statements to the effect that there are large accumulations of overseas freight at ports or on the lines leading to ports, thereby creating the impression that the ports are blocked. This is not the case. The ports are in a liquid condition. There are no present accumulations of cars at ports which are in any way alarming. It is true the considerable overseas freight is in storage at the ports and elsewhere. But it is not being held to any important extent in freight cars and so it is not interfering with the domestic movement of traffic.

Freight cars must not be used for storage and they will not be. Storage depots of large capacity have been and are being constructed by the Army; much ground storage made available by the railroads is being used; the storage and warehousing industry of the country has been well organized to give effective aid. You need not be alarmed when you see war products in storage. It does not mean that our transportation system has broken down. From the beginning we knew that it would be necessary to store great quantities of war products in this country, not only to maintain adequate reserves but until deficiencies in overseas shipping could be overcome.

While the railroads have done a splendid job, they would have been in a sorry plight if they had not had the help of their erstwhile foes, the trucks and buses. The trucks of this country have been carrying at least 13% as many ton-miles as the railroads (I believe this to be an underestimate), and much of it is the kind of traffic that is most difficult for the railroads to handle economically and efficiently. The buses have to a large extent taken the place of local railroad trains, and they serve thousands of communities which have little or no railroad passenger service. The fact is, also, that the railroads themselves are among the largest users of trucks and buses. They have woven them closely into their rail operations and their efficiency will drop considerably if they are deprived of the use of such vehicles.

However, the job ahead is bigger and much harder than what has gone before. The primary reason for this lies in the shortage of critical materials. There is not

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A Wartime Investment Policy

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ber banks, and almost 36% in the case of country banks. Since interest is being paid on time deposits and the rate as a rule is higher in the reserve and country districts than in central reserve cities, it is evident that the investments of the reserve city, and particularly of the country, banks must carry a higher return. The central reserve city banks must also take into consideration the fact that they are bankers' banks and that, therefore, their daily swing in deposits percentagewise is bound to be greater than that of banks located in smaller localities. Central reserve cities, therefore, have endeavored to hold a considerable proportion of their total Government securities in shorter-term obligations. In fact, at the end of December, 1941, of the total Government holdings of New York City member banks, including direct and indirect obligations, 50% consisted of bonds, 22% of notes, and 4% of bills. On the other hand, of the total direct and guaranteed obligations held by the country banks, 67% consisted of bonds. The banks in the central reserve cities will continue the same policy.

The problems that confront reserve city banks are approximately the same as those confronting the banks located in the large financial centers. However, since their volume of time deposits is larger and since their deposits are not subject to the same swings, they are in a position to buy a larger amount of medium-term obligations.

Both types of institutions should endeavor to diversify their Government holdings with maturities of one to 10 years. The banks in the central reserve cities will lay more emphasis on the shorter maturities while those in the reserve cities can absorb a larger amount of longer maturities. In each case the percentage of longer or shorter maturities will depend on the position of the individual institution and on the amount of earnings desired by the management.

The country banks of necessity will buy a larger percentage of longer-term maturities. Based on the type of securities outstanding now, these institutions would be well advised to diversify their maturities from one to 12 years with a return ranging from three-eighths of 1% to 2¼%. This statement does not imply that institutions should not hold longer maturities. However, since the difference in yield between a 12-year maturity and a 25-year maturity is relatively small it is doubtful whether banks would reach out for the longer maturities. Furthermore, thus far the Treasury has offered to the banks medium-term obligations and has relied on insurance companies and savings banks to absorb the obligations with a maturity of over 12 years.

The amount to be invested in each maturity will depend on the type of deposits of an individual bank and upon the composition of its assets. Institutions operating with time deposits and whose assets consist only to a small extent of mortgages may invest a larger proportion in longer-term obligations. A carefully thought through policy of maturity distribution offers a high degree of liquidity combined with safety and satisfactory earnings.

The shorter maturities can be converted into cash without any loss and thus afford a high degree of liquidity. The longer maturities while subject to moderate fluctuations offer a satisfactory return.

The war period should be utilized by the banks to put their assets in as strong a position as possible. A sound portfolio is always advisable but has never been so necessary as at present when the future is so uncertain and when the ratio of capital accounts to earning assets is decreasing at a rapid rate. As a rule, banks should invest only in high-grade obligations.

In this connection the question often arises as to whether they should buy AAA corporate bonds or Government obligations. As a general rule one may state that the best AAA corporates should yield at least one-half of 1% more than Government bonds with a comparable maturity. There is no credit risk attached to the latter, they are eligible for discount at the Reserve banks (at present at par) and thus can readily be converted into cash. Furthermore, as is well known, the Government bond market in periods of stress is supported by the Federal Reserve authorities whose open market operations have been in part directed toward keeping Government securities orderly.

Medium-grade bonds should never have a place in a bank's portfolio. It would, however, be inadvisable to liquidate them entirely without analysis. Medium-grade obligations of those corporations whose credit position has improved as a result of the war and whose outlook for the future is satisfactory should be kept for now.

Banks hold considerable amounts of mortgages as well as real estate. Real estate obviously is not a satisfactory bank asset and should be liquidated as fast as is possible. As regards mortgages, the increased national income should be utilized by the financial institutions to accelerate the amortization. Such a measure, on the one hand, strengthens the mortgage and, on the other, reduces purchasing power, thus counteracting the forces of inflation. FHA mortgages in moderate amounts, properly serviced, are satisfactory investments for banks, particularly those operating with savings deposits.

Banks also could during the present period readjust their Government holdings to obtain the desired maturity distribution. Before deciding on a definite investment policy the management of each bank should ask itself the question: "In what position should my institution be when the war is over?" A bank will find itself in a very favorable position after the war if its earning assets are composed of sound loans, Government securities well distributed as to maturity, other high-grade obligations to which there is very little or no credit risk attached. The smaller institutions, particularly those which have time deposits, may add a well selected list of mortgages properly amortized and FHA mortgages. An institution which adopts its policy along these lines will be in a position not merely to meet any emergency that may arise in the future but will be in a position to finance the legitimate needs of its customers.

Although every effort is being made to finance the deficit of the Government through the sale of War Bonds to ultimate investors, the banks will be called upon to absorb a huge amount of Government securities. The existing excess reserve balances and those that will be created by the Reserve authorities through open market operations or through the lowering of the reserve requirements, will enable the banks to meet all the needs of the Treasury at about the prevailing rates of interest. Government securities are the safest assets a bank can acquire, and the only risk attached to them is that they are subject to fluctuations. These are bound to be only moderate in character, however, during the war and for a considerable period after.

The acquisition of Government securities by the banks should follow a definite policy based on a careful study of the composition of the assets and liabilities of each institution. A sound investment policy requires that a bank be able to meet the withdrawal of a certain amount of its deposits without being forced to sell medium—or long-term obligations. This can be achieved by spreading the maturities over a period of several years.

The increase in investments will be accompanied by a corresponding rise in deposits and by a reduction in the ratio of capital accounts to earning assets. The smaller this ratio is, the greater is the necessity to improve the quality of the existing assets. A bank should never sacrifice quality for a high return and those assets considered unsuitable for bank investments should be gradually liquidated. The sale of such assets, bonds as well as real estate, to ultimate investors is now more desirable than ever, because in addition to strengthening the banks it leads to a reduction in deposits.

The war will bring in its wake great economic and social changes. It has already increased the productive capacity of the country, stimulated the production of new materials and caused great dislocations in industry and trade. A strong banking system is a prerequisite to a sound national economy. The assets of the banks are already sounder than perhaps ever before, and are constantly being improved. This will enable them not merely to meet any emergency that may arise but also to assist in the conversion of our industries to peacetime production after the war and to finance the huge volume of production and consumption of civilian goods that we may rightfully expect to take place, once law and order prevail in the world.

Effects Of The War

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ital need greater than if the bank is very liquid.

Within the past decade the assets of banks have changed markedly. A smaller proportion is in loans, a larger part in cash and government securities. Mortgage and corporate security holdings are reduced. It is true that the capital funds are smaller, but the risk to be covered is much less.

The problem is complicated by the virtual absence of a market for bank stock. Bank earnings and earnings prospects have not been such as to attract new investment money. New capital must be earned.

A commonsense general view, and recognizing sharp differences between banks, is that this situation is not alarming but does suggest certain precautions:

1. Banks need to husband their capital by conservative dividend policies.

2. Venture assets, old and new, should be scrutinized closely, while doing vigorously the war lending required.

3. Maturities of securities, even governments, should be relatively short.

4. Earnings should be adequate to provide a steady increase in capital and reserves.

Banks, of course, are not wholly the masters of their earnings. They are between the upper millstone of low money rates and the nether millstone of high taxes.

But even at present rates of interest and with the taxes now suggested, the prospective added volume of government holdings should yield enough income for most banks to retain something close to their recent rates of earnings, enough to show some small increase in capital funds against a large increase in government holdings. It is not a very pleasing prospect. It is no bed of roses and calls for careful management. But this is not a period when any business can be free of risks. When the whole country faces the hazards of war the banker must face his hazard as well.

In the whole program the major risk is not to the banks as such. The principal danger is that this huge outpouring of buying power, this prodigious expansion of bank credit, will force up prices and the cost of living—in other words, will bring inflation upon the country.

We have been living with this fear so long that we have become a little hardened to it. We comfort ourselves with the thought that nothing serious has happened yet. But inflations are cumulative and the present course of the economic trends is painfully like that of the first World War.

The inflation forces are so cosmic, such a broad stream of movement both political and economic, that we seem almost helpless before them. Much of it is largely outside the realm of the banker. This inflationary surge, for example, comes when wage earners have just been winning a hard-fought political struggle for higher wages, shorter hours, more recognition, when farmers have been gaining some control over too-long depressed farm prices. These movements run head on into inflation controls. That is a political situation about which the banker can do very little. The amount and character of taxation are also at the core of the inflation problem. The banker as citizen shares responsibility with others in these areas, but they are not in his special field.

But one responsibility lies directly at his door. It is the sale of government securities outside the banks in the greatest possible amounts to lessen bank credit inflation. Bankers are way out in front in getting this job done. They have made a fine start both in their own offices with their customers and in giving leadership to the War Savings Bond organizations and the Victory Fund committees.

We bankers shall have to be ready to buy for our banks the bonds not sold to others. But that is in many ways the easiest part of our task. Our greatest responsibility is selling bonds to the people.

Wartime Transportation

(Continued from page 1083)

enough rubber, steel, copper, and other materials to go around. We must bear in mind that this country is engaged in the most gigantic program of production in history. It is creating, mechanizing, and arming great military forces of its own. It is providing armaments and supplies for our allies. It is building great numbers of ships which can carry the troops, the armaments, and the supplies to the uttermost parts of the earth. It is creating great naval and air forces which can protect these ships against submarines. It is building plants for the manufacture of synthetic rubber to take the place of hundreds of thousands of square miles of rubber plantations which are now in the hands of the enemy. There are just not enough of these critical materials. Necessarily, some needs must suffer.

The War Production Board, which has the prodigious task of allocating the critical materials among needs which greatly exceed the supply, is banking on the ability of the railroads to carry on and do the ever-increasing work which lies ahead without any like expansion of facilities. This confidence is flattering to the railroads and to my office and I sincerely hope it is justified. Certainly, we shall all do everything in our power to justify it and I know that there is much that can be done.

Investment Trusts

(Continued from page 1071)

potential leverage (reserve buying power) of the Fund now held in Government bonds and cash is enough to increase the invested position of the buyer from $1,489 per $1,000 of investment to $2,343 per $1,000 of investment.

The on-balance purchases reported were spread over 65 separate issues of commons, preferreds and bonds. For those interested in a list of the individual securities, it is suggested that inquiry be directed to Lord, Abbett & Co., Inc., 63 Wall Street. Ask for the Sept. 17 issue of *Abstracts*.

* * *

The American Business Shares *News Letter* of Sept. 16 advises, "Buy diversification and management when buying securities." New additions to the portfolio in August were American Tobacco, Woolworth, Harvey Hubbell, American Telephone 3s, 1956. Increases were made in holdings of Commercial Investment Trust, Continental Oil, Crown Cork & Seal, Cutler Hammer, General American Transportation, Goodrich, Gulf Oil, Macy, Pure Oil, R. J. Reynolds, Chesapeake & Ohio, American Water Works 6s, 1975, Associated Electric 4½s, 1953, Electric Power & Light 5s, 2030. Eliminations were Great Northern 5½s, 1952, and Kansas City Southern 5s, 1950, while holdings of New York Central 3½s, 1952, were decreased.

* * *

"How much protection for dividends?" asks the current issue of *Keynotes*. A chart is shown to compare the estimated dividends of four stock groups with their estimated net earnings after taxes this year.

"Despite the generally lower trend," adds the bulletin, "there is still a generous margin of protection for current dividend payments." The dividend and earnings estimate given apply to the four groups of stocks represented in Keystone Custodian Funds Series "S1," "S2," "S3" and "S4" and are as follows:

Dividend and Earnings Estimates for 1942 (% of current market)

*Stk. Group—	Divs.	Earns.
"S1"	5.4%	7.4%
"S2"	8.5	16.2
"S3"	5.2	14.2
"S4"	3.8	19.4

*Stocks held in Series indicated.

In conclusion, the bulletin states that, "Since current prices apparently reflect over-pessimism taxwise, improvement in stock prices seems highly probable. Waiting until good news is known has never been as profitable as knowledge and foresight."

* * *

Manhattan Bond Fund's September report on investment holdings also contains a table showing the year-by-year growth record of the Fund. Here it is:

Date—	Net Assets
July 1, 1938	$36,014.21
July 1, 1939	2,828,227.80
July 1, 1940	5,661,312.19
July 1, 1941	8,242,883.46
Sept. 1, 1942	9,603,928.60

The Nashville, Chattanooga & St. Louis Ry. 1st 4s, 1978, have been added to the list approved for purchase by the Fund.

NYSE Workers Will Do Own Bargaining

The New York Stock Exchange will recognize collective bargaining in labor relations for the first time in its history, as a result of an election held by the Exchange's Independent Employees' Association under the auspices of the National Labor Relations Board. The Employees' Association won the election to represent floor employees as collective bargaining agent by a vote of 367, with five votes cast for no union organization. The Association is affiliated with neither American Federation of Labor nor the Congress of Industrial Organization.

Municipal News & Notes

Municipal men are not likely to submit any alternative proposals to the rule propounded by the Securities and Exchange Commission, which would require over-the-counter dealers to disclose to customers the best independent bid and asked quotation before each transaction, according to general opinion.

While the municipal men are not expected to offer any suggestions, it is definitely expected that proposals will be offered by corporate dealers, presumably through the National Association of Securities Dealers, Inc.

Leaving aside the question of legality, municipal men are of the opinion that the rule is impractical. They maintain that the field in which to endeavor to obtain the best independent bid and asked prices was practically limitless. A check, they say, through hundreds of dealers in various cities might well fail to reveal the best bid and asked quotations.

It is contended that the bookkeeping expense involved in complying with the rule also would be large and further narrow the small margin of profit now obtained, with the result that many dealers might be forced out of business.

The point also is made that the rule would not work to eliminate operations of a dishonest dealer. Such a dealer, it was asserted, could check several houses in quest for the best quotations on a specific bond, but deliberately neglect to contact firms more closely identified with markets on that security.

N. Y. Port Authority Tax Status Awaits Action

Test action of the U. S. Treasury Department to determine the tax status of obligations of the Port of New York Authority is expected to be ready for court action in the next month or two. The ruling in this case is understood to have an important, albeit indirect, influence on the general standing of municipal securities. While the litigation will come before the lower court in New York City later this year, it is felt that a final decision may not be reached for some time, as the matter will undoubtedly be carried to the Supreme Court.

This case originated in March, 1941, when the Treasury Department sent deficiency tax notices to seven bondholders of the authority who did not include interest from the bonds in their tax returns filed March 15, 1938. It was then stated that the move was intended as a test action on the part of the Treasury to determine the income tax status of the obligations of the authority and similar public corporations.

At that time the Treasury was quoted as saying that if its position were upheld by the Supreme Court it would ask Congress to abate payment of back taxes, to exempt outstanding issues from taxation and to begin taxation of future issues.

The entire matter could be dropped by the Treasury should it succeed in its attempt to have Congress enact legislation which would tax future State and municipal issues. Such moves thus far have been unsuccessful and no such clause is looked for in the revenue bill currently pending.

N. J. Governor Asks Vote On New Charter

Governor Charles Edison called last week for a showdown vote at the general election in November on whether the people of New Jersey desire a revision of the State's 98-year-old Constitution.

Declaring that a long line of Governors could "testify from personal experience that our 98-year-old Constitution fosters wasteful, complicated and irresponsible State Government," Edison said he was confident that the hearing committee would recommend to the Legislature that the question of revision be placed on the November 3 ballot.

Phila. Saves $18,000,000 Interesting by Refunding

Philadelphia has saved $18,000,000 in interest charges on the city's bonded debt by refunding $83,398,200 of callable municipal bonds.

The saving indicates economies possible for cities which sold bonds with the "call" feature several years ago at high interest rates then prevailing, the Municipal Finance Officers Association reports.

Now these cities can — as did Philadelphia—call in bonds paying 4 and 5% interest and refund —or re-issue—them at the present low interest rates of 2 to 2.15%.

In June, 1941, holders of Philadelphia bonds from 30 different issues—callable from 1942 to 1947 —were offered opportunity on a "first come, first served" basis to exchange their bonds for new ones, to be retired annually from 1943 to 1950.

The new bonds were to bear the old rates of interest—4 to 4½%— up to the first call dates of the old bonds, and a lower rate—2¼ to 3¼%—thereafter. Thus bondholders would have the full equivalent of the old bonds until they were subject to redemption by the city, and thereafter would have tax-exempt bonds for an assured period at a fixed interest rate.

Of the eligible bonds in the hands of the public, 62.65% were exchanged by the deadline for refunding, which was June 15, 1942, and the average rate of interest was reduced from 4.227 to 3.085%.

From the time the reduced interest rates become effective until the new bonds mature, the interest on the new bonds will total $56,226,328, whereas under the old rates the city would have paid $75,829,814 interest during the same period. The actual saving in intrest cost is $18,082,424, since $7,906,200 of the refunding bonds were held in municipal sinking funds.

Va. Special Session On Debt Liquidation

Governor Colgate W. Darden, Jr., after a conference with Senate and House leaders and State officials, issued a call for a special session of the General Assembly to convene at noon next Tuesday, Sept. 29, to consider a plan to liquidate the State debt.

The Governor gave no details of his plan in his brief public statement last week, but the unobligated surplus in the general fund of the treasury and funds in the hands of the Sinking Fund Commission now far exceed the total of the State debt.

The State's indebtedness payable from the general fund is now $14,731,000. In addition bonds outstanding payable from highway funds amount to $3,428,000. This makes a total indebtedness of $18,159,000. However, against these obligations there is a large, but officially undisclosed balance in the hands of the Sinking Fund Commission.

The State's unobligated surplus in the general fund amounts to $18,639,880.

San Francisco Seeks Market Street Railway

At the general election in November, the voters of San Francisco, Calif, will pass on a proposal to issue $7,950,000 revenue bonds, the proceeds of which would be used to finance the purchase of the Market Street Railway in that city. The bonds would be retired from future earnings of the railway. A simple majority vote can pass a revenue bond issue, whereas a two-thirds majority is required for general obligation bonds.

Canada's Third Victory Loan

With an objective of $750,000,000, subscriptions will be opened Oct. 19 on Canada's Third Victory Loan, it was announced last Friday by Finance Minister Ilsley. The Second Victory Loan, sold last February, was for $600,000,000, but over $950,000,000 was subscribed.

Missouri Old Age Pension Plan Up For Vote

At the general election on Nov. 3 the voters of Missouri will pass on a proposed constitutional amendment to set aside $29,000,000 annually, or $58,000,000 for the biennium, out of the State General Revenue Fund for old age assistance and aid to dependent children payments.

Municipal Forum Meeting Friday

Dr. Marcus Nadler, professor of banking and finance at New York University, will address The Municipal Forum of New York at its first luncheon meeting of the Fall tomorrow, Sept. 25. Dr. Nadler's topic will be "The Present Economic Situation and the Outlook for Interest Rates."

Calendar of New Security Flotations

OFFERINGS

BURLINGTON MILLS CORPORATION

Burlington Mills Corporation has filed a registration statement with the SEC covering 50,000 shares of cumulative convertible preferred stock, $2.50 series, without par value; stated value, $50 per share, and 113,637 shares of common stock, $1 par value, including scrip certificates for fractions of shares

Address — 301 North Eugene Street, Greensboro, N. C.

Business — Corporation and subsidiaries are engaged in manufacturing woven fabrics from rayon yarns and rayon mixtures, and to some extend from cotton yarns, and in manufacturing to some extent full fashioned hosiery; throwing and dyeing rayon, cotton, and silk yarns; dyeing and finishing cloth and knitted fabrics, and selling the manufactured goods

Underwriting—Principal underwriters are Lehman Brothers, New York; Wertheim & Co., New York; A. G. Becker & Co., Inc., New York; Union Securities Corporation, New York; Hallgarten & Co., New York; R. S. Dickson & Co., Inc., New York, and Merrill Lynch, Pierce, Fenner & Beane, New York. The amounts which the underwriters will subscribe will be furnished by amendment

Offering—The offering price of the $2.50 series preferred stock will be supplied by amendment. The 113,637 shares of common stock are reserved for conversion purposes

Proceeds—The net proceeds from sale of the preferred stock will be added to the general working funds of the company

Registration Statement No. 2-5043. Form A-2 (9-15-42)

Corporation on Sept. 22 filed an amendment to its registration statement fixing the price at which the preferred stock is convertible into the common stock at $21 per share of common stock. The redemption price was also fixed at $53.25 per share if redeemed at or prior to Sept. 1, 1946 and at $52.25 per share if redeemed at any time thereafter, plus accrued dividends in each case

Lehman Bros. and associates offered the stock to the public on Sept. 24.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern Standard Time as per rule 930(b).

Offerings will rarely be made before the day following.

SUNDAY, SEPT. 27

UNIVERSITY CLUB OF CHICAGO

University Club of Chicago has filed a registration statement with the SEC for $802,500 principal amount of 4% debentures due Sept. 30, 2105

Address—76 East Monroe Street, Chicago, Ill.

Business—The club has operated since its organization in 1887 and intends to continue to operate as an organization for educational, social and fraternal purposes. It has no capital stock and is not operated for pecuniary profit but is operated solely for the benefit of its members

Offering—At the time of construction of the club building presently operated by the club there was organized under the laws of the State of Illinois, a stock corporation known as the University Auxiliary Association. The shares of that corporation were largely subscribed by members of the club and the association used the funds so obtained for the construction of the club building. The club now proposes to offer its 4% debentures—being the securities registered hereby—in exchange for the outstanding shares of the association, other than shares of the association owned by the club, and upon acquisition of such shares, or such proportion thereof as shall be approved by the board of directors of the club, to cause the association to be dissolved and liquidated.

It is considered that the issuance of the 4% debentures of the club in such exchange is a "reorganization" within the purview of the definition of that term set forth in paragraph 5 (1) of the rules as to the use of Form E-1 as constituting "the exchange of securities by the issuer thereof for securities of another issuer." The club proposes to offer its 4% debentures in exchange for shares of the University Auxiliary Association on the basis of $100 principal amount of debentures for each share of the Association of $100 par value, other than shares of the Association owned by the club

Registration Statement No. 2-5042. Form E-1 (9-8-42)

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.

CENTRAL MAINE POWER CO.

Central Maine Power Co. filed a registration statement with SEC for $14,500,000 first and general mortgage bonds, Series M, maturing July 1, 1972; $5,000,000 ten-year serial notes, maturing serially on July 1 from 1943 to 1952, and 261,910 shares of common stock, par value $10 per share.

Address—9 Green Street, Augusta, Maine

Business—Company is an operating public utility and engages in the electric, gas and water business, entirely within the State of Maine

Underwriting—The bonds and the notes will be sold under the competitive bidding rule of the Commission. Names of underwriters and amounts and offering price to public will be supplied by amendment

Offering—Public offering price of the bonds and notes will be supplied by amendment. The 261,910 shares of common are first to be offered to the holders of the company's outstanding common stock and 6% preferred stock for subscription at $10 per share in accordance with their pre-emptive rights. New England Public Service Co. has subscribed for and agreed to take the 261,910 shares, less any shares as may be subscribed for by stockholders, and to pay therefor in cash at $10 per share provided the proposed merger becomes effective

Proceeds—Statement says that prior to the issue of the securities now registered, Cumberland County Power & Light Co., a public utility incorporated in Maine in 1909, will be merged into the company and Central Maine will thereupon acquire, pursuant to an agreement of merger, the business and all the rights, powers, etc., of Cumberland. After the merger has become effective, the business of the company will include also the business, franchises and properties of Cumberland, the separate existence of which will have ceased

Net proceeds from the financing in accordance with the merger plan recently filed with the commission will be used as follows:

Net proceeds of the series M bonds will be used to pay principal and premium in the redemption at 105% on Oct. 1, 1942, of $1,494,000 face amount of first mortgage, 4% series, due 1960, of Cumberland Power, $1,538,060; to pay principal and premium in the redemption at 105½% on a date in 1942 to be announced of $9,275,000 face amount first mortgage bonds, 3½% series, due 1966 of Cumberland County $9,784,348 and to pay bank loans made by the company which were incurred for the purchase and construction of facilities $2,650,000.

Net proceeds of the serial notes and the common stock will be used to pay par and premium in the redemption on a date to be fixed in 1942 of an unspecifed number of shares of 6% preferred stock and an unspecified number of shares of 5½% preferred stock of Cumberland County at 130% and 110%, respectively, all of which shares are to be called for redemption by Cumberland County prior to the proposed merger and converted under the agreement of merger into an obligation of the company to deposit the redemption price thereof in trust for the holders of such shares. The amount to be utilized in such redemption will be supplied by amendment.

Additional net proceeds from the sale of serial notes and common stock will be used to acquire 300 shares of the common stock and $6,000 face amount of 5% debentures of Aug. 1, 1936, due Aug. 1, 1956, of Nepsco Services, Inc., and 10 shares of common of Nepsco Appliance Finance Corp. $9,100 and to acquire all of the 650 outstanding shares of the no par capital stock of New England Pole & Treating Co. $110,000.

Balance of net proceeds of the series M bonds, the serial notes and common stock will be used to redeem at $120 per share or otherwise retire on or before Oct. 1, 1942, an unspecified number of shares of 7% preferred stock of the company and for the purchase and construction of facilities for the carrying out of the company's business..

Registration Statement No. 2-5024. Form A-2. (6-29-42)

Central Maine Power Co. on Aug. 5, 1942, filed a request with the SEC to withdraw trust indenture data in view of decision to sell the proposed issue of $5,000,000 10-year serial notes at private sale. On July 16, 1942, company filed an amendment with the SEC to withdraw the proposed notes from registration and such withdrawal was approved Aug. 19, 1942

Amendment filed Sept. 10, 1942 to defer effective date

EASTERN COOPERATIVE WHOLESALE, INC.

Eastern Cooperative Wholesale, Inc., filed a registration statement with the SEC for $150,000 4% registered debenture bonds maturing July 1 of each year from 1944 to 1956, inclusive (exclusive of 1950). Company states that $50,000 in maximum principal amount which shall mature in 1944 and $30,000 is maximum principal amount which shall mature in any one of the other years

Address—135 Kent Ave., Brooklyn, N. Y.

Business—Wholesale dealer in groceries allied products, including, among other related activities, warehousing and packaging

Underwriting—No underwriter named

Offering—The securities are being sold by the Cooperative directly to its stockholders and friends interested in the cooperative movement without the interposition of any underwriter, dealer, broker or salesman, at 100. No commission will be paid to anyone in conjunction with such sale

Proceeds—Will be used to repay certain private loans and also to reduce certain accounts payable now outstanding for current merchandise, the balance to be used for working capital

Registration Statement No. 2-5002. Form S-2. (5-27-42)

Registration Statement effective 1 p.m., EWT on Aug. 1, 1942 as of 5:30 p.m. EWT July 18, 1942

(This list is incomplete this week)

Chase Bank Celebrates 65th Anniversary

(Continued from first page)

Dec. 27, 1877, showed deposits of $615,686, which compare with $3,595,451,030 on June 30, 1942. The bank's investments in United States Government obligations when the first statement was issued amounted to $125,000, whereas the latest published total was $1,573,405,156. Similarly, loans and discounts were $652,516 in 1877 compared with $822,753,458 in mid-year of 1942.

When the Chase National Bank was organized in 1877, John Thompson was 75 years old, and his record for financial sagacity was well known. The principal interest in the new bank was owned by Mr. Thompson and his son, Samuel C. Thompson, who became its first President. There were three other original stockholders, whereas today the stock of the bank is owned by more than 92,000 shareholders. Further facts incident to the bank's development are made available as follows:

When it opened for business on Sept. 20, 1877, the Chase National Bank occupied temporary quarters at 117 Broadway, but a few months later the bank was moved to the first floor of the high-stooped, three-story building at 104 Broadway. Here, according to accounts written at the time, one might see the venerable John Thompson at his desk near the door, a quaint figure to those who were not familiar with the dress and manners of an earlier generation. Home-knitted woolen stockings were freely displayed, the linen was immaculate but of the fashion of 1850. The collar was of the type known in Civil War days as a "dickey." At three o'clock regularly each afternoon he started for home, taking the Madison Avenue stage which was one of the principal methods of transportation uptown in that era.

When the Chase Bank welcomed its first depositors, there were four clerks on the staff to handle the business. Today, more than 6,000 men and women are employed in the Chase organization. During the war period upward of 700 men from the bank's staff have entered the armed services of the United States and their places have been filled principally by women.

Other facts which the anniversary of the Chase Bank brings to attention, one of which relates to the passage of the National Banking Act, are indicated as follows:

For many years prior to the Civil War and for a period thereafter, John Thompson published Thompson's Bank Note Reporter, which was a principal source of information on the value of currency issued by State banks throughout the country. Prior to the passage of the National Banking Act in 1863, it will be remembered, State banks issued notes, and the value of those notes varied according to the soundness of the individual banks. This fact made it necessary for the public to protect itself, so far as possible, by keeping constantly informed of current quotations on the various notes.

As Secretary of the Treasury, Salmon P. Chase won a long tight to secure passage of the National Banking Act which, with some supplementary legislation passed a few years later, finally brougt an end to the issuance of currency by State banks. Naturally, Secretary Chase was greatly admired by Mr. Thompson, who long had been an advocate of a unified currency system.

The head office of the Chase is located in the bank's building at Pine and Nassau Streets, with the trust department housed in the former Equitable Trust Building at 11-15 Broad Street, also owned by Chase. There are 32 branches in New York City and nine branches outside the United States, most of them in the Caribbean area.

Winthrop W. Aldrich is Chairman of the Board of Directors and H. Donald Campbell is President of the bank. In view of wartime conditions, no special recognition of the anniversary is planned at the bank.

Our Reporter On "Governments"

(Continued from First Page)

are considered keynoters of the market. . . . But notes. . . . And the question arises as to whether purchase of some of these notes at below par is not a wise move at this time. . . .

Here they are:

The ¾s, due Sept. 15, 1944. . . . At around 99½. . . .

The ¾s, due Dec. 15, 1945. . . . At around 98⅞. . . .

The 1s, due March 15, 1946. . . . At around 99⅛. . . .

The CCC 1⅛s, due Feb. 15, 1945. . . . At around 99⅞. . . .

Admittedly, all these notes are taxable. . . . Admittedly, any purchaser of them must look forward to paying a capital gains tax at maturity date. . . .

But the upward swing in interest rates in the short-term market now appears to be over. . . . That's the first important point. . . .

And the fact is that purchasers of high-coupon bonds, tax-exempt or taxable, must look forward to heavy amortization programs and possibly other tax factors nullifying the advantage these have over discount bonds. . . .

It's a good idea to get a discount bond—that you bought at a discount—on your books now and then. . . . The opportunities happen rarely. . . .

Of all the notes at a discount, the 1s of March 15, 1946, appear most attractive, for they bear the highest coupon and sell almost a full point below par. . . .

Also, if you're interested in the note market generally, you might consider building up your position in the new 1¼s while they're still right around the par level. . . . Premium at the moment is only 2/32. . . . It won't be much more, but it should get up a bit. . . . Maybe to 4 or 6/32 or around there. . . .

THE TAX ANTICIPATIONS

Secretary Morgenthau's tax-savings system is the most generous of any Treasury in the world. . . . No other nation, as a matter of fact, offers a combination savings-interest plan that even compares with ours. . . . The new Series A notes, at 1.92% interest for a three-year maturity, of course, are for smaller taxpayers. . . . Purchases limited to $5,000 in any one year. . . . The new Series C notes, at 1.07% for a three-year maturity are for big investors, institutions and individuals. . . . And they're so much more attractive than the last series of tax-savings notes, that again, comparisons are unproductive. . . .

Incidentally, the boost in interest available on the tax savings notes for big taxpayers reflects the tightening which has occurred since January in the short-term market. . . . On first series, called "Bs," the interest was 0.48%. . . . On this one, the "Cs," the interest is 1.07%. . . .

Notes are a good buy, should bring out the huge amounts of cash corporations are earmarking for tax payments in 1943. . . . Recommended highly on an investment as well as tax savings basis. . . . Notes are eligible for collateral behind a loan. . . . If turned in for taxes by any holder except a bank that accepts demand deposits, the owner gets purchase price plus interest. . . .

These are good. . . . Offer is generous. . . . Sales? Well, on Series A notes, Treasury did badly in first nine months of plan. . . . Sold $82,000,000, received back $17,000,000 in taxes, still has $65,000,000 outstanding. . . . Chances are sales will go way up, may double if enough little taxpayers are educated to the virtues of the notes plus the idea of saving for taxes. . . .

On Series C notes, response should be tremendous. . . . Victory Loan Committees, various bond selling agencies are going to get behind them. . . . Response in first nine months to Bs indicated total sales of $4,861,000,000, tax payments in form of notes of $1,186,000,000, leaving $3,675,000,000 outstanding. . . .

Guess is in next few months twice as many Cs will be sold. . . . Maybe $1,000,000,000 will be sold in next 30 days alone. . . .

INSIDE THE MARKET

Market dull as usual. . . . Stability of prices in face of all news, all financing jobs, all developments is still something wonderful to behold. . . . Except that there's not much profit in trading—or even in keeping the wires open for investment orders—these days. . . . And dealers feel this deeply. . . .

August war expenditures totaled $5,182,000,000, as compared with $4,794,000,000 in July, rise of 333.3% over that month a year ago. . . .

Reserve Board will cut requirements of New York and Chicago banks by another 2% soon, ending spread between requirements of these banks and other banks in similar reserve classification. . . .

Next will be general cut in requirements for country. . . . It's coming. . . . As Board cut requirements of New York and Chicago banks a few days ago, Reserve bulletin carried story saying Treasury would borrow $4,000,000,000 a month during rest of fiscal year. . . . Figure that out in terms of bank reserves and you'll know what's the trend in requirements. . . .

Still much talk around about what bond maturity and coupon will be the Treasury's choice next month. . . . Some feeling that a 2¼% bond, talked of by a few informed sources, won't be tried because issue would hurt outstanding 2s. . . . And the Treasury has been trying for months to get the 2s to stand on their own. . . . Federal Reserve Open Market Committee reported against a 2¼% bond at this point. . . .

As of today, there are $6,204,000,000 certificates of indebtedness outstanding and $8,189,000,000 notes outstanding. . . . Enough short-term stuff to keep market in good liquid shape. . . .

UP-TOWN AFTER 3

PLAYS

"Show Time," a vaudeville show, presented by Fred F. Finklehoffe at the Broadhurst Theatre, N. Y., with George Jessel, Jack Haley, Ella Logan, the DeMarcos, the Berry Brothers, Bob Williams, Lucille Norman, Olson & Shirley and Con Colleano.

Since the first of the variety shows opened on Broadway there has been an influx of vaudeville hoping to cash in on the revival. Some of them were good, some just so-so and others just plain bad. It wasn't until Fred Finklehoffe, who helped write "Brother Rat," came East with his "Show Time" that variety began to look up again. "Show Time" has real performers who know show business and their way around a stage. Jessel's performance (he's seldom off the stage) is tops. Almost everybody has seen or heard Jessel's phone conversation with his mother, still his showmanship is so good even his old material leaves the audience limp from laughter. Jack Haley's style is a perfect foil for Jessel. Haley, who also knows how to tell stories and do the little bits of business which make for good showmanship, is always amusing. In "Show Time" he outdoes himself. His operatic version of "Chattanooga Choo-Choo," or his reading of a letter he received from the draft board, are comic gems. Ella Logan, the Scotch burr present in her husky voice, almost brings the house down with her "Tipperary." The DeMarcos skim gracefully and beautifully through their dance interpretations. Bob Williams, of the infectious grin and lazy dog, soon has his audience eating out of his hand. Lucille Norman sings pleasantly. The Berry Brothers, the colored dancing trio who have been seen in many movie musicals, knock themselves out with fast steps. Con Colleano does the impossible on a wire rope. Olsen & Shirley, a handsome couple, do acrobatic steps with skill and abandon. Its a well rounded show, superbly performed by some of show business's master craftsmen. Of course, as Jessel succinctly put it, "If God forbid, you should happen to miss it, you don't have to shoot yourself." But if you want laughs piled on laughs, then "Show Time" is your dish.

THE MOVIES

There have been times when Hollywood tried to make what it called "starless" pictures. Other times it made pictures with lots of stars. But until somebody else comes up with something new, **20th Century-Fox's "Tales of Manhattan"** will stand out as the movie in which every part starring, featured or supporting, is handled by a star. In a series of five sequences the actors get an opportunity to romp across the screen in drama, melodrama, comedy, tragedy and fantasy. If there is a star in **"Tales of Manhattan"** it's an elegant tail coat which travels through the nation's social scale bringing good luck to some and disaster to others. It's first delivered to Charles Boyer, a philandering matinee idol, who is shot by Thomas Mitchell because of attentions to his wife, Rita Hayworth. Coat is sold by Boyer's butler, Roland Young, to Eugene Pallette, butler to Cesar Romero. Because of some letters Romero's fiancee, Ginger Rogers, jilts him and marries best men, Henry Fonda. Tail coat turns up in pawnshop where Elsa Lanchester buys it for her hushand, Charles Laughton, to wear in his debut as conductor of own symphonic composition. Coat tears and audience howls with laughter. But Victor Francen comes to the rescue and audience, sympathizing, shed coats. Struggling composer has a triumph. Coat is now in Bowery Mission run by James Gleason, who persuades a bum, Edward G. Robinson, to wear it to class reunion at Waldorf-Astoria. Coat impresses classmates and he gets new start. Finally, the coat is stolen by crooks, who wear it to holdup. A fire breaks out in plane used by escaping crooks and coat, stuffed with money, is thrown out. It lands at feet of Negro sharecroppers, Paul Robeson and Ethel Waters. It's a well conceived picture, expertly handled and well acted. The two producers responsible, Boris Morros and S. P. Eagle, were two years in getting the story and the cast together. Ten of the screen's best writers, Ben Hecht, Ferenc Molnar, Donald Ogden Stewart, Samuel Hoffenstein, Alan Campbell, Ladislas Fodor, L. Vadnai, L. Gorog, Lamar Trotti and Henry Blankfort, had a hand in writing the story and thirty names, all top performers in their own right, did their best. It's a good best resulting in an excellent picture. . . . In an attempt to cover the home war effort MGM has produced **"The War Against Mrs. Hadley"** in which it tries to picture a hard-shelled anti-New Dealer who believes the war and all its problems are merely personal inconveniences aimed at her by an unfriendly Administration. Stella Hadley (Fay Bainter), wealthy widow of newspaper publisher, is in her Washington home celebrating her birthday when news of December 7th comes over the radio. Edward Arnold, a War Department official, and her son, Richard Ney, who works in the Department, leave hurriedly. Mrs. Hadley is piqued. As the war develops, Mrs. Hadley continues to keep aloof. Her son, a playboy, is drafted and Mrs. Hadley blames Arnold. She turns against all her friends and even disowns her daughter (Patricia Rogers) because she marries a soldier (Van Johnson) who is a social nobody. It isn't until the papers print story of her son's heroism and the award of the DSC that she comes out of her shell of isolation. **"The War Against Mrs. Hadley"** is by no means an American version of "Mrs. Miniver." It doesn't have to be. It does speak out against a situation which sadly enough still exists. In that respect it's a good movie serving a fine purpose.

Insured Investment For Investors And Trustees

The United Building & Loan Association, 519 Garrison Avenue, Fort Smith, Ark., will be glad to send investors, trustees, and other fiduciaries interested in learning more about insured Federal Savings & Loan investments full particulars. Current dividend rate of 4% per annum.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1069)

market cannot make up its mind as to trend.

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The future of the market is still as hazy as it was last week or the week before. Until some of the problems mentioned above get real answers it will stay that way.

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But if news has a depressive effect certain market indications, based purely on performance, have an influence. For example, the rails mentioned here from time to time as being in a move position, have gradually acquired a following. This means that more and more rails will now come in for public attention. With the market in the position it is I don't think the group is worth following any more. The rails are now in their last third of the advance. This phase is frequently accompanied by increased dividends, bullish talk and better than average market activity. It's good while it lasts, but the end of the phase brings danger to new buyers that much closer.

* * *

The industrials on the other hand have yet to move ahead. With the 108-110 level widely advertised I think it very likely that within the next few weeks the market will go through to somewhere between 112 and 116. I don't see any more from present action.

Hold all positions in the interim. You have been given "stop" and profit taking prices in all stocks recommended here with the exception of Pittston. You hold this at 1¾. Its now 2⅞. For the more venturesome Pittston might be held; for others I suggest profits across 3 or better.

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.]

Soldier Vote Bill Signed

President Roosevelt signed on Sept. 16 the bill giving the members of the armed services, both within and without the continental limits of the United States the right to vote in primary and general elections by absentee ballot. Passage of this bill by Congress was reported in these columns Sept. 17, page 989.

Secretary of War Stimson on Sept. 17 reiterated the War Department's objection to mailing the necessary ballot-application cards and ballots to soldiers overseas, saying it would be "unfeasible" because of the transportation and technical problems involved. He added, however, that the Army was prepared to administer the new law within the continental United States.

Although Secretary of the Navy Knox had earlier expressed similar views as to the impracticability of attempting such voting outside the country, the Navy Department announced on Sept. 18 that arrangements were being worked out. From Washington Associated Press accounts that date we quote:

The Navy Department said in a statement that a circular "is being distributed without delay to all ships and stations," giving the official wording of an application for an absentee ballot. To the more remote ships and stations these instructions are being dispatched by radio, the Navy said.

The Navy decided to do away with the distribution of printed application forms to save time, so that ballots could be obtained early enough for return to this country to be counted by Election Day.

Extends Filing Time On Capital-Stock Tax

The Senate passed on Sept. 17 and sent to the White House a resolution extending until Nov. 28 the time for filing return of capital-stock tax in 1942. These taxes were normally due on July 31 but the Treasury extended the period to Sept. 29. The House had passed the measure on Sept. 15. Representative Doughton (Dem., N. C.) Chairman of the Ways and Means Committee, said that another 60 days' extension was necessary in view of a pending proposal to repeal the law. In urging the extension, Mr. Doughton explained as follows:

"The House tax bill amended the present law so as to provide for an annual declaration rather than a declaration every third year. The Senate committee has adopted a tentative provision wiping out the capital-stock tax. If the Senate provision should prevail, this resolution is necessary. Otherwise the corporate-tax payers would have to file their returns, pay the capital stock tax, and should the Senate provision prevail, the Bureau of Internal Revenue would have to refund the payments."

The Foundation Company

The investment fraternity, like the rest of the world, know the Foundation Company from visible evidence. The achievements of this great engineering and construction enterprise literally are carved in the skyline of Manhattan itself. Woolworth, Federal Reserve Bank, Bankers Trust, Municipal, American Telephone & Telegraph, Liberty Tower and many other New York skyscrapers are spectacular advertisements to American industry in general and the accomplishments of Foundation in particular. The foundations for these colossal structures typify the work performed throughout the world by The Foundation Company.

The Foundation Company is engaged in a general engineering and contracting business, specializing in foundation and construction work, including subaqueous work of all kinds, the building of industrial plants, power developments, hydro-electric developments, railroads, bridges, harbor and river terminals and general building construction. The Company operates directly in the United States and insular possessions, Cuba, Central and South America and the West Indies. An enterprise of such cumulative experience, capacity and immediate qualification is bound to play a major role as a defense builder and in the post-war reconstruction.

Capitalization is extremely simple with but 165,000 shares of common stock of $1.00 par value outstanding. There is no funded debt or preferred stock outstanding. The small capitalization gives Foundation Company stock the necessary qualifications for favorable market action.

The Foundation Company is expected to complete approximately $25,000,000 of construction work in 1942. This includes the construction of shell loading plants, magnesium products plant, floating dry docks and shipbuilding and repair facilities. Because of the essential nature of the business, priority ratings are high and no material shortages are expected. Then too, contracts on a cost-plus basis assure profits despite higher material and labor costs. Reflecting the large volume of heavy construction, revenues from contracts in the first six months of 1942 were only 13% less than the revenues for the full 1941 year.

Earnings for the half period totaled $1.55 a share in contrast with $0.38 a share for all of 1941. It is interesting to note that conservative estimates of earnings for the full 1942 year place earnings on the common stock in the neighborhood of $3.60 a share, by Standard Statistics.

In the past few years, the Foundation Company's finances have been strengthened in a significant manner apparent in many ways besides the retirement of its RFC and Chase Bank loans.

Important and far reaching developments concerning both the near term and post-war prospects for the Foundation Company appear to be now taking place. The General Investment Corp. headed by David Milton has recently announced the intended liquidation of this investment trust in order to enter the industrial engineering field. As a first step in this direction, the General Investment Corp. is expected to merge with the Foundation Company of Delaware, a subsidiary of the Foundation Company of New York, and thereafter assume the name of Foundation Industrial Engineering Co., Inc. It is expected that General Investment Corp. will place $1,000,000 in the new company and the Foundation Company of New York is expected to put in approximately $165,000.

The General Investment Corp. stockholders are now expected to meet on October 13th for approval of this plan which requires a two-thirds consent of the common stockholders. From reliable sources, only 50,000 shares more of common stock are needed to make this plan effective, out of a total of 719,000 shares necessary.

It is expected that the Foundation Industrial Engineering Co. with its strong financial position and its very important contacts in North and South America, will be able to obtain important construction work, the production of which the Foundation Company of New York is expected to complete on a mutually satisfactory contract arrangement. In addition, the Foundation Company already possesses important South American contacts.

For example, the Company has just closed a $2,500,000 contract with the United States Government for the building of roads in Costa Rica, according to official sources.

With Brazil actively engaged in World War II, the United States Government is interested in building up not only Brazilian production but may well accentuate the upbuilding of practically all of the South American countries on a mutually satisfactorily basis. Prospects for construction in South America, therefore, after the war, may be said to be indeed promising.

An improved financial position, important new contacts, not only for the present but for post-war times, plus a good tax base and distinct possibility of a substantial dividend payment by early 1943, makes Foundation Company Common appear to possess unusually attractive possibilities at this time.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of J. Grenville Bates, Jr., to James B. Taylor will be considered on October 1. Both are partners in Taylor, Bates & Co., New York City, which will continue as an Exchange member firm.

The proposal that William C. Beach act as alternate on the floor of the Exchange for Bayard Dominick II, partner in Dominick & Dominick, New York City, will be considered by the Governors of the Exchange today.

Eugene M. Thomasson withdrew from partnership in Elder & Co., Chattanooga, Tenn., as of Sept. 1.

Stephen J. Stroock & Co., New York City, dissolved as of Sept. 19.

N. Y. Analysts Forum

The New York Society of Security Analysts, Inc. will hold their railroad group forum on Friday, Sept. 25, at 56 Broad Street, New York City, at 12:30 p.m. Mr. Tierney of the Colorado & Southern Railway will discuss the reorganization proposals and prospects for that road.

Lehman Syndicate Offers Pfd. Stock Issue

A banking group headed by Lehman Brothers is offering today at $51.25 a share and accrued dividends a new issue of 50,000 shares of Burlington Mills Corporation cumulative convertible preferred stock, $2.50 series (without par value). The corporation, which had gross sales less discounts, returns and allowances for the nine months ended June 27, 1942, of $61,064,148, as compared with $63,165,310 in the fiscal year ended September 27, 1941, plans to add to its general working funds net proceeds to be derived from the sale of this stock. Based on this increased volume of business, the additional funds will be needed and used, it is anticipated, to maintain cash balances and to assist in carrying inventories, accounts receivable and other current items, and to provide for the corporation's future requirements.

The $2.50 series preferred stock will be convertible into common stock of the corporation at the price of $21 per share of common stock, taking the shares of $2.50 series preferred stock at $50 a share. Stock of this series will be redeemable in whole or in part at $53.25 per share if redeemed at or prior to September 1, 1946, and at $52.25 per share if redeemed at any time thereafter, plus accrued dividends in each case.

As a sinking fund for the benefit of the $2.50 series preferred stock the corporation is to set aside annually, commencing with the fiscal year beginning on or about October 1, 1943, so long as there shall be outstanding any shares of the series, an amount in cash, subject to certain credits, equal to 2% of the consolidated net earnings of the corporation and its subsidiaries for the next preceding fiscal year, after deducting interest on all funded debt and dividends paid on the cumulative preferred stock during that year.

Outstanding capitalization of the corporation upon completion of this financing will consist of $6,000,000 3% promissory notes, payable serially; 73,813 shares of cumulative convertible preferred stock, $2.75 series; 50,000 shares of cumulative convertible preferred stock, $2.50 series; 659,969 shares of common stock.

Associated with Lehman Brothers in the offering are Wertheim & Co.; A. G. Becker & Co., Inc.; Union Securities Corp.; Hallgarten & Co.; R. S. Dickson & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane.

Burlington Mills, directly and through its subsidiaries, is engaged in manufacturing woven fabrics from rayon yarns and rayon mixtures, and to some extent from cotton yarns; throwing and dyeing rayon yarns, and to some extent cotton yarns; dyeing and finishing cloth, and selling the manufactured goods. The business is integrated from the purchase and throwing of yarns to the finishing of manufactured products and their sale and delivery, either in the greige or in the finished state, to the consuming trades. Burlington Mills operates 44 principal plants and properties, located in North Carolina, Virginia and Tennessee.

Rubber Industry Study

Based on official announcements that new synthetic rubber capacity of 872,000 long tons annually had been authorized by Aug. 1, 1942, it is evident that the announced program contemplates that over 90% of that capacity will be used for producing buna S and butyl rubbers, according to a study of the rubber industry just released by George S. Armstrong & Co., Inc., 52 Wall Street, New York City, industrial engineers and management consultants.

The study of this critical industry was undertaken several months ago, and in its present completed form constitutes the fourth in a series entitled "An Engineering Interpretation of the Economic and Financial Aspects of American Industry" by the Armstrong Company. As summarized in the press the emphasis of the Baruch Committee's recent report is most properly on public policies which, in the Armstrong study, are treated only by inference.

Under present circumstances, the report states, "Current military and civilian use of rubber must depend on imports and domestic production of all natural rubber possible, substantial amounts of synthetic rubbers, and a maximum of reclaimed rubber." Most of the study treats less of the actual manufacture of rubber products, and more of the potential supplies and sources of rubber, synthetic, reclaimed, and natural.

Stressing the importance of reclaimed rubber, the Armstrong report says that the patriotic campaign for scrap rubber brought in 454,155 tons, which at normal yields should make approximately 380,000 tons of reclaimed rubber. The potential supply of reclaimed rubber, from 168,000,000 automobile and truck tires is estimated as the equivalent of 825,000 tons of reclaimed rubber, says the report, "and with scrap derived from other products should be almost sufficient, if wisely produced and distributed, to continue the operation of at least 20,000,000 cars for the duration. The Brookings Institution estimates this is the minimum number of cars necessary to avoid serious derangement of our economy and war effort."

Copies of the study, which is issued in the form of an attractive brochure, may be had upon request from George P. Armstrong & Co.