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Fleek Declares Investment Business Paramount To Nation; Urges Simplifying SEC Procedure

Appreciation of "the greater spirit of cooperation on the part of regulatory bodies, State and Federal," was expressed by John S. Fleek, of Hayden, Miller & Co., Cleveland, in his annual address as President of the Investment Bankers' Association of America, with the opening in New York on Oct. 19 of its 31st annual meeting and War Finance Conference. President Fleek went on to say that "evidence is growing that there is a distinct trend to promote the more objective methods of the conference table in discussions between the regulators and the regulated. This is most important in its benefit to the public, at this time, of all times, when an already overburdened industry is struggling to do its ordinary business, now greatly restricted, and simultaneously to give freely of its time to further the sale of Government bonds!"

John S. Fleek

He noted that "there are doubtless many instances constantly occurring where the nation would be better served, and industry would save substantial interest cost and service charges, if the channels of private finance could be utilized. But the time element alone, involving the undivided attention of executives who should be concentrating on war work, precludes going through the tedious routine now required for a registration statement." Mr. Fleek further said:

"It is worthy of comment that the Government's way of financing is the simple and streamlined method, while the investment bankers way is entangled in much imposed red tape.

"We believe there are many ways in which the SEC procedure could be speeded and simplified without sacrificing the intent of the Act. One method of streamlining procedure for the duration might well be that: Companies with previous registration statements which have been kept up to date and companies with listed shares, be exempted from filing a detailed registration statement upon the issuance of new securities."

In his concluding remarks Mr. Fleek said:

"The national interest is paramount. It demands of us and all other citizens that we work together as a united people exerting the maximum national effort to win this titantic struggle for the survival of the way of life we cherish."

President Fleek's address follows in full:

"It is my privilege to welcome you here today and officially to open this session of our 31st Annual Meeting.

"Thirty years ago, in the year 1912, the Investment Bankers Association held its first annual convention in the City of New York at the old Waldorf. Today's meeting not only starts our 31st year on its way but marks the end of three decades of honorable history, during which time the IBA has aided in working for higher business standards and in serving the public—both investors and institutions, as well as communities, throughout the nation—in promoting the growth of municipal and industrial progress.

"We have been through several periods of depressions and business booms and we have served the country in one world war. Now we are serving in another—this one of even greater proportions than the first and calling us all to even greater patriotic endeavor.

"This morning we must devote our time to a certain amount of routine business and to the discussion of details affecting our activities; but this fact needs in no way to detract from the main purpose of this meeting.

Statement of the Topic

"In such times as these, no business discussions, however important, pertaining to the limited and normal field of any trade association, is reason enough for the general membership to be brought together in annual conclave. When national considerations are of supreme importance and when the stupendous forces of a total war are affecting the lives of every one of us, the main objective of such a meeting must be to promote the most effective methods by which such trade association can aid in bringing victory to our arms by contributing its training and experience in its specialized field. In our case this primarily means rendering what assistance

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Post-War Outlook For Electric Utilities

By ERNEST R. ABRAMS

Despite sharply increased Federal exactions which, on the basis of rates prescribed by the 1942 Revenue Act, promise to reduce this year's net income of privately owned electric utilities to about four-fifths of that earned in 1941, these public service enterprises should emerge from the war in relatively healthy condition. This will be due, in large part, to the greatly expanded use of power by industries contributing to the war effort.

But what of the post-war era? Will industrial power consumption hold to present levels, once war demands are ended? Will other classes of consumers increase their use of electricity sufficiently to offset a decline in industrial revenues? Will enthusiastic enforcement of the "death sentence," plus the impact of increased Federal taxes, drive privately owned electric utilities into public ownership? Will punitive Federal regulation further harass these enterprises after the war? To what extent will their service areas be "blitzkrieged" by public power projects, scheduled for post-war construction? Answers to the questions must be forthcoming before an informed opinion on the degree of prosperity electric utilities will enjoy in immediate post-war years can be expressed.

Perhaps, as a preface to this inquiry, the present status of privately owned electric utilities should be defined. At no time in the 60 years since the industry was founded have electric utilities been better equipped to render adequate, continuous and reliable service to the nation's consumers than they are today. In the face of sharply increased industrial demands, they still have ample capacity to meet expanded needs of consumers for the duration. Not only have none of the repeated warnings of impending power shortages, sounded in the past eight years by public ownership advocates and Federal regulatory authorities, so far materialized, but, today, at the all-time peak of electric consumption, possibility of widespread power shortage in the United States is more remote than ever.

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Investment Bankers Association War Finance Conference Proceedings

Included in Special Section Starting with page 1521

Airlines Favored by War and Peace

Six months ago it looked as if the war had put the commercial airlines out of business. Today they are doing the biggest job in their short and hectic history.

The heavy drain on their equipment and personnel which followed the Presidential order of last May 15 placing them under Army control, appeared to spell the doom of commercial airlines for the duration. This prospect was reflected in the market level of their stocks which sank to new wartime lows in April. That airline stocks have advanced 70% on average since then is eloquent testimonial of the change that has taken place.

What has caused this sudden "about-face" in the outlook for the airline companies? Principally, it was the commendable decision of General Harold L. George, Chief of the new Air Transport Command, to carry out the huge air cargo program through the agency of the existing airlines. This means that instead of being faced with reduced personnel and equipment, the airlines are to be vastly expanded under the sponsorship and direct supervision of the Army. Under the new plan the airlines will receive as many transport planes of existing types as can be delivered from the production lines—on a "lend-lease" arrangement. Present personnel will be greatly augmented by Army flyers.

Using military planes, military bases, etc., in addition to their own facilities and operating under orders from the Air Transport Command, the commercial airlines will have the task of carrying equipment and personnel not alone throughout the Continental United States, but to our allies as well. The scope of this undertaking is so big that it is almost an understatement to say that the airlines of the United States are about to embark upon the largest air transport job in the history of aviation—as private commercial enterprises.

Naturally, the vital statistics of this undertaking are not being made public. But the figures on airline operations in the three months just prior to the imposition of wartime blackout on such data last May are highly revealing. They give some indication of the demands which were being placed on the commercial airlines by our expanding war effort at that time.

Domestic Air Express
(1,000 pounds)

	February	March	April
1942	2,170	2,500	2,884
1941	1,109	1,215	1,352
1937	500	581	540

Passenger Miles Flown
(millions of miles)

	February	March	April
1942	104.2	139.1	158.2
1941	84.6	96.7	114.8
1937	26.1	34.6	33.4

(Continued on page 1540)

Harry L. Sebel Will Represent Hugh Long

Hugh W. Long and Company, Incorporated, 15 Exchange Place, Jersey City, national distributors of Manhattan Bond Fund, Inc. New York Stocks, Inc., Fundamental Investors, Inc. and Investors Fund "C," Inc., announce the appointment of Harry L. Sebel as their representative in the Middle West.

Mr. Sebel has had a long experience in the investment trust field and is well known to investment firms in the central part of the country. He will cover the territory which was previously served for the Long Company by Louis A. Stoner, now a Captain in the Chemical Warfare Service of the Army of the United States.

Mr. Sebel will make his office at 135 South LaSalle Street, Chicago.

Henry Thrall Chosen For Wartime Post

MINNEAPOLIS, MINN.—Henry D. Thrall, President of Thrall West Co., Northwestern Bank Building, has been appointed executive adviser to the Ninth Federal Reserve District Victory Fund Committee, of which Paul W. Loudon, Piper, Jaffray & Hopwood is executive manager. Mr. Thrall has been Chairman of the Minneapolis Regional Committee since its institution. He has been granted leave of absence by his firm in order to give his full attention to his new post; he will continue as Minneapolis Chairman of the Victory Fund.

Denver Bond Club Elects Roberts Pres.

DENVER, COLO. — The Bond Club of Denver has elected the following officers for the year 1942-1943:

Malcolm F. Roberts, Sidlo, Simons, Roberts & Co., President; Elmer G. Longwell, Brown, Schlessman, Owen & Co., Vice-President; Bernard F. Kennedy, Bosworth, Chanute, Loughridge & Co., Secretary, and Phillip J. Clark, Amos C. Sudler, Treasurer.

Walter J. Coughlin, Coughlin & Co.; William J. May, Donald F. Brown & Co.; William P. Sargeant, J. A. Hogle & Co., and Earl M. Scanlan, Earl M Scanlan & Co., were appointed directors of the club.

Los Angeles Traders Elect New Officers

LOS ANGELES, CAL.—At the meeting of the Bond Traders Association of Los Angeles, Donald E. Summerell of Merrill Lynch, Pierce, Fenner & Beane was elected President, succeeding Joseph L. Ryons of Pacific Company.

D. E. Summerell

Other officers of the Association chosen are William J. Zimmerman of Bingham, Walter & Hurry, Hilgers & Co., Vice-President; George H. Earnest of Fewel, Marache & Co., Secretary; Sam Green of Pledger & Co., Treasurer. Forest Shipley of Quincy Cass Associates; Lawrence S. Pulliam of Weeden & Co., and Clifford Hey of Nelson, Douglass & Co. were elected members of the Board of Governors. Miles A. Sharkey, Jr., of O'Melveny, Wagenseller & Durst, and Joseph L. Ryons were named National Committeemen.

Geo. Searight Joins T. J. Feibleman Staff

George A. Searight, long associated with the investment business, has joined the New York office, at 41 Broad Street, of T. J. Feibleman, member of the New Orleans Stock Exchange. In his new connection Mr. Searight will continue to be active in the same securities as in the past.

Van Ginkel Now V.-P. Of M. Wittenstein Co.

DES MOINES, IOWA—Charles G. Van Ginkel is now associated with M. Wittenstein & Co., Southern Surety Building, as Vice-President and Sales Manager. Mr. Van Ginkel was previously an officer of Henkle, Van Ginkel & Co., Inc., with which he had been associated for the past ten years.

Winfield Jackley With Barcus, Kindred Co.

DES MOINES, IOWA—Winfield C. Jackley is now associated with Barcus, Kindred & Company of Chicago as Manager of their local branch office in the Equitable Building. Mr. Jackley was formerly head of Jackley & Co.

OUR REPORTER'S REPORT

With a majority of regional Reserve Banks having reduced their discount rates, on advances to member banks against Government paper, the latter should find their task of absorbing new Government securities substantially eased, at least for the time being.

But this move does not look, to observers, like a lasting answer to the problem of keeping institutions in funds against the steady efflux of new Treasury securities put out to finance the cost of war.

Rather it appears that ultimately the Reserve Board will find it necessary to lower the rates of required reserves unless it is satisfied to have the System step into the position of depositary for a large proportion of the nation's war debt.

Meanwhile, however, banks, particularly those in the interior, may be expected to make increasing use of this source of relief as such action becomes necessary.

The Treasury's offering of one-year certificates, put out on Monday, for the purpose of refinancing $1,500,000,000 of maturing paper and to raise an additional $500,000,000 new cash was well received.

Indications pointed to a substantial oversubscription in contrast with the rather close showing of subscriptions to the amount offered on the recent $4,000,000,000 offering.

First In Long While

Investors had their first opportunity to look over a new corporate issue in some weeks, when the successful syndicate moved to reoffer the $9,500,000 of first mortgage bonds, sold competitively by the Alabama, Great Southern Railway on Monday.

The winning group bid 98.577 for the bonds sold as 25 year 3¼%, and set a reoffering price of 99¾ less ½ to dealers.

As expected the bidding for the issue was keen to the point where a margin of only 10 cents a bond separated the high bid from the next best tendered, that being 98.5672.

Losing No Time

Defeated in its efforts to tack a "rider" on the recently enacted

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Edwin Harbach Joins Hogle In Los Angeles

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Edwin L. Harbach, formerly local manager for Davies & Co., has become associated with J. A. Hogle & Co., 532 West Sixth Street. Also joining the J. A. Hogle & Co. staff are Charles R. Bradley, Charles C. Brownson, Frederick B. Callender, Rea L. Eaton, and Homer R. Scott, all previously with Davies & Co.

Sidney Lurie Heads Paine, Webber Dept.

Paine, Webber, Jackson & Curtis, 25 Broad St., New York City, announce that Sidney B. Lurie, formerly of Parrish & Co., has become associated with them in their research and statistics department. Mr. Lurie was connected with Theodore Prince & Co. from 1930 to 1934 and from 1934 to 1938 was head of the investment advisory department of Redmond & Co., after which he joined Fuller Rodney & Co. in the same capacity. He remained there until 1941 when he became associated with Parrish & Co. as head of the research department.

T. M. Hess Joins E. F. Hutton & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Thomas M. Hess has become associated with E. F. Hutton & Company, 160 Montgomery Street. Mr. Hess was formerly a partner in Gibbons & Hess and its predecessors. In the past he was an officer of Shaw, Hooker & Co. and was with the Anglo-California National Bank of San Francisco.

Elvyn Cowgill Is Now With Davis, Skaggs

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Elvyn S. Cowgill has become affiliated with Davis, Skaggs & Co., 211 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Cowgill was previously with Eastland, Douglass & Co. and prior thereto was an officer of Franklin Wulff & Co., Inc.

Catozella Mgr. Of Advisory Dept. At Reynolds & Co.

Vincent A. Catozella, formerly with Merrill Lynch, Pierce, Fenner & Beane, has joined the research staff of Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as Manager of their Investment Advisory Division and Tax Economist.

In the "Chronicle" of Oct. 22 it was indicated that Mr. Catozella had become associated with the Merrill Lynch firm.

Denver Tramway Corporation

DENVER, COLORADO

The Denver Tramway Corp. was incorporated in Delaware in 1925 as a consolidation of the Denver Tramway Co. (incorporated 1914), the Denver and Northwestern Railway Co. and the Consolidated Securities and Investment Co. under a plan of reorganization dated April 15, 1925.

The Denver Tramway Co. in 1914 acquired by purchase all of the railway properties and franchises of the Denver City Tramway Co., the Denver and Northwestern Railway Co., the Denver Power Co. and the Denver Tramway Terminals Co. and assumed all of the funded debt and other obligations of these companies.

The franchise under which the corporation operates was acquired in 1914 from the Denver City Tramway Co. and was issued in 1885, without time limit, authorizing operation of cable and electric railways. Validity of this perpetual franchise has been upheld in final court decisions.

The Denver Tramway Corp. owns all of the capital stock, except directors qualifying shares, of the Denver & Intermountain Railroad Co. This company owns and operates an electric interurban line for the carriage of freight and passengers between Denver and Golden, Colo., and under trackage agreement carries on whatever freight business there is on the interurban lines of the Denver Tramway Corp.

The company owns and operates the entire mass transportation business in Denver consisting of rail, bus and trolley coach services. Also owns two interurban electric lines (21 miles)—one to Leyden and the other to Golden, Colo. Owns 173 miles of track, of which about 141 miles are located within the City of Denver, covering 76 route miles. Operates about 14 route miles of trolley coach and 63 route miles of gas bus services in Denver—a total of 153 route miles of transportation.

Transportation is furnished by about 165 rail cars (with 44 in reserve), 58 gasoline buses and 46 trolley coaches (4 in reserve), a total of 269 operating units with 48 units in reserve. In 1940 a modernization plan was inaugurated by abandoning certain rail

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Seaton Bowlin Joins Mason, Moran & Co.

CHICAGO, ILL.—Mason, Moran & Co., 135 South La Salle Street, announce the association with their Municipal Bond Department of Seaton A. Bowlin, formerly Manager of the Municipal Bond Department of Thompson Russ & Co. in Chicago. Mr. Bowlin was in the past with John J. Seerley & Co., Kneeland & Co., and Mitchell, Hutchins & Co.

NSTA Service Flag

The following are members of the Investment Traders Association of Philadelphia who are now serving in the armed forces. The Philadelphia Association is an affiliate of the National Security Traders Association.

William Appleton
F. Edward Atkins
Leonard S. Bailey
William Batten
Herbert H. Blizzard
Henry D. Boenning, Jr.
Samuel Boston
Ferree Brinton
George S. Burgess
Carlos Cardeza
G. Leslie Carter
Edward Christian
Robert Daffron
Donald W. Darby
John Derrickson
Jack Faut
William Gerstley
Frank Haas
Charles Halcomb
Henry W. Harper
Eugene Hemphill
George R. Kemon
Benjamin H. Lowry
Alfred McBride
William McCullen
James B. McFarland, 3rd
John A. Milburn
Richard Oler
Carl T. Pattison
Henry H. Patton
Joseph B. Smith
John B. Swann, Jr.
Henry C. Welsh, Jr.
John Wurts
C. Howele Young.

Sterling Lawton With Merrill Lynch Firm

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—Sterling L. Lawton, for a number of years an officer of the recently dissolved firm of Needham & Company, Inc., has become associated with Merrill Lynch, Pierce, Fenner & Beane, Rand Tower.

REAL ESTATE SECURITIES

80 BROAD STREET

An Example Of Increased Renting Activity In Downtown New York

On Nov. 1, 1942, the 80 Broad Street, Inc., will pay to bondholders $26 interest, representing a full year's interest at 4% on the $650 bonds issued in reorganization of the property in 1937. Earnings are also sufficient to provide a small sinking fund for retirement of bonds.

The property owned by the corporation consists of two leasehold estates and the 36-story office building, completed in June, 1931, on the west side of Broad Street between Stone and Marketfield Streets. Area of the land is 12,867 square feet and the rentable space in the building is approximately 272,000 square feet. The building, one of the last erected in the district, is modern and, although erected principally for the shipping trade, has at the present time a diversified tenancy, approximately 90% occupied.

The reorganization of the property in 1937 had to deal with mortgage bonds outstanding in the amount of $2,800,000 and adjustment of the terms of the ground leases and delinquent real estate taxes which were liquidated from earnings of the property during reorganization.

An appraisal of the property at that time placed a value thereon of $2,250,000. Reduction in the amount of annual rent under the ground leases was obtained and bondholders accepted a new $650 bond in exchange for each $1,000 bond. They also received 10 shares of stock with each new bond, and through the reorganization 100% of the stock of the new company was vested with them and the mortgage indebtedness reduced from $2,800,000 to $1,820,000, an amount more in line with the then value of the property.

Interest payments were placed on an annual income basis and the following interest distributions have been made on:

	Per $650 Bond
Nov. 1, 1938	$22.75
Nov. 1, 1939	22.01
*Nov. 1, 1940	10.67
Nov. 1, 1941	24.26
Nov. 1, 1942	26.00

*The reduction in this payment was due to the loss of several large tenants, one moving into its own building and another, a Government agency, moving into the New Post Office Building. The building was able to rerent the space but the loss of income between tenants and the cost of alterations reduced available income for distribution in this annual period.

The fact that the full 4% income interest is available Nov. 1, 1942, seems proof that the property has been benefited by the increasing absorption of office space in the district.

Based on the price for the unit as of each distribution date, the per cent return on the value was as follows:

Nov. 1, 1938	15.18%
Nov. 1, 1939	13.75%
Nov. 1, 1940	8.89%
Nov. 1, 1941	18.65%
Nov. 1, 1942	17.35%

As various Government agencies continue to acquire space in the district, the amount of vacant space is rapidly being absorbed and must have the effect of being beneficial to those properties which do not even acquire any of these agencies as tenants.

New Developments In The Peoples Light & Power

The Peoples Light & Power Co. intends paying off its entire bank loan as soon as the SEC ratifies the sale of its Mississippi properties, according to report. The company has already paid off its bonds.

The company then will have outstanding only 83,201 preferred and 145,721 shares of common A and B stock.

The same source says that readjustment of the company's capitalization on a one class of stock basis is being considered, and it is expected that 90% of the new shares will go to the 83,201 shares of old preferred and 10% to the 145,721 shares of A and B stocks. This is in line with the belief that there appears to be a definite equity for the A and B stocks.

The company is headed by W. H. Duff, conceded to be one of the ranking public utility experts of the country. The board of directors has been reorganized and seems committed to carry out step by step a policy of prudent liquidation in keeping with the present-day policy of holding companies. After readjustment of capitalization it is expected, according to informed sources, that the Peoples Light & Power will distribute gradually to its own stockholders its holdings of scattered properties, retaining for itself mainly Texas Public Service.

Fort Pitt Bridge Works

The Fort Pitt Bridge Works Co., with main offices in Pittsburgh, Pa., and plants at Canonsburg, Pa., and Massillon, Ohio, has just declared a dividend of $1.00 per share on its common stock, payable Nov. 10 to stockholders of record Nov. 5.

The company, established for over 45 years, has been one of the leading independent companies in its field, and for the past few years has been actively engaged in defense construction work, especially in the expansion program of the steel and aviation industries.

It is understood that current backlog of unfilled orders amounts to over 20,000 tons, which will probably increase in the future, due to strides being made for active participation in the shipbuilding industry as well as in the manufacture of gantry cranes. This latter field is of vital importance in the present war program and will probably be in the post-war construction period.

For the year ended Dec. 31, 1941, the company reported earnings slightly in excess of $6 per share on its 70,000 shares of common stock, and has $725,000 of first mortgage 6% bonds, due in 1950, outstanding, after anticipating its annual sinking fund requirements of $32,000. Current earnings, before taxes, are running substantially ahead of comparative 1941 period, and in spite of increased taxes for 1942 it is expected this year's net figures should compare favorably with those of last year.

Fort Pitt Bridge Works stock and bonds seem to have interesting possibilities through participation in present war activity and the post-war program, and appear to have favorable market prospects.

Air Issues Look Good

The present situation in air stocks is particularly interesting according to special reports just issued by Luckhurst & Co., Inc., 60 Broad Street, New York City, on several companies they consider particularly attractive. Copies of these reports, and memorandum on Oklahoma City-Ada-Atoka Railway Co., Inc., may be had from Luckhurst & Co. upon request.

Rail Issue Looks Good

First Mortgage Income 6s of the Oklahoma City-Ada-Atoka Railway offer attractive possibilities at the present time according to a circular just issued by D. F. Bernheimer & Co., Inc., 42 Broadway, New York City, which may be had from the firm upon request.

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)

CHICAGO, ILL. — **Hume C. Young** has become associated with **Central Republic Co., Inc.,** 209 South La Salle St. Mr. Young was previously with Thompson Ross Securities Co., and prior thereto for a number of years with Webber, Darch & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Harry S. Adams, Nathan H. Edelstein,** and **Herbert H. Post** have joined the staff of **Doyle, O'Connor & Co., Inc.,** 135 South La Salle St. All were formerly connected with Thompson Ross Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **George E. Wright** has become affiliated with **Link, Gorman & Co., Inc.,** 208 So. La Salle St. Mr. Wright was formerly with Thompson Ross Securities Co., and prior thereto with Lowell Niebuhr & Co. and David A. Noyes & Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Daniel L. Denise** is now with **Barrett Herrick Co., Inc.,** 1012 Baltimore Avenue. Mr. Denise was formerly with United Funds Management Corporation.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Harold V. Blickensderfer** has become connected with **Van Denburgh & Bruce, Inc.,** 523 West Sixth St. Mr. Blickensderfer was previously with Davies & Co., Sutro & Co., and M. H. Lewis & Co.

(Special to The Financial Chronicle)

MIAMI, FLA.—**John J. Morley** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane,** 169 East Flagler St.

(Special to The Financial Chronicle)

NEW ORLEANS, LA. — **Sidney S. Bagot** is now with **Baumann Investment Co.,** 226 Carondelet St.

(Special to The Financial Chronicle)

OAKLAND, CAL. — **Robert E. Weidner** has become affiliated with **Davies & Co.,** 1404 Franklin St. Mr. Weidner was previously with H. R. Baker & Co., Franklin Wulff & Co., Inc., and Morrison Bond Co. In the past he was local manager for Murray A. Schulz & Co.

(Special to The Financial Chronicle)

ORLANDO, FLA. — **Morgan W. Price, Jr.,** has joined the staff of **Thomson & McKinnon,** 18 Wall St.

(Special to The Financial Chronicle)

PASADENA, CAL. — **Clarkson Balch** and **William H. Wolf** have become associated with **Wyeth & Co.,** 45 South Euclid Avenue. Mr. Balch was formerly local manager for Mitchum, Tully & Co., Merrill Lynch, E. A. Pierce & Cassatt, and Banks, Huntley & Co., with which firms Mr. Wolf was also associated.

Oklahoma City-Ada-Atoka Railway

1000% Increase in Earnings Before Bond Interest

For September, 1942	$64,599	9 mos. to Sept. 30	$409,735
For September, 1941	12,492	9 mos. to Sept. 30	38,440

Interest on the company's funded debt earned 11.74 times in September, 1942, and 8.27 times in the 9 months' period before allowing for Federal income taxes.

Such an extraordinary increase in earnings must naturally be due to an extraordinary development, which in this case happens to be the construction of two large Government projects—an air depot and a cargo plane assembly plant—about 10 miles southeast of the center of Oklahoma City and one mile from the main line of the Oklahoma City-Ada-Atoka Railway. The projects are served by a spur track from the main line.

The air depot, construction of which began some time ago, covers about 1,920 acres, is of permanent construction and is expected to employ about 15,000 civilian workmen when in full operation about a year hence. Construction is understood to be more than 90% complete on the present plans and the depot is in partial operation with some 6,000 workmen employed. It is one of the largest air depots of the Army, designed to serve a large area in the middle west. The ultimate cost is estimated at about $27,500,000.

The aircraft plant (operated by Douglas Aircraft) will be a manufacturing rather than an assembly plant, designed especially for the construction of cargo ships. The plant is to be of permanent steel, concrete and masonry construction and will cover about 2,000,000 square feet on 480 acres. Construction is about 30% to 40% complete. It is expected that the plant will be in partial operation before the first of the year, and it is estimated that 28,000 workers will be employed. The ultimate cost is estimated at $30,000,000. Payrolls are expected to approximate $100,000,000 annually when both plants are in full operation.

The Oklahoma City-Ada-Atoka Railway is the only rail facility serving this particular area. The company's traffic is freight exclusively, it being understood that the management does not desire to equip the line for passenger traffic.

Douglas Aircraft Company has announced that it will propose to continue the operation of this plant after the war.

For the above information we are indebted to the Oklahoma City Chamber of Commerce, parts of whose letter are quoted.

Oklahoma City-Ada-Atoka Ry. Co. is a part of the Muskogee group consisting of Midland Valley RR. Co., Kansas, Oklahoma & Gulf Ry. and Oklahoma City-Ada-Atoka.

The road has been in operation for many years, and until this stroke of good fortune was thought to be nearing obsolescence. The line, exclusive of trackage rights, approximates 132 miles. Of this 81.41 miles from Shawnee to Coalgate, Oklahoma, and 34 miles from Oklahoma City to Shawnee is owned. About 14 miles of road extending from Coalgate to Atoka, Oklahoma, is leased from the Missouri, Kansas, Texas RR. Connections are made with the "Katy," Rock Island, Santa Fe, Frisco and Kansas, Oklahoma & Gulf systems.

Capitalization consists of $700,000 Oklahoma City-Ada-Atoka first mortgage income 6s due in 1954; $400,000 Oklahoma City, Shawnee Interurban first mortmortgage 2-4s due in 1954 (all of which are owned by the "Katy"). The two bond issues are secured by first mortgage on separate mileage.

Other capitalization consists of 16,000 shares of common stock, $100 par, 15,922 shares of which are owned by the parent, Muskogee Company.

Although designated in the description as 2-4s, the Oklahoma City, Shawnee Interurban bonds are really 2-6s, since they are entitled to 2% fixed and 4% additional, if earned. The Oklahoma City-Ada-Atoka first 6s are entitled to 6%, contingent upon income. The contingent interest is non-cumulative. Since 1936 the (Continued on page 1543)

RAILROAD SECURITIES

The ill wind that blew in Senator Wheeler's fantastic proposal to impose a tax of 90% on profits on transactions in reorganization railroad bonds last week held to tradition by blowing some good. The tax proposal by itself would presumably have had little, or no, effect on the market. The terms of the suggested tax were such that it could hardly have been taken seriously even if one disregarded its dubious constitutionality. However, the proposal was accompanied by a letter from Interstate Commerce Commissioner Splawn and supplemented by statements from Senator George which did bring home the fact that there was considerable apprehension in Washington over the speculation in reorganization rail bonds. It is claimed that wide speculation in these securities is delaying consummation of reorganization plans through aggravating litigation for better treatment of individual bonds.

It is difficult to reconcile such statements with the fact that a large proportion of the appeals were instituted before the period of so called speculative orgy. Nevertheless, the fact remains that if the idea gains support that speculation in reorganization rails should be restricted, the Government can find constitutional means to curb it. With this uncertainty injected into the picture, speculative interest in reorganization rails contracted sharply, and the public began to look to other fields. Being thoroughly sold on the premise that rails are the ideal war speculations, this speculative enthusiasm was transferred to the long neglected field of medium priced bonds of the marginal carriers. This group may continue to benefit from the uncertainties in the reorganization section for some time to come.

Faced with a change in speculator and investor psychology, railroad bond men were apparently surprised to discover the outstanding investment values to be found among the neglected "and interest" liens. One of the liens ferreted out as being obviously under priced by any measure of intrinsic worth has been the Baltimore & Ohio 1st Mortgage 5s, 1948, selling in the low 60s. The only danger now seems to be that speculative interest may disturb the orderly accumulation that had been under way by students of underlying rail bond values for some time. It has long been apparent to many investors that there can be no valid excuse for a strong mortgage of a solvent carrier, where undisturbed treatment appears assured in the event of reorganization, selling from 10 to more than 20 points below a bond of a road now in reorganization, where the plan calls for par for par allocation in a new long term blanket mortgage. The one apparent reason has been that the reorganization lien has been fashionable while the solvent lien has not been, even though it has basically higher earning power.

The Baltimore & Ohio 1st Mortgage bonds are secured by direct or collateral first lien on 1,632 miles of line, including a very large proportion of the main lines. The mileage covered includes practically all of the highly important and heavy density eastern lines south of Pittsburgh, and also the main line in the north extending from Akron, Ohio, to the suburbs of Chicago. It is indicated that even when the Baltimore & Ohio system as a whole is barely able to cover its fixed charges the earnings from the mortgaged lines is sufficient to provide a margin of safety of roundly 100% for the secured interest (4%) on the 1st Mortgage bonds. It is on this well substantiated earning power that confidence in the impregnable position of the bonds in the event of reorganization is based.

Confidence is further supported by the fact that under the company's Chandler Act readjustment a few years ago the bonds were left undisturbed as to maturity and as to the 4% interest that is secured by the mortgage. The additional 1% on the 5s, 1948, is not secured by mortgage and as a result was made contingent on earnings in the voluntary readjustment. At least for the balance of the war period it may safely be assumed that payment of this contingent interest is well assured. It took the Wheeler proposal to bring the present crop of railroad security buyers to the realization that sound values and ridiculously low prices existed outside of the reorganization group, but it is to be hoped that the lesson, once demonstrated, will take hold. The only trouble is that it requires more study to determine such real values in the "and interest" group than it does in the reorganization section where the ICC provides earnings studies.

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—44; low—14¾; Oct. 28 price—41.

Neglected Opportunities

There are many opportunities in solvent rail bonds which have hitherto been overlooked according to the current bulletin issued by Strauss Bros., 32 Broadway, New York City. Copies of this interesting bulletin giving further information may be had from Strauss Bros. upon request.

Bank and Insurance Stocks

This Week — Insurance Stocks

The American public is having a strange, new experience. It can no longer go to the corner drug store, to the local emporium or to the delicatessen dealer and buy whatever it wants. This is not a matter of money because, collectively, we have more of that than ever. The goods, the gimcracks and the gadgets are simply not to be had and, in the words of a famous comedian, "you ain't seen nuthin' yet." Uncle Samuel is rapidly approaching the status of Old Mother Hubbard.

This may well be a salutary experience for the people of a land which has been characteristically inundated with milk and honey. For those accustomed to coast through life on pneumatic tires and able to satisfy most of their wants—from food to music—by merely pressing an electric button, luxuries have more and more taken on the guise of necessities. Theoretically, this is apt to be none too good, either for the soul or the waist-line.

In any event, Americans have been notoriously prodigal with their blessings and their resources. Supposedly a materialitsic nation, we have surely given a minimum of attention to presering and cherishing our material possessions. Wasteful and careless beyond relief, most Americans have never before faced a situation where they did not have more rubber, steel, tin, wool, sugar, etc., than they could possibly use. In fact, our greatest worry seemed to be that we would ultimately be strangled by our own superabundance. It has been said, and without exaggeration, that the waste from an average American table would feed a good-sized family of Chinese, or Japanese (perish the thought!).

Many economists have, quite seriously, held the view that a large part of our prosperity has been attributable to a genius for wearing things out quickly. In other words, the more rapidly we ran through our old automobile or suit of clothes, the sooner we should be in the market for a brand new model. Until now, it has been of no great concern whether things wore out, or were damaged, or lost, or stolen. There were always replacements galore, if we had the wherewithal—and we usually did. If not, one could simply sign on the dotted line and get what he wanted in so-many easy instalments.

But now, for the first time in the experience of this generation at least, many luxuries cannot be had for love or money, and even the ordinary necessities of life will not be available freely and without limit. This means that we must learn to safeguard what we have. We must make everything go further and last longer. We must keep mechanical things oiled and cleaned and repaired; we must see that they are protected from the elements and from predatory hands. If the tires on your automobile are stolen or rendered hors de combat by certain forms of accident, you may be able to collect from the insurance company—but the insurance company cannot supply you with a new set of tires.

The records of the insurance industry show that most claims rise either through carelessness or deliberate fraud. Very few come about from the happenstance describes as "Acts of God." Perhaps, in the insurance business, it might be said that God proposes but Man disposes. As far as fraud is concerned, under wartime conditions, the penalties for arson and other destructive acts or for theft of essential materials are now so severe as to give considerable pause to anyone contemplating such a course. Automobile accidents are also beginning to drop precipitately due to the lower speeds required and the more careful service and attention which the family jalopy is beginning to receive. This has been particularly noticeable, of course, in the gasoline ration areas where traffic is greatly reduced already and car owners have become increasingly conscious of their responsibilities.

As rationing is further extended to the balance of the country and periodic car and tire inspections are instituted, traffic accidents will doubtless become a rarity as compared with the "normal" rate of mayhem which motorists have been accustomed to inflict upon pedestrians and upon each other through the years. Observers who have had occasion recently to travel between rationed and non-rationed areas have remarked on the great contrast in driving habits, in volume of traffic, in the appearance of the vehicles on the road and in the general public psychology. It is surprising, perhaps, how quickly the population of various sections has adjusted itself to the imposition of restrictions which are so foreign to the instincts and practices of free Americans. A little discipline, if not carried to the point of permanent regimentation, may be all to the good. At least we can see whether we like it or not and whether it works out in the best interest of all concerned.

From an insurance standpoint, the care which we are now obliged to lavish upon our automobiles, our refrigerators, our radios, our bicycles, our baby carriages, our lawn mowers, our plumbing and even the clothes we wear may well have definite long-term consequences. Habits are easily formed and hard to break. Those of our citizens who become accustomed to maintaining and preserving their possessions in good order may find it difficult, after the emergency is over, to start abusing them again. Also, many people will be agreeably surprised to find how much more economically they can live when they exercise a modicum or two of intelligence in the way they do it.

This general line of reasoning applies not only to our trinkets and our toys but to our own physical embodiments as well. A lot of people treat their one and only worldly habitation as though it could be turned in on a new model, without ado, as soon as the present carcass is worn out. The vast majority of us, in fact, think very little of our health until we are ill, and apparently it requires some great calamity or sudden danger to bring to human beings a realization of life's simplest fundamentals. However, our education is proceeding apace. We are daily increasing our store of knowledge regarding nutrition, sanitation and malignant diseases. Tremendous strides have been made in the fight against deterioration, both of men and machines, and in the greater efficiency of each. Perhaps, despite the turbulent and destructive seas which now threaten to engulf us, the Millenium may not be as far off as most people imagine.

In The Armed Forces

Paul D. Beck, a partner in Refsnes, Ely, Beck & Co., Phoenix, Ariz., is now serving as First Lieutenant in the Air Corps, and is at present stationed in Salt Lake City, Utah, 140 East South Temple Street.

Dale Cunningham, Treasurer of Ballard-Hassett Company, Valley Bank Building, Des Moines, Iowa, will become a Lieutenant (j. g.) in the U. S. Navy on Nov. 23.

Joseph H. Dagenais, Jr., formerly in the investment business in Hagerstown, Md., is now serving in the armed forces.

Russell Gartley, partner of A. S. Huyck & Co., 100 West Monroe St., Chicago, Ill., is on leave of absence from his firm, having been commissioned a Captain in the Transportation Corps. Captain Gartley served as an infantry officer with the First Division in the AEF in World War I.

D. Roger Hopkins, Jr., partner in Hopkins Hughey & Co., Sixth and Grand, Los Angeles, Cal., has been commissioned a Lieutenant (j. g.) in the U. S. Navy and is reporting for active duty on Nov. 2. The firm of Hopkins, Hughey & Co. will continue operations as heretofore.

Donald J. Metcalf is now serving as a Lieutenant in the U. S. Navy. Mr. Metcalf was formerly head of the Des Moines Corporation, which has discontinued business.

Joseph Netter, II, associated with the Baltimore office of Newburger & Hano, Keyser Building, has been commissioned as a First Lieutenant in the U. S. Army (Finance Department).

Manufacturers Trust Has Pamphlet On New Taxes

Manufacturers Trust Company, 55 Broad St., New York City, is distributing a pamphlet, "The Revenue Act of 1942," which contains the text of the bill which became law by the signature of the President on Oct. 21, 1942, with an explanation of the various provisions, as well as charts and tables showing the application of the new rates.

Copies may be had upon request.

Sargeant And Wilson With Hogle In Denver

DENVER, COLO.—On Nov. 1st, J. A. Hogle & Co., Salt Lake City, Utah, members of the New York Stock Exchange and other leading national Exchanges, will open a new branch office in Denver in the Equitable Building with William P. Sargeant as Office Manager and C. Emmett Wilson as Production Manager.

Mr. Sargeant and Mr. Wilson were formerly partners in Sargeant, Malo & Co., which is being dissolved as of Oct. 31st.

Whipple & Fleek Of IBA To Confer With SEC

Jay S. Whipple, Bacon, Whipple & Co., Chicago, President of the Investment Bankers Association, and John S. Fleek, Hayden, Miller & Co., Cincinnati, the retiring President of the Association, are meeting today with James A. Treanor, Jr., Director of the Trading and Exchange Division of the Securities and Exchange Commission to discuss the proposed bid-asked price disclosure rule.

It is expected that this informal conference on the issues involved will add to the information the SEC has been accumulating from comments from interested parties which were solicited by the Commission when the original draft of the proposed regulation was sent out. It is understood that before a final draft of the rule is prepared Mr. Treanor will make recommendations to the SEC which will probably embody some of the practicable suggestions contained in the many letters received by the Commission, although Mr. Treanor has declined to comment at this time on what his recommendations may be, preferring to await the result of his discussion with Mr. Fleek and Mr. Whipple.

Hotel Securities

Analyses of hotel securities, which should be useful to dealers interested in properties of this character, have been prepared by Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City. Copies of these analyses may be had from the firm upon request.

Hipkins Back From Trip

Herbert Hipkins of Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, has just returned from a trip to the firm's correspondents in Montreal and Toronto.

The Securities Salesman's Corner

A PLAN TO BUILD UP YOUR BUSINESS

PART II

There are as many ways to analyze securities as differences of opinion will permit. It seems as if every statistician has his own pet methods. Since we are no exception to this rule all we can say is—if you desire to specialize in "sleepers" and "special situations" then the first thing you must do in order to be successful **is to have some workable method by which you are enabled to select the wheat from the chaff.** If you want to build up a business of this character, it is absolutely essential that you offer the right merchandise. Otherwise your entire sales campaign will be a failure and the results will be unfavorable to a marked degree. Instead of creating "good will," which is the desired objective of such a campaign, the wrong kind of situations will bring losses to your customers and you know what that means. So, the first step is definitely, "pick 'em right."

Here is a list of some of the most likely places to find the "bargains" both in the over-the-counter and other markets:

1. **Feast or famine industries,** such as the recent examples of Sugar companies, textiles, steels, machine tool companies.
2. **Industries that show definite signs of coming out of the prolonged "dog-house" class into better days.** Recent examples, traction companies, railroads, heavy machinery companies (steamshovel manufacturers outstanding example of this group), building contractors, etc.
3. **Groups of securities that have been oversold.** The public utility preferreds on several occasions in the past five years have offered exceptional profit-making opportunities. There are others of like performance that periodically come along.
4. **Bonds with indenture provisions** that careful analysis will indicate may be bought in by the company through open market purchase. This is one of the most prolific opportunities for profit making if you can put the pieces together at the right time.
5. **Preferred stocks with accumulations;** also included in this group are **Income Bonds with cumulative features.** Catch one of these at low depressed figures, get a company that is coming out of the famine stage into prosperity, add three or four years of accumulations of bad dividends, time it right, sell it to your customers, buy some yourself, sell it out at a good profit, do this several times a year—**utopia.**
6. **Securities of companies in new industries rapidly coming into prominence.** Remember the "Tommy Gun," "Decca records," "Vitamins." Here again, timing is the important element if you want to win unusual speculative rewards.

Next week we will present part three of this "plan for building up a business" in special situations. An outline of the method we have used in making an appraisal of the pivotal points regarding individual situations from a statistical standpoint will be presented. It has the advantages of brevity, the elimination of much excess paper work and is particularly well suited to the needs of a smaller organization that does not boast the resources of a large statistical department. We will also suggest a plan that has been successful in determining the trends of market action in the over-the-counter markets. This is helpful in the proper "timing" of situations. In our opinion, timing is just as important as correct statistical diagnosis, if you want to make profits out of "situations."

NASD Exec. Committee Submits Report Opposing SEC Bid Asked Disclosure Rule To Commission

The Executive Committee of the National Association of Securities Dealers, Inc., in the name of the Board of Governors of the Association has addressed a memorandum to the Securities and Exchange Commission opposing the proposed regulation which would compel over-the-counter dealers to disclose marked bid and asked prices to customers in each transaction (Rule X-15C1-10).

In a letter to Ganson Purcell, Chairman of the Securities and Exchange Commission, the Committee declared:

"The views set forth in the memorandum are those of a substantial majority of the members of the Association and, so far as we know, are unopposed by any element of the business.

"The ultimate objective of the proposed Rule, we presume, is to secure universal conformance with standards of practice observed by the great majority in the over-the-counter business. We wholeheartedly subscribe to this objective, but we are convinced that neither the immediate nor the ultimate objective sought by the Commission can be attained with this Rule. Our experience of the last two years in self-regulation fortifies our belief that the standards of the securities business can be placed on a high professional level without imposing upon that business further restrictive rules and regulations and that adoption of such further rules and regulations may, indeed, seriously interfere with the process of self-regulation.

"The securities business has not just given lip-service to the idea of self-regulation represented by this Association. On the contrary, those who have sponsored and supported this idea have invested liberally of their time and money to make it a vital force in the business. They now see, in spite of the convincing results attained, that these efforts, if the proposed rule is adopted, will have been in vain.

"If this, or any similar rule, were adopted it would obviate the need for that part of the work of the Association which has represented the greatest part of our service to the industry and the investing public. Therefore, the industry would not support and could not be expected to support an Association whose remaining field of service would be so limited."

The text of the memorandum submitted to the SEC detailing the opposition of the dealers to the proposed regulation follows:

"In our opinion this proposed Rule is unworkable and impracticable but it is not our purpose to discuss technical and mechanical details in this memorandum. Nor, for the purpose of this memorandum, do we intend to examine its legal authority in the light of the intent of Congress and the provisions of the statute. We take issue with the proposal on more fundamental grounds and deny that there is any necessity for such a rule.

"We take that position not because of any sentimental urge to defend the securities business against renewed public indictment of its treatment of investors. We take that position as a result of practical experience and out of a knowledge of conditions as they truly exist.

"The Commission has been regularly informed of our actions but it would seem appropriate to review again the nature and extent of them as they bear upon the subject of this proposed Rule.

"This Association was a little more than a year old when, in April, 1941, it undertook an intensive program of examination of all members and aggressive enforcement of its Rules of Fair Practice.

"This program was instituted for two reasons: in the first place, it was believed that such a program was necessary in order to ascertain the nature of the Association's problems; in the second place, it was believed at the time that such a program was necessary to carry out the concept of an industry attempting, with governmental cooperation, to put and to keep its house in order. The word 'attempt' is used advisedly. At that time 'self-regulation' was only an attempt; today we believe the concept of self-regulation originally held by the Congress, the business and the Commission has justified itself.

"In a period of 17 months well over 2,500 members of the Association have been examined at least once in respect to financial condition and business practices. The Association's staff has employed several means in conducting these examinations.

"The Association's staff has personally examined over 500 member firms. In addition, approximately 300 member firms have been examined by Certified Public Accountants trained in respect to brokerage accounting and brokerage practices. Since it was our desire to complete this job of examining the entire membership before the end of the last fiscal year on Sept. 30, 1942, it was decided to examine the remaining members of the Association by questionnaire. The questionnaire employed consisted of two parts, the first, covering financial conditions; the second dealing with business practices in general, including questions which would disclose whether the member broker-dealer understood and properly disclosed to his customer the capacity in which he was acting; whether the member understood and complied with governmental rules and regulations concerning the keeping of books and records, the hypothecation of customers' securities, etc.; and whether the member was complying with the Rules of Fair Practice of the Association. The final phase of this second part of the questionnaire included disclosures in respect to sales and profit policies.

"The question of fair profit policies and the sale of securities at prices not reasonably related to the market for such securities has been but one phase of the business practices which the Association has carefully examined.

"What have been the results of this examination program? In the first place, the Association, acting through its District Business Conduct Committees, has taken disciplinary action against firms in those instances in which their sales and profit policies appeared to be inconsistent with good business ethics. This action has taken several forms. Business Conduct Committees have expelled members from membership in the Association. They have suspended members according as the facts and circumstances warranted. In many instances, members have been fined. District Business Conduct Committees have on occasions been able to effect substantial restitution to customers. In addition to the foregoing, the Association, through its Business Conduct Committees, has, as a result of the examination and study

(Continued on page 1538)

Investment Trusts

Investment Company Briefs

Showing by means of a table just what the 1942 income tax rates mean to individual Americans, the current issue of "Keynotes" quotes the statement of Treasury Department's General Counsel, Randolph Paul, that "No financial legerdemain, no tax panaceas, no verbal evasions can protect the whole fixed income group from a larger-than-proportionate diminution of their standard of living."

To this categorical statement, "Keynotes" adds the reasonable advice that "Investors should plan now to increase income where there is sound opportunity to do so. Failure to act will result in a possible serious shrinkage in net income after taxes."

* * *

"The features of investment companies and the way in which leading units in the industry have been able to adapt themselves in this country to the extraordinary conditions of recent years serve to explain why public interest in them at this time is greater than for several years past. Investors who are genuinely concerned about the problems of protecting capital and obtaining an adequate income return in the days ahead should find such companies particularly worthy of consideration today—and the volume of purchases of Dividend Shares, to cite an example, indicate that an increasing number of such investors are taking advantage of this type of investment program."—From the Oct. 22 issue of Calvin Bullock's "Bulletin."

* * *

The forecast of the intermediate trend of stock prices, as given in the Oct. 22 issue of National Securities & Research Corporation's "Investment Timing" service, concludes as follows: "The market continues to give indications of toppiness. We must, therefore, hold to the position that lower prices will be seen before any sustained upward movement occurs."

The main body of the service is devoted to an analysis of the new corporate tax provisions. It is a good job of condensing the 600-odd pages of the tax bill into summary form. Here are the general conclusions:

"With the corporate provisions of the 1942 tax bill already largely discounted in both reported earnings and stock prices, its actual passage into law represents no unfavorable market factor. On the contrary, the removal of uncertainties which persisted as long as the bill was in process, and the probably justified feeling that most of the worst of corporate taxes is now seen, can be considered as essentially favorable influences tending to clarify the securities market situation."

* * *

"Wartime Investment Policies of Colleges and Universities" is the title of the current issue of "Brevits." The bulletin quotes at length from an article by J. Harvey Cain of the American Council on Education Studies. Here is one significant excerpt:

(Continued on page 1539)

Municipal News & Notes

This issue of the "Chronicle" contains a special section devoted to the proceedings of the Investment Bankers Association's recent war finance conference in New York City. Included in the material published is the full text of the report of the Association's Municipal Securities Committee. For this reason, we shall touch but briefly here on the contents of the report.

The Committee's primary topics, naturally, concerned the efforts of the Federal administration to tax municipal bonds and the attempt of the Securities and Exchange Commission, via its proposed rule X-15C1-10, to include the municipal field within the realm of its regulatory powers.

With reference to the SEC proposal, the Committee pointed out that the rule, as applied to municipals, could not be effectively or efficiently complied with and that it would be impractical and unworkable; and (2) that it would be injurious to both large and small investors, to the States and their governmental units, which means the public interest as a whole, and to the industry engaged in purchasing and marketing municipal securities and otherwise serving municipalities and investors.

The Committee further contended that application of the rule to the municipal transactions would be in violation to the intent and purpose of Congress in its enactment of the Securities Exchange Law, as originally written and as subsequently amended.

Turning to the matter of tax immunity, the Committee said that the renewed effort this year to tax State and municipal securities without the consent of the States under the guise of a war necessity, disclosed that underlying this effort "are reaches far beyond limiting the levy solely to the income from future issues," and went "far beyond raising revenue for the Federal Government." It added that the attempt to tax municipals "reaches the very foundation upon which our dual form of government is based."

In conclusion, the Committee summed up its opinion on the tax matter in these words: "A change in our form of government of so drastic a character as proposed should not be attempted by any other means than a constitutional amendment. The constitutional method would afford the people of our country the opportunity to measure the effect and give consideration to all phases of the change, as well as the opportunity to express themselves concerning it.

Chicago Sanitary District Plans Refunding Sale

The Board of Trustees of the Chicago Sanitary District, Illinois, will meet today (Thursday) to authorize the sale of an issue of $2,500,000 refunding bonds to provide a portion of the money needed to redeem outstanding obligations which become callable next Jan. 1. Tentative date for the receipt of bids on the issue is Nov. 23.

Ross A. Woodhull, President of the Board of Trustees, said a total of $10,039,500 of present outstanding bonds will become callable on the first of the year. Of this amount, the district is planning to pay off $4,125,000 from cash on hand. Of the total amount optional on Jan. 1 are $1,106,000 of 4¼s of 1955 and $1,394,000 of 4s of 1955. These bonds will be paid off from the proceeds from the sale of the refunding issue.

These redemptions will leave $3,414,500 of bonds optional Jan. 1 unpaid. An additional $250,000 in bonds become callable next July 1. Mr. Woodhull said the entire $3,664,500 would be redeemed on July 1, according to present plans of the district.

These redemptions will cut another big slice from the steadily decreasing total bonded debt of the district. The Treasurer's statement on cash receipts and disbursements for the third quarter of the year showed that the district had total bonded indebtedness of $107,120,390 as of Sept. 30. This compared with $114,314,890 on Sept. 30, 1941.

Net redemptions planned to be effected by the district will cut total indebtedness to slightly above $98,000,000 next July 1. The district has no actual maturities until 1955. In 1935, when it accomplished a large refunding operation, the district had $140,000,000 in bonds outstanding, and since that time it floated $10,000,000 in bonds to provide new capital.

Iowa To Redeem 1943 Primary Road Maturities

Administration officials of the State of Iowa have predicted that

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IBA WAR FINANCE CONFERENCE

31st Annual Meeting Studies War And Post-War Problems

Fleek Declares Investment Business Paramount To Nation; Urges Simplifying SEC Procedure

(Continued from first page)

we can to the United States Treasury in its war financing.

"It is altogether appropriate to close our Association year with a War Finance Conference; for the over-all policy of this administration was determined by your unanimous vote on Dec. 5, 1941, just prior to the time your present officers were inaugurated. The resolution which you passed reads as follows:

1. That in this time of national emergency, we again pledge to our Government the allegiance and full support of the Investment Bankers Association of America.
2. That we are vitally concerned in the success of the sale of defense bonds as a most important part of the national defense effort; and
3. That we offer our services and facilities freely and wholeheartedly to the United States Treasury in its campaign to sell these bonds, and also in any other manner of activity wherever and whenever we can serve.

"On that date this act was very significant in showing the national point of view and the patriotism of the people in the investment banking business; two days later, on Dec. 7, your mandate, already a matter of record, immediately took first place in governing the subsequent activities of our Association.

"This has been a difficult year for all of us. War is a devastating calamity at best; and for investment banking it brings drastic displacements and curtailments. For these reasons you are all the more to be commended for so willingly volunteering to take time from your ordinary business to sell Government securities.

"But with reference to our business discussions, I wish to emphasize the point that it is also our patriotic duty to keep our organizations going—despite all discouragements and interruptions. This requires consummate resolution and resourcefulness. The IBA is mindful of the continuing problems and seeks to aid the industry in meeting them and attempting to find their solution.

"Investment banking is an indispensable function in our national economy and its efficient machinery needs to be maintained not only for essential services during the war, but for its vital role in the post-war period of world rehabilitation and the conversion of industry to peace-time production.

Part I

"It is a truism that in unity of purpose and cooperative effort lie our strength and our salvation. The war has brought this forcibly to our attention; and I believe that despite certain appearances to the contrary, the several elements in the so-called securities industry, viz., the exchanges, the over-the-counter business, the underwriting of corporate and municipal issues, have shown as never before a willingness of work together for the welfare of all and survival of the business as a whole. This movement, in my opinion, has been greatly accelerated by the efforts of the entire industry to aid in war financing.

"We of the principal national associations have had many meetings in Washington and elsewhere to promote the sale of Government bonds. (The principal organizations of this industry of national scope to which I refer are NASD, NYSE, ASEF, the Government Securities Group and the IBA.) Beginning in January we started our conferences with the Treasury and such conferences have demonstrated a high spirit of cooperation without a trace of competition for publicity and flag waving. It is natural and proper that these frequent meetings to help organize a united industry for war financing should result in a better understanding of our several problems and a more united effort in solving them.

"I wish to give credit to my colleagues in these other Associations for their attitude in these matters. I refer particularly to Emil Schram, President of the New York Stock Exchange; James F. Burns, Jr., who has just retired as President of the Association of Stock Exchange Firms; the officers and executive committee of the National Association of Securities Dealers — Messrs. Dewar, Baird, Fulton, and the others, and to D. Rich of the Government Securities Group.

"We have explored many ways and means by which we could better serve each other, as well as the investing public, and American industry as a whole. There is no point in striving in a narrow sense for personal aggrandizement or attempting to grasp credit or advantage for one group of officials or one separate association, or segment of the business. The leading men in this industry know that no one element or segment can for long profit at the expense of the other. All elements should be strong. What is harmful to one eventually has a deleterious effect on all.

"Furthermore, I wish to express appreciation of the greater spirit of cooperation on the part of the regulatory bodies, both State and Federal. Evidence is growing that there is a distinct trend to promote the more objective methods of the conference table in discussions between the regulators and the regulated. This is most important in its benefit to the public, at this time, of all times, when an already overburdened industry s struggling to do its ordinary business, now greatly restricted, and simultaneously to give freely of its time to further the sale of Government bonds! With the full realization of their duty to protect investors, the war has made all parties, i. e., both regulators and the regulated, realize that the working hours of the limited personnel now available to the business, needs to be conserved for the serious job of individual and national survival. It must not be needlessly expended in red tape and confusing complexities of rules and regulations. The preservation of this business, as a vigorous and going concern, is of real national importance; and no additional burdens and restrictions should be placed upon it.

"As for the State Securities Commissioners, for 30 years we of the IBA have had the privilege of working with them and with their national association. We know from long experience of the noteworthy achievements which the State Commissioners and their Association have accomplished in the public interest, not only to protect investors but also to encourage legitimate business in the financing of industrial and community growth in the several States. Over the years great strides have been made in bringing more uniformity in registration statements, regulations, miscellaneous forms and definitions, simplifying the work of investment dealers in many States, and eliminating much wasteful dupli-

(Continued on page 1532)

IBA PAST PRESIDENTS

1941-42

John S. Fleek

1939-40-41

E. F. Connely

1938-39

Jean C. Witter

INVESTMENT BANKERS ASSOCIATION OF AMERICA

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Arthur C. Allyn

PRESIDENT

Jay N. Whipple

Vice-President

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Vice-President

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Fairman R. Dick

Rush S. Dickson

Henry H. Egly

L. S. Gilmour

Arnold Grunigen, Jr.

Wm. H. Y. Hackett

J. N. Whipple, New IBA President, Foresees Great Period Of Post-War Expansion

Jay N. Whipple, partner of the Chicago investment house of Bacon, Whipple & Co., upon being elected President of the Investment Bankers Association of America at the closing session of its annual meeting in New York last week, said that he expected "the greatest period of expansion and progress the world has ever known" after the war. For that expansion, he said, industry will need capital in amounts that will dwarf previous industrial financing just as the present war financing dwarfs amounts raised for other wars. He told the investment bankers to look ahead to the part they will have in financing war-born scientific and technological developments in industry to get inspiration for greater efforts in helping the Treasury raise the billions needed for winning the war.

Jay N. Whipple

The Association's annual meeting, which opened on Oct. 19 and which closed with Mr. Whipple's election, was in the nature of a national sales conference on war bonds with Treasury officials and the heads of the War Savings Staff and Victory Fund Committees taking a leading part in discussing means and methods of stimulating the sale of Government securities. In assuming office, Mr. Whipple said:

"If I talked about what is most on my mind, I would continue the discussions of yesterday's war finance conference, probably to the point where you might think of me in terms of the doctor who was participating in a discussion of the question of prenatal influence at a convention of the American Medical Association. The majority, after citing a great many cases illustrating the point, had agreed that the prenatal experiences of a mother had an important effect on the expected child. This one doctor still disagreed, however, and to prove his point explained at great length that three months before he was born his mother had stepped on a phonograph needle which had gone so far into her foot the doctors were unable to remove it. As you know, a piece of metal works its way through the tissues and may come out almost any place on the body. He went on to say, 'Despite this horrible experience of my mother's, there's nothing the matter with me.'

"In view of the necessity of surviving so that we may be available to serve our country and its millions of investors in war, it is perhaps not inappropriate that we consider briefly this problem of survival, and what we may reasonably expect of the future.

"There never was a time when the law of survival of the fittest operated more inexorably. But, for that matter, there never has been a time when it didn't take imagination, initiative, and hard work to succeed in this business. The fact that you are here today indicates that so far you have been able to adjust your organizations to meet current unfavorable conditions, and that you propose to carry on. It also suggests that you see in the period following the war an opportunity limited only by your capacity.

"Nevertheless, no one of you would refuse to join the 2,000 from our ranks who have already become members of the armed forces or gone into work directly connected with the war, if the opportunity for service prescribed such a move.

"Because we may find inspiration for the job we have undertaken through the Victory Fund committees, let's indulge ourselves momentarily and look ahead to the time of peace. In doing this, let's adopt a constructive viewpoint—one that recognizes the necessity of change—and at the same time direct our thinking and later our actions so that, within our ability to control them, the changes that do occur will result in definite progress. Let no one be able to accuse us of being defeatists and reactionaries, but rather let us exert our influence in behalf of progress.

"First, we must and we can assume that a victorious peace is inevitable, and secondly, that a victorious peace will guarantee a system providing for freedom of enterprise. What are the implications we are justified in drawing from these two assumptions? I believe that the post-war era will be the greatest period of expansion and progress that the world has ever known. Our provincialism and isolationism as a nation and as a people will be a thing of the past, and our viewpoint will be international. Dr. Charles Stine, a Vice-President of duPont, in a paper, 'Beyond All Present Vision' (which was digested in the current issue of 'Investment Banking'), points out some inspiring facts, probabilities and possibilities as to future scientific and technological developments of industry that we may have some part in financing.

"Moreover, because the profit motive is essential to progress, it is my belief that private enterprise and private financing will **not** be replaced, except in certain necessary circumstances, by public ownership and government financing. As long as we have private ownership of business, it is necessary that a market be provided to permit the purchase and sale of this ownership as represented by stocks. Providing a market for these and the obligations of business, as represented by bonds, is our job, and an important one.

"Some indication of the amount of capital that may be necessary to re-equip industry for peace may be obtained from the amount being required to equip it for war.

"During 1941 alone, capital outlays for new manufacturing plants and equipment were nearly $6,000,000,000. According to figures compiled by the National Industrial Conference Board, that is **more** than the **combined expenditures** for the five years from **1925 through 1929.** It is probably fair to assume that only a portion of the productive capacity resulting from those expenditures will be useful in peace time and that a large part will require additional capital for conversion to the production of goods for the huge deferred civilian demands.

"Just as the amounts raised by our Government to finance this war dwarf the amounts raised to finance any other war, so it is reasonable to expect that the demands for capital to finance the peace—both from this country and abroad—will far exceed anything in our previous experience.

"Furthermore, investment bankers have played an important part in the reconstruction periods following every war in which this country has been engaged. Trading on the New York Stock Ex-

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IBA PAST PRESIDENTS

1937-38

F. E. Frothingham

1936-37

Edward B. Hall

1935-36

Orrin G. Wood

PRESENT GOVERNORS (Continued)


John D. Harrison


I. A. Long


John S. Loomis


Stanley G. McKie


Donald I. McLeod


Pat G. Morris


Frederic P. Mullins


Maynard H. Murch


Augustus W. Phelps


A. E. Ponting


William J. Price, 3rd


James F. Quigg


Robt. G. Rowe


W. O. Skillman


F. K. Stephenson


Percy M. Stewart


R. McLean Stewart


Winthrop E. Sullivan


Joseph T. Walker, Jr.


T. Johnson Ward


Philip K. Watson

F. D. FARRELL

•

GEORGE E. JONES


Elmer L. Williams


R. M. Williams


H. B. Wyeth Jr.

Commercial Banks Essential To War Financing Declares Bell Of Treasury At IBA Conference

Consideration "of the place of the commercial banks in our financing program" was brought before the Investment Bankers' Association of America, at its War Finance Conference in New York last week by Under Secretary of the Treasury Daniel W. Bell, at which time he pointed out that "we must not delude ourselves that the financing of a total war can be merely a money market operation." "Total war" he declared, "requires total effort and total sacrifice, and the financial front can be no exception." "Taxation," said Mr. Bell, "must form the foundation of any program of war finance;" he went on to say that "revenue raising alone does not however, constitute the whole of the contribution taxes can make to the successful financing of the war. Successful war finance," he said, "requires fairly stable prices, and wise policy will help maintain them." In advocating Secretary Morgenthau's spending tax proposal, Mr. Bell said "Spending must be reduced drastically if the prospective supply of consumers' goods is to 'go around' at the present price level. What could be more reasonable, therefore, than a progressive tax that would give an incentive to saving and put a penalty upon spending—the very thing that must be reduced? This is what Secretary Morgenthau proposed last month with the spending tax."

Daniel W. Bell

Mr. Bell told the conference that "we must recognize that the commercial banks will be called upon to finance a large share of the deficit—in fact, a share of unprecedented magnitude." In part he added: "In the months—perhaps years—to come, it is important that the banks preserve a maximum of liquidity. To help them to do so, we have decided that securities sold to the banks should have a range of maturities running from 3 months, in the case of Treasury bills, to 10 years, in the case of Treasury bonds. . . .

"In addition to this large increase in bills, we have also revived the use of another short-term security —the certificate of indebtedness.

"It may seem at times that banks are being discriminated against in not being permitted to subscribe for longer-term securities which bear higher interest rates than 2%; but this is not the case. The Government would certainly be doing the banks no favor if it permitted them to load themselves with long-term issues. . . . I think all of you will agree that a frozen banking system trying to become unfrozen after the war by selling long-term Government securities might create a bad situation."

While stating that "we all realize that a great deal more remains to be done in financing the deficit as far as possible from outside the commercial banking system," Mr. Bell said that "to the extent, however, that we must resort to the commercial banks, it is imperative that interest rates be kept at prevailing levels and that the maximum of liquidity be preserved."

Mr. Bell's address which was delivered at the dinner meeting of the Conference, follows in full:

Nearly a year ago, you, Mr. Fleek, and the heads of other financial associations of the country came to us and offered the services of their members to the Treasury. Since then our work together has grown into a relationship which has become genuinely important in the financing of this war.

The activities of the Victory Fund Committees, organized and staffed largely by the bankers and investment bankers of the country, have been of vital assistance in our Government financing operations. You have given your help generously and patriotically, and I am glad, Mr. Fleek, that you have offered me this chance to say so. I know that this also expresses the sentiments of Secretary Morgenthau.

I am especially glad to be on this program and at this table with Ambassador Grew. His path and mine may seem at first sight to lie far apart—his in diplomacy, mine in fiscal fields. Yet there is one road that both the Ambassador and I have travelled together. We belong to that small company of Government officials who served during the first World War —or at least part of it—in the same Federal Departments in which we are serving today. Mr. Grew was then Counsellor of our Embassies in Berlin and Vienna, and later at the State Department; I was serving in the Treasury Department. For each of us the experiences of that other war of 25 years ago have provided a standard of comparison for judging the war effort of today.

The financial problems of the

(Continued on page 1534)

IBA PAST PRESIDENTS

1934

G. W. Bovenizer

1932-33

Frank M. Gordon

1931-32

Allan M. Pope

Bid-Asked Disclosure Rule Declared Detrimental To Municipal Securities

As among developments of special import during the year relating to municipal securities, the proposed bid and asked disclosure rule of the SEC (X-15C1-10) was cited as one of the two such matters of importance in the annual report of the Municipal Securities Committee of the IBA, presented at the Association's annual meeting in New York. The report sees the rule as having an injurious effect on State and Governmental units, and likewise on investors and the industry itself. We give the report herewith, signed by Robert C. Webster as Chairman:

"During the year there have been two developments relating to municipal securities of special import to the states and their governmental units. Inasmuch as we consider it essential to review at this time one of these subjects to a considerable extent, we will limit this report to these two matters. They are:

1. The proposed rule of the SEC X-15C1-10.

2. The renewal of the efforts to obtain by statutory enactment authority for the Federal Government to levy upon the income from state and municipal bonds.

Proposed SEC Rule X-15C1-10

"This proposed rule which was submitted to the business for review and comment has been carefully studied by our members, and we have prepared a statement descriptive of the practical effects of the rule in its application to municipal securities. It is expected that this statement will be submitted to the Securities and Exchange Commission at a comparatively early date.

"We believe that the Commission, upon its examination of the proposed rule, will recognize that in practice:

1. It could not be effectively or efficiently complied with and that it would be impractical and unworkable.

2. It would be injurious to:

a. The states and their governmental units which means public interest as a whole;

b. Investors—large and small;

c. The industry engaged in purchasing and marketing municipal securities and otherwise serving municipalities and investors.

3. And furthermore, that it would be in violation of the intent and purpose of Congress in its enactment of the Securities Exchange Law as originally written and as subsequently amended.

"It is also expected that the legal phases of the proposed rule in its application to municipals will be discussed with the Commission by David Wood of the law firm of Thomson, Wood & Hoffman, New York City. A copy of a memorandum on this phase of the subject prepared by David Wood was previously sent to all of our members. For subsequent reference, copy of this memorandum appeared in 'The Daily Bond Buyer' of Aug. 28, and in 'The Bond Buyer' of Aug. 29.

"Another informative memorandum on the legal aspects of the subject was prepared by Caldwell, Marshall, Trimble & Mitchell, attorneys, New York City. This memorandum also appeared in 'The Daily Bond Buyer' and in 'The Bond Buyer,' issues of Sept. 11 and Sept. 12 respectively.

Tax Immunity

"In our report of last May to the Board of Governors, we briefly summarized developments during the forepart of the year in the renewal of the effort to gain Federal authority to tax state and municipal securities without the consent of the states in the form of a constitutional amendment. That effort was renewed this year under the guise of a war necessity, and the proposal embraced outstanding bonds as well as those of future issues thus disclosing, as had been feared all along, that underlying this effort are reaches far beyond limiting the levy solely to the income from future issues.

"By way of review the Ways and Means Committee of the House announced on May 15 its rejection of the proposal with respect to both outstanding and future issues. The Senate Finance Committee, however, while rejecting the proposal to tax outstanding bonds concluded to submit the matter of taxing future issues to the Senate and accordingly wrote into the bill a section so providing. After an extensive discussion of the subject on the floor of the Senate on Oct. 7 and 8, this provision was stricken from the bill by a vote of 52 to 34. It will be recalled that in the Senate in September, 1940, an amendment was proposed to a then pending revenue measure which would have authorized the Federal Government to tax the income from future issues of state and municipal bonds. The proposal at that time was also voted down.

"During the recent discussion in the Senate on the subject, Senator Davis of Pennsylvania, stated and we quote from the Congressional Record:

"'I see the pattern of the Treasury Department's future action. Once they succeed in ramming this provision down the throats of this Congress they will be back here within two months pleading with you and me to tax outstanding bonds in order that they may obtain additional Federal revenues. They will remind us again of the all too familiar taxpayers, Mr. A, Mr. B, and Mr. C, who are receiving from $600,000 to $800,000 in tax-free municipal interest.

"'Then having opened the door by taxing future and outstanding issues, it will be simple for the Treasury Department to urge us to impose corporate taxes on the revenues of municipalities, and all proprietary functions of State and municipal government.'

"Senator Connally of Texas during his discussion stated:

"'There is no more potent instrumentality of any governmental organization than the taxing power. It goes right to the life and the heart of any political system. If the Federal Government can, by a process of taxation, lay a burden on one of the States or all the States, it can unbalance the dual system which we enjoy.'

"Senator Burton of Ohio in his discussion said:

"'My final point is the general undesirability of Federal influence upon local finances. Even in normal times this would throw the smaller community upon the Federal Government for the reason I have indicated.

"'Furthermore, if the Federal Government can thus tax the income from municipal securities, it can classify that taxation so as to tax certain municipalities or certain kinds of organizations or certain kinds of income. It could place one rate of tax on one kind of municipalities and then exempt the income from the securities of some other types of local government. If the Federal Government has the power to tax income from municipalities in that way, it can tax it in such degree and manner as it wishes. We should then find the Federal Government thereby having the opportunity to discriminate between communities of the United States which they wish to finance and those that they may not wish to finance. We would then be in more danger than ever from the effects of Federal bureaucracy.

"'No step that we take now should be taken in a direction which would permit the increase of Federal control over local government. To my mind it is perfectly clear that in these times Federal control of local government inevitably merely spells bureaucracy, which has in it many of the vices of dictatorship itself. On the other hand local control over local communities spells independence and is filled with the vital virtues upon which free government is built.'

Will There Be A Renewal Of The Attack?

"Clearly efforts to force the issue by the statutory method are costly and take the time of Congress, and of state and municipal officials and others from their essential duties—more than ever important in a war period.

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IBA PAST PRESIDENTS

1930-31

Henry T. Ferriss

1929-30

Trowbridge Callaway

1927-28

Henry R. Hayes

Airplane Supplements, Not Supplants Railroads Says Patterson, Speaking To IBA Committee

While conceding that "the future of the airplane in commerce is indeed great," W. A. Patterson, President of the United Air Lines Transport Corp., states, however, that "it appears that this future will be realized without serious embarrassment to the steamship lines or to the railroads." According to Mr. Patterson "it would appear that the airplane cannot supplant, but instead will supplement the railroads." Mr. Patterson's views were presented in a statement, under the title, "Will the Airplane Supplant the Railroads?" which formed a supplement to the report of the Railroad Securities Committee of the IBA, presented at the Association's annual meeting. Mr. Patterson's statement follows:

W. A. Patterson

"The importance of the airplane as a combat instrument in modern warfare and as a transport medium for the strategic movement of critical supplies required in the conduct of war is well known and cannot be overemphasized. Consideration of these facts gives natural rise to enthusiastic speculation regarding the post-war possibilities of commercial air transportation. Visions of huge air liners and towed glider 'sky trains' carrying a major share of the world's commerce over sea and land are everywhere being publicized today in newspaper and magazine articles and in public utterances.

"When using present wartime publicity as a basis for evaluating the peacetime future of commercial air transport it should be remembered that the dollar sign is a very unimportant part of the wartime transport formula. In peacetime commerce, however, the dollar cost of transportation becomes all important. In order to accomplish transportation by air it is necessary to pay the cost of overcoming the force of gravity in addition to the cost of forward propulsion. It is very easy to run into a situation where the weight of aircraft fuel required exceeds the weight of the payload that can be carried. In some operations, in fact, the capacity of surface carriers needed to supply fuel for an air operation would be more than sufficient to accommodate the air cargo in the first place. At present the cost of transport by air is between thirty and fifty times the cost of transport of the bulk of commodities by surface means.

"Undoubtedly, future technological development will make possible a great reduction in the cost of flying an airplane. But the aircraft industry has by no means a corner on all the brains in the country. The railroads too can, and undoubtedly will, cut their costs by means of engineering and operating advances permitting greater speeds and increased plant and equipment utilization. In aviation, operating costs are higher in relation to fixed costs than in other forms of transportation and therefore increased volume should have a lesser importance among the possibilities for cost reduction. While towed gliders have a significant strategic importance in combat operations, and may find application in certain commercial situations, the 'sky train' cannot be relied upon as a producer of tremendous savings in the cost of moving things by air. There appears to be no magic cost saving in cutting an airplane up into little pieces and then tying the pieces together.

"Compared to other transport media the airplane can claim a rate premium based largely on the value of the time it saves. An individual is easily persuaded that his time is worth the added cost of air travel, especially when this factor is considered in conjunction with convenience, comfort, and such other intangibles as the romance and prestige associated with travel by air. But an inanimate piece of cargo presents a different problem. Here the time saved must be business time, and it must be strictly worth the saving. A large number of important centers are served by overnight surface transport — what advantage is to offset the higher cost of the airplane there? And for the large bulk of commodities, speed in transit is a relatively unimportant consideration, the most important factor being the rate of flow, merely the laying down at destination of a given number of tons per month. The airplane cannot hope to compete in this field, which constitutes by far the majority of the cargo now transported by the steamships and the railroads.

"The future of the airplane in commerce is indeed great, but it appears that this future will be realized without serious embarrassment to the steamship lines or to the railroads. The volume of domestic air cargo could increase one hundred-fold and yet capture only one-tenth of 1% of the freight ton miles now carried by the American railroads. And that is without considering the airplane's real contribution to the picture, the creation of its own market, the people and the merchandise that could never move at all were it not for the speed in transit that the airplane makes possible. Our economy demands the services of all the various types of transport media, each fulfilling the requirements peculiar to its own inherent characteristics. It would appear that the airplane cannot supplant, but instead will supplement the railroads.

IBA PAST PRESIDENTS

1926-27	1925-26	1924-25

Pliny Jewell

Ray Morris

Thomas N. Dysart

Methods Of Meeting Government's Needs For Funds Discussed at IBA Conference

As part of the War Finance Conference in New York of the Investment Bankers' Association of America, Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, and Allan Sproul, President of the Federal Reserve Bank of New York, were among others of prominence who participated in discussions on Oct. 19, dealing with the necessity of meeting the Government's financial needs through increased war bond sales to the public and additional taxes. Mr. Eccles who, it was noted in the New York "Journal of Commerce" of Oct. 20, was not listed among the speakers, was invited to address the meeting of 300 delegates at the invitation of President John S. Fleek, of the IBA; speaking extemporaneously he told the gathering that we are raising only 6% of the cost of war by taxes and that we should do as good a job as England and Canada which are raising half the war cost in this manner. He stated that these countries are raising half the increase in their debt outside the banking system and in this respect, too, we should equal this record. With increased spending power and less goods to buy, people have no place for their funds except in Government bonds, he declared.

In the same paper it was noted that President Sproul of the Reserve Bank, in discussing the work of the Victory Fund committees which he helped to organize, stated that these committees have no fixed objective, but that if there was an objective, it is the $48,000,000,000 that must be raised somehow this fiscal year. The "Journal of Commerce" further reported Mr. Sproul as follows:

"He said that war expenditures will exceed tax collections by $63,000,000,000 during this period, of which approximately $15,000,000,000 will be raised by bonds and special issues and raising the balance was the job of the Victory Fund Committees.

"Banks will have to double their present holdings of bonds by next June 30, he said. Reliance cannot be placed entirely in big prospects, however, he declared, and at least half the necessary funds should be obtained outside the banks. This will require an integrated selling program which can and must be set into being so that various voluntary groups will co-operate instead of conflict in the great educational program that will be required to sell war issues to all income groups."

The paper quoted likewise indicated Nevil Ford, New York State administrator of the war savings staff, as saying that an objective has been set for the State of $1,750,000,000 in sales and that thus far 17% of all war savings bonds have been sold in New York State. As to his remarks the "Journal of Commerce" stated:

"This has been accomplished by pay roll savings plans and 'good old-fashioned shoe leather selling of F and G bonds,' he said.

"Concerns adopting the pay roll deduction plan have increased to 40,000 by Sept. 30 over 2,024 at the start of the year, he stated. Of these companies 15,000 have 100% employes participation.

"He declared that the major problem was one of educating people who are not ordinarily reached by bond salesmen, and that work among churches, fraternal organizations and the like is producing surprising results."

Others to address the gathering according to the paper indicated, were Robert W. Sparks, consultant to the War Savings Staff of the Treasury; Aims G. Coney, Vice-President, National City Bank of Cleveland; Edward C. Bendere, Executive Manager, Victory Fund Committee, Philadelphia; George Buffington, Assistant to the Secretary of the Treasury, and Arnold Grunningen, Executive Manager, Victory Fund Committee, San Francisco.

Sees Great Period Of Post-War Expansion

(Continued from pge 1523)

change started in Government bonds sold during the Revolutionary War, and the body of investors created by the financing of the Civil War furnished a substantial part of the capital for the great era of railroad building that followed. It is estimated that 23,000,000 people invested in Liberty Bonds during 1917 and 1918. So far in this war, the number of individual pieces of "E," "F" and "G" bonds already issued exceeds 90,000,000, against a total of 96,000,000 pieces of all issues during the last war. As of the first of this month, 19,500,000 employees were on payroll deduction plans for a regular program of bond buying.

"These people are now capitalists, and your potential customers for securities other than Government issues after the war. All of them feel a sense of interest and ownership in the Government as a result of their purchases of its obligations and they will be increasingly conscious of their responsibilities as citizens and more active in presering an economic system which will safeguard their investments. They will be the first to oppose Communism, Socialism or any other 'ism' which threatens to destroy these investments.

"I know a lawyer in Chicago who was surprised to find that his chauffeur had developed Communistic inclinations. Shortly after learning this, on some special occasion, the man gave his chauffeur one share of General Motors stock. The effect of this ownership in a private enterprise was to convert this man immediately to a capitalist. He felt so strongly about his proprietary interest in General Motors that when a sit-down strike occurred in the Buick plant he was raging mad and saw no excuse for it whatever. His new interests had been adversely affected.

"I have been told by other and better doctors than the one whose mother ran a phonograph needle in her foot, that in cases of serious illness, one of the most important factors in determining the outcome is psychological—that is, whether the patient is so sick and tired of it all that he is passive and ready to die, or whether he still retains a vital spark of hope and the determination to live.

"The members of this Association who have survived the destructive forces working against us during the past 13 years and who, today, stand ready and eager to devote their time, thought, and energy to the sale of Government securities, have demonstrated convincingly their determination to live and play a part both in the war of today and in the peace of tomorrow."

IBA PAST PRESIDENTS

1922-23

John A. Prescott

1920-21

Roy C. Osgood

Restoration Of Credit Of Railroads Of Prime Importance To Free Enterprise

That "the war is demonstrating in a most emphatic manner how vitally important the railroads are to the country" was noted in the report of the Railroad Securities Committee of the Investment Bankers Association of America, presented at the latter's annual meeting in New York. The Committee, under the Chairmanship of John S. Loomis, of the Illinois Co. of Chicago, emphasized that the railroads "are a national necessity, and it is most important that our total railroad plant be preserved, maintained and enlarged" both for "future national emergencies" and "all periods of general business activity."

The report follows in full:

"The Railroad Securities Committee at this time is more interested in War Bonds than in Railroad Bonds. Everyone is and should be. However, we are submitting this brief report as an opportunity to point out again that private capital must realize that the restoration of the credit of the railroads is of prime importance to the maintenance of our capitalistic and free enterprise system.

"The present continued lack of interest on the part of private capital and the pessimistic attitude toward railroad securities in general, as expressed by some financial services, some insurance companies, some banks and a great many individual investors would be more alarming if we did not have reasonable grounds to look for a favorable change. We hope this change will occur because we would hate to see government ownership of the railroads and the far reaching consequences that would follow.

"The war is demonstrating in a most emphatic manner how vitally important the railroads are to our country. They are a national necessity and it is most important that our total railroad plant be preserved, maintained and enlarged—not only for future national emergencies but for all periods of general business activity. This cannot be done unless their credit is properly restored and a proper market again created for their securities.

"Where would we be today if that part of our railroad plant that was not being used a few years ago had been junked and the securities representing it wiped out? That was the solution that was at that time suggested by a great many people. A recent editorial in 'Railway Age' says: 'A realistic national transportation policy must recognize the national necessity of maintaining for periods of national emergency a large and efficient railway plant —even if in other periods a large part of it is to be considered merely "stand-by" plant. It must also recognize that such a plant cannot be assured in periods of emergency unless in all periods there is available enough income to provide and maintain it—including the "stand-by" part, if such a part there must be.'

"We all know that gross revenues of the railroads are making new highs and it is also true that the companies have placed themselves in stronger financial condition than ever before. All of this, however, is ignored by investors. Few are interested in these high earnings because they are considered temporary and due entirely to the war production program. Earnings may not continue at the present high rate after the war, although we must remember that the railroads will have to play a very important part in the general world-wide rehabilitation program that will follow. Therefore, we can reasonably expect earnings substantially better than seem to be indicated by the present investment opinion of railroad securities.

"The answer to the present pessimistic attitude seems to lie in the fear of increased and ruinous competition after the war — principally from the air lines. Of course the railroads will lose some light freight traffic and a lot of passenger traffic to the air lines and we predict a great development in this form of transportation. However, we believe that much too fantastic pictures are being painted. Our imaginations are being stimulated and it becomes easy to exaggerate the possibilites of cargo planes in moving large volumes of freight. There still is also a tendency to exaggerate the loss of business to the trucks—most of which took place some years ago.

"The backbone of the railroad business has been the long haul mass transportation of heavy and bulky freight. Neither airplanes nor trucks can compete successfully in this field. The short haul and package freight, although profitable, formed a relatively minor part of the railroad business and this is also true of the passenger business. The financial difficulties of the rails caused by the low earnings of recent years were due primarily to the extensive collapse in heavy traffic.

"Mr. W. A. Patterson, President of the United Air Lines, well known to all of us and recognized as one of the leading authorities

(Continued on page 1535)

IBA PAST PRESIDENTS

1918-19

W. G. Baker, Jr.

1915-17

Lewis B. Franklin

Japan Fights Against Own Welfare Says Grew; Contrasts War Finance Of United Nations And Axis

"Our Japanese enemy," and particularly its activities in the field of finance, were the subject of an address by Joseph C. Grew, before the annual meeting and War Finance Conference of the Investment Bankers Association in New York on Oct. 19. Mr. Grew, who is special assistant to the Secretary of State, and former Ambassador to Japan, described Japan as "fighting counter to her own welfare and prosperity." "We Americans," he said, "may say, without vain-

Joseph C. Grew

glory, but with profound conviction, that no nation in the modern world can take a greater risk than the risk involved in fighting us. It is up to us to show the Japanese leaders, and we shall show them, that war with us is the greatest folly, among many follies, that they ever committed. I am speaking, however, not only of the hazards Japan faces, now that her government has sought this war, but of the succession of mistakes which the Japanese leaders made in leading their country into war."

Toward the end of his address Mr. Grew said:

"I think that you will agree that the basic issues of this war are political; that they transcend considerations of national financial or economic interest; that the economic systems of the United Nations, whatever they may be, can be reconciled—each one with each of the others—so long as they proceed on the principles of the Atlantic Charter and the subsequent pronouncements of our United Nations leaders.

"The war finance of the United States, of Britain, of China, and of other United Nations differ one from another, but they differ collectively from Axis finance by an unbridgeable gulf. We have a system of free enterprise, which has grown and has become modified by economic and military necessity over the years. Britain has an economy substantially little different from our own. China is committed by both theory and practice to a joint state and individualist economy, according to Sun Yat-Sen's principle of popular prosperity.

"These systems all are in contradiction to the philosophies of aggression nurtured by Japanese and German militarism. The Axis powers have attacked. They think—they may not be as sure now as they were nine months ago—that they will win. We **know** that we will win, and bring freedom—not omitting the basic, practical freedom from want—to all mankind."

At the start of his remarks Mr. Grew referred to the fact that "diplomacy is often associated in the minds of the public with the thought of appeasement." He added: "'Appeasement' is a much used — mostly misused — term which gives rise to many misconceptions, especially as it conjures up the picture of Munich and what happened there and afterwards." In his further remarks he went on to say in part:

"For several years during the middle and late 30's our Government endeavored to avoid antagonizing Japan, notwithstanding the fact that Japan had done a great deal to antagonize us. We do not believe in war, we did not want war, we thought war should be avoided, and at that time we were in no respect prepared for war. Economic pressures in the form of embargoes and other similar steps are a form of warfare and they definitely constitute threats. Now, one of the most fatal errors that can be made in diplomacy is to threaten when one is not in a position to back up one's threats, if need be, by force. To threaten and then to have to back down is fatal to a nation's influence. Action in accordance with this, whether it is labeled 'appeasement' or any other term, is plain common sense. The President, in a published statement last July, made clear certain important aspects of that problem. During my years in Japan I constantly took the position that the application of economic pressure against Japan would inevitably start our relations on a downward course which might end in war, and that under no circumstances should we embark on such a course unless or until we were prepared to face eventual war. The time finally came when I felt it no longer desirable to follow a negative policy, and at that time I took the position that the question then at issue was not **whether** we must call a halt to Japan's plan of expansion but **when**, for the threat to American vital interests if that expansion should continue was of the gravest nature. Up until then, oil and scrap iron and other commodities had been flowing freely from our country to Japan, but at approximately that time our imposition of embargoes began; and that again seemed to me to be plain common sense, and in my opinion it was with clear manifestation of plain common sense and wisdom that our Government handled the then developing situation.

"The term 'appeasement' is, as I said a moment ago, open to misconceptions. I prefer the term 'constructive conciliation,' and during all the 10 years of my mission to Japan I endeavored to follow a policy of constructive conciliation. That term connotes building, and no one is going to be foolish enough to try to build anything, if he wishes it to be of a permanent character, unless a solid foundation on which to build has first been laid. I constantly tried to lay such a foundation. At times and under certain Japanese governments I was optimistic of success. But these favorable periods proved to be but temporary and in every case such governments failed and were succeeded by Cabinets in tune with the military extremists. All during the summer of 1941 we were doing our very best to lay a solid foundation which would support and insure a structure of friendly relations with the Japanese Government. I constantly pointed out to the Japanese—and our Secretary of State, Mr. Hull, was doing the same—that they had everything to gain and nothing to lose by concluding a reasonable agreement with us and that such an agreement would bring in its wake a return to a free flow of trade and commerce, financial cooperation, and free access to the raw materials of East Asia on a basis of equal opportunity, which would inevitably result in mutual advantage to our two countries, a rising standard of living in Japan, and assurance of future prosperity. These arguments fell on deaf ears. It was found utterly impossible to lay any solid foundation, and those who wanted and who worked to do that were rapidly overwhelmed by the military extremists and pro-Axis elements in the country. Thus the **effort** to reach an agreement and to preserve peace failed and war ensued.

"Please let me add that I had long known of Japan's preparations for war and I kept our Government currently advised of the information which came to the knowledge of my Embassy on that subject.

"During all this time our Government would not and did not connive at or give any assent to the aggressions which Japan had committed and was committing. But the United States was prepared to meet every evidence of a Japanese return to goodwill by the substantial evidence of goodwill on our part. We were Japan's most powerful neighbor, and we wanted to be a **good** neighbor to Japan, if Japan herself would be a good neighbor to us, to China, and to the other countries in the Pacific.

"We were prepared to offer the Japanese everything for which her leaders professed to be fighting. We offered them sound trade, on terms advantageous to both countries. We offered them the powerful financial cooperation of the United States toward putting their fiscal house in order. All that we asked was that Japan abandon her militarist aggressions, cease being a bad neighbor in East Asia, and enjoy with us the prosperity that we and they could have found in common. We did not, do not, and never shall assent to Japan's assuming the hegemony of the Far East as a robber and an aggressor.

"The Japanese rejected assurance of the prosperity, the security and the welfare for which they say that they are fighting. They attacked us. They added us to the list of those whom they seek to conquer and to despoil. They attacked us because they did not want the prosperity of honest industry, fair trade and sound finance. They did not want cooperation and peaceful international relations.

* * *

"Our financial system supports a means of production designed to benefit both producers and consumers. Our public finance is intended to pay for government, to pay for the enlargement and maintenance of freedom, and to correct inequities in our economic life. Our international finance is a method of recording and facili-

GROUP CHAIRMEN

NEW YORK — NEW ENGLAND — SOUTHEASTERN

Frank M. Stanton

Joseph T. Walker, Jr.

Walter S. Robertson

tating the actual exchange of real goods and real services. We do not conceive of trade as flowing only one way. For many years, the reciprocal trade agreements policy of the United States has been a complete antithesis to the economics for which Japan and Germany now stand.

"The Japanese people were not twisted from the one economic system to the other in a single night. The change was accomplished within Japan by the rising tide of military fanaticism. The Japanese people have strong traces of zealotry and fanaticism in their individual and their national thinking, but they did not yield to their present totalitarianism without reluctance. They were seduced by their rulers, particularly the military chauvinists—over a period of many years. It is terrible to consider the corruption of a people by its own leaders, its own government.

"The Japaneses leaders had to change the mind of the nation from the practical, simple terms of economics and welfare, to the terms of a mythology of war. The Japanese fight because of ancient dreams and traditional ambitions which they are unable to shake off. They are not bad financiers engaging incidentally in a war; they are military fanatics to whom the power and the glory of conquest appeals far more than the accumulating economic values and the general welfare of peace.

"In 1930, Japan was still a constitutional empire operating on the basis of accepted economic standards and setting a pace for progress which was almost unmatched elsewhere in the world. A succession of civilian governments had promised Japan peace. The naval treaties had assured Japan permanent defensive security in the Pacific, and had made it possible for her people to avoid the ruinous expense of a naval race with us and with Great Britain.

"The turning-point in 1931, precipitated by the attack of the Japanese army on Manchuria, ushered in a campaign which was directed as much against the Japanese people as against the rest of the world. Relying on a fabricated and falsified incident, the Imperial Japanese Army conquered Manchuria without consulting the electorate, or the Parliament, or the Cabinet or the Foreign Office. This action jeopardized the international position of Japan. As Japanese traditionalists, even the strongest industrialists and financiers were powerless to restrict the growth and the operations of the army. Army budgets continued to rise; Army power grew.

"The Japanese invasion of Manchuria eleven years ago, which Tokyo officialdom explained to the world as an economic and strategic necessity, at once led to an alienation of Japan's best customers—China and America—and to a subversion of the domestic business system of Japan.

"That this invasion was not economic in its objective is shown by the fact that the Japanese military authorities in Manchuria tried to set up a curious sort of army socialism. They were not interested in the welfare of the Chinese whom they conquered. They were not even interested in profits for Japanese capital or increased wages of Japanese labor. They concerned themselves only with the procuring and supplying of further materials of war for the Imperial Japanese Army.

"In other words, they made war in order to acquire more weapons with which to make more war. The 'Lebensraum,' the so-called East Asia sphere, which began to be talked about at this time, is not an economic concept. It is a concept of conquest. Japan could have traded freely with us, with China, with all the nations of the world. Generally speaking, she was doing so. The Japanese extremists did not want to trade—because Japan's military leaders realized that, for war purposes, Japan had to become autarchic. The history of Japan from 1932 is the history of increasing and multiplying controls. It was during these years, and continuing as you know, until last December, that I served as the American Ambassador in Tokyo.

"I saw the Japanese generals follow policies not unlike those of Hitler in Europe. Trade was cartelized. Foreign enterprises were tied in with the domestic war economy. Foreign exchange became the subject of repressive regulation. By the spring of 1938 an Emergency Capital Adjustment Law had tied down every ordinary act of commerce to the miliary resources plan.

"There was no time in all these years when the Japanese Army actually said to their people: 'We shall fight America and Britain.' Pamphleteers and journalists discussed that possibility; statesmen hinted at it. But the issue was never brought to a focus. The Japanese army and leaders called for more expansion in China, magnified every instance of Chinese resentment or resistance into evidence of conspiracy or recalcitrancy, and kept the Japanese Empire alert with the clamor of war. They never let this ultimate issue become clear. Japanese themselves, they realized that their people had no choice but to follow them, provided the process of militarization was not too rapid.

"Let me give you a few instances of what happened to the people in Japan during those years:

"Japanese big business was cajoled, bribed, or blackmailed into self-regimentation and into acquiescence to government control. When I arrived in Japan in 1932, Japanese business was still a model of comparative efficiency, drive, and inventiveness. By 1941, it had become an adjunct to the military regime. Japanese investors were driven more and more into government investment. Their overseas holdings were jeopardized by the irresponsible actions of their government. Investment in the much-touted occupied areas in China was on the army's terms, and was subject to the corrupt exactions of the puppet governments under the Japanese army.

"Far more important, Japanese farmers continued their accumulation of debt. Their poverty made possible the cheap food of the cities. Their misery drove their sons and daughters into the factories to serve for the lowest wages in a modernized state. The wretchedness of the Japanese farmer, his low standard of living, has been the keystone of Japanese international competition. The China war did nothing—either in phases — to help the Japanese farmer. His sons died in it. He was taxed for it. Occasional food shortages give him the illusion of prosperity, when he sold his products on a rising market—but the Japanese farmer remains the first and the constant victim of Japanese militarism.

"Between the investors and the farmers, the middle classes were driven into an insecurity which would only be relieved by state control. Their freedom of movement, of thought, of expression was circumscribed artfully by appeals to their patriotism or their superstition, or both. Their savings were solicited for Japanese government loans which were secured by the slender chance of Japan's winning some sort of a victory and then stopping and consolidating her gains.

"With developments such as these, two seemingly incompatible tendencies were produced. Japan was going bankrupt. Japan was getting stronger. The two changes were actually part of the same pattern. Japan was departing from a free economic system based upon the domestic and foreign exchange of goods and services over to an unfree economy, based on the domestic destruction of goods in military enterprises and supported by the foreign expropriation of goods.

* * *

"Japan is finished and ruined in terms of **honest** finance. Her trade is discredited. Her foreign investments are held only at the points of bayonets. Her customers are completely alienated.

"Nevertheless, in terms of **dishonest** finance, Japan flourishes. Japan has with her temporary conquests all the raw materials needed by a great power. She has at her command almost limitless labor supplies. She does not have any friendly rivals in the regions that her armed forces control. Her industrial potential is relatively high and efficient. Labor and the farmers are quiet. At the moment all this power is pouring into the military economy behind the Japanese fleets, armies, and air forces.

"We face this formidable enemy. Our Japanese antagonists live far more cheaply than we do. They conserve their goods. They do not worry about their victims. They concentrate everything on winning the war.

"The United Nations will not do business with military Japan again. After the years I have spent attempting to safeguard a free American economy against the potential workings of a Japanese military economy, I am relieved to think that we shall never try again to preserve the peace and our rights by dealing with a Japan which pursues the course of a robber state. The financial system which Japan has created is one which violates all concepts of honest dealing—irrespective of the articular epoch or system. It is the mere mask for a predatory military oligarchy which neither comprehends nor approves the principles of honest exchange, of stable money, and of international good faith."

In the concluding portion of his address Mr. Grew had the following to say:

"In closing, I should like to call to your minds certain memorable statements made recently by the Secretary and the Under Secretary of State. In his broadcast of July 23, the Secretary began: 'The conflict now raging throughout the earth is not a war of

(Continued on page 1535)

GROUP CHAIRMEN

MISS. VALLEY

Andrew S. Mills

CENTRAL STATES

D. Dean McCormick

MICHIGAN

Charles A. Parcells

Land Tells IBA Of Cargo Ship Progress; Later Elucidates Misinterpreted Remarks

While Rear Admiral Emory Scott Land was a speaker before the annual convention of the Investment Bankers' Association at a luncheon on Oct. 19 his remarks were extemporaneous, and very little in the way of what he had to say has been available. He did, however, comment on what has been accomplished in the matter of the letting of contracts for cargo vessels, the number which has been delivered, and those under construction. In the New York "Journal of Commerce" of Oct. 20 he was quoted as saying that speed in construction has been possible, due to systematized plans, with a minimum of alterations, and use of assembly line methods. Because of exception taken to certain remarks attributed to Admiral Land, who is Chairman of the U. S. Maritime Commission and Administrator of the War Shipping Administration, the Admiral on Oct. 20, had the following to say according to Associated Press accounts from Washington:

"An 'off-the-cuff' speech I made at a luncheon meeting of the Investment Bankers Association of America at the Waldorf-Astoria, New York City, on Oct. 19, 1942, seemingly has been misinterpreted. I wish to clarify the matter which I shall do from notes used by me at the time the speech was made, as follows:

"'I have a few pet hates: (1) organizers, (2) profiteers, (3) needle boys—intriguers and, (4) typewriter strategists.'

"I then followed with: 'As far as the organizers are concerned, for the duration, in my opinion, they ought to be shot at sunrise. As to the profiteers, we will get them if the jail doesn't get them, or they don't get themselves. As for the typewriter strategists, why not let the President of the United States and high military and naval command run the tactics and strategy of the war?" * * *

"As everyone knows, there are all kinds of organizers for all kinds of projects. My only interest is organized production."

Admiral Land was further indicated as saying, in making the above statement:

"Particular attention is invited to the fact that I neither used the word 'labor' in connection with 'organizers' nor the word 'union' in connection with 'organizers.' In fact, I meticulously refrained from an adjective qualifying the term 'organizers.'"

Contending that the Admiral's remarks had to do with "union" organizers, it was stated in the Associated Press accounts that Joseph Curran, President of the National Maritime Union (CIO) had on Oct. 20 wired President Roosevelt asking that the Admiral be removed from office, and the Executive Board of the Greater New York CIO made a similar demand, it is stated.

IBA Group Chairmen Announced For 1942-43

At the War Conference of the Investment Bankers Association, it was announced that the following chairmen had been elected by the regional groups of the Association:

California: Malcolm C. Bruce, Conrad, Bruce & Co., San Francisco.

Canadian: H. D. Leeming, A. E. Ames & Co., Limited, Toronto.

Central States: D. Dean McCormick, Kebbon, McCormick & Co., Chicago.

Eastern Pennsylvania: Edward Hopkinson, Jr., Drexel & Co., Philadelphia.

Michigan: Charles A. Parcells, Charles A. Parcells & Co., Detroit.

Minnesota: Robert L. John, Thrall West Company, Minneapolis.

Mississippi Valley: Andrew S. Mills, Newhard, Cook & Co., St. Louis.

New England: Joseph T. Walker, Jr., Hornblower & Weeks, Boston.

New York: Frank M. Stanton, The First Boston Corporation, New York.

Northern Ohio: Leslie J. Fahey, Fahey, Clark & Co., Cleveland.

Ohio Valley: Milton S. Trost, Stein Bros. & Boyce, Louisville.

Pacific Northwest: Seth Richards, Richards & Blum, Inc., Spokane.

Rocky Mountain: Gerald P. Peters, Peters, Writer & Christensen, Inc., Denver

Southeastern: Walter S. Robertson, Scott & Stringfellow, Richmond.

Southern: Joseph L. Morris, The Robinson-Humphrey Company, Atlanta.

Southwestern: George H. C. Green, R. J. Edwards, Inc., Oklahoma City.

Texas: Judson S. James, Jr., James, Stayart & Davis, Inc., Dallas.

Albert H. Gordon, Kidder, Peabody & Co., New York City, and a Vice-President of the IBA is Chairman of the Group Chairmen's Committee.

Investment Industry Essential To Nation

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cation of expense for our members.

"And now the Securities and Exchange Commission is joining with the State Securities Commissioners, and with the Associations representing the business, in this same well-tried procedure of discussion and conference. Chairman Purcell deserves much credit for initiating this thoroughly sound policy, in line with the times, when factionalism should cease and when Government and industry should unite to win the war.

"State and Federal Commissioners, together with our representatives, can be mutually helpful and greatly promote the national interest by this sort of action—the National Association of missioners maintain a close contact with the day-to-day practical problems of the business and of enforcement, and their organization—the National Association of (State) Securities Commissioners—has a national outlook on these subjects. We of the IBA and the other national associations in our industry also have the practical approach and the national point of view. If we measure up to our obligations, with a breadth of vision and a consciousness of our public responsibilities, we too can bring to the conference table a significant contribution.

"Under these circumstances, I believe we can look forward to a future when the public will be better served, when legitimate business, believing in an adequate and well trained police force to deal with the less scrupulous, may be freed from the shackles too quickly forged in times of pent-up controversy and misunderstanding.

"All citizens realize the necessity of a national wartime policy of eliminating the bottlenecks. Witness the streamlining of the V-Loan procedure, now becoming one of the main vehicles of Government financing of war industry. The machinery is simple, the terms liberal and the time element has been reduced to something like two weeks. There are doubtless many instances constantly occurring where the nation would be better served, and industry would save substantial interest cost and service charges, if the channels of private finance could be utilized. But the time element alone, involving the undivided attention of executives who should be concentrating on war work, precludes going through the tedious routine now required for a registration statement.

"It is worthy of comment that the Government's way of financing is the simple and streamlined method, while the investment bankers' way is entangled in much imposed red tape.

"We believe there are many ways in which the SEC procedure could be speeded and simplified without sacrificing the intent of the Act. One method of streamlining procedure for the duration might well be that: Companies with previous registration statements which have been kept up to date and companies with listed shares, be exempted from filing a detailed registration statement upon the issuance of new securities.

"At all events, the war has brought closer a unified industry and has promoted a realization on the part of the State Commissioners and the Securities and Exchange Commission that there is a very fundamental mutuality of purpose between them and the organizations representing this business. This, to my mind, is a natural result; for we are all brought closer together by an unselfish desire for national unity and by an appreciation and respect for our common sacrifices, gladly made, to help win the war.

Part II

"Now, at this point, I should like to turn from the general to the particular and make brief comment about the IBA and the business of its member firms.

"It is in line with the history of the IBA that it should continue to set a good example in this tendency toward unity of purpose and cooperation. As a matter of fact, the IBA is a cross section of the business; it is a voluntary association and it represents all elements in the so-called securities industry; viz., underwriters and dealers in corporate and municipal issues, over-the-counter dealers in primary and secondary distribution, stock exchange houses, banks, government dealers and investment trusts. Though in a few cases a member may be engaged in only one of the functions above listed, the business of the majority of our members is a combination of any two or more of such functions. Consequently if we really stand together and demonstrated a marked degree of solidarity among ourselves, there is hope for the whole industry. I believe we are doing this now but I am also sure that we need to do much more. Progress toward this ideal is to the advantage of both the country and the investment bankers. Only in this way will this Association continue to serve best investors, its own members and the business as a whole.

"As individual members of this Association, we may differ at times on policy. We may frequently disagree on method or the handling of certain details, but surely we have learned by now the value of working together on a common front (in line with the preponderant views of our members). The aim of the Association is to have the functions of investment banking performed under the best conditions and by the best methods attainable.

"The work of the Association has been traditionally conducted on a relatively small budget, by a small paid staff and by a large number of devoted volunteers serving on committees drafted from the membership. In one year the work of some of these com-

GROUP CHAIRMEN

ROCKY MT. TEXAS SOUTHWESTERN

Gerald P. Peters J. S. James, Jr. George H. C. Green mittees is in the foreground, and at other times that of others.

"One of those whose activities have been redirected and whose objectives have been greatly modified due to the war, is the Public Information Committee. Two years of labor had built up an effective panel of speakers (probably from about 800-1,000 men) who were well prepared to tell the public of the importance of investment banking in a free enterprise economy. Immediately on the declaration of war, we notified all of our 17 groups throughout the country that our speaking programs would thereafter be devoted to the promotion of war bond sales. This large body of men responded at once and in many localities gave experienced assistance to the administrators of the War Savings Staff. In several large cities they were called upon for the difficult job of organizing and educating the large number of team and district workers on the house-to-house canvassing campaigns. In March, as you know, the Board of Governors voted that for the remainder of the year, the funds of the PIC should be devoted to defraying the expenses we might incur in our efforts to promote war financing.

Part III

"This brings me to make further reference to our work with the United States Treasury—since last December, the keynote of the policies of this administration of the IBA.

"When the news reached us of the Japanese attack on Hawaii, your officers acted at once. A telegram was sent to the President and a letter containing our resolution of Dec. 5, was delivered to the Secretary of the Treasury.

"In January, at the request of the Treasury, those representing the securities industry were invited to Washington to confer with the War Savings Staff. I have already mentioned the organizations included, viz., the NASD, the NYSE, the ASEF, the Government Security Group, and the IBA. The individuals representing these organizations, respectively, were Messrs. Dewar, Fulton, Schram, Burns, Dominic Rich and myself. The first step we were asked to take was to set up State committees representing the united industry, to collaborate with the State Administrators of the War Savings Staff; and at the same time Mr. T. J. Bryce of Clark Dodge & Co., New York, was appointed by the Treasury as its liaison officer with the securities industry, with offices in Washington. This initial groundwork necessitated the formation of the National Committee of the Securities Industry for War Financing, whose members are the individuals I have just referred to. This committee has at all times been available to the Treasury for special contact work throughout the country with the member firms of the constituent national organizations represented. Thus the machinery was established for a national coverage and was ready to function when called upon by Mr. Morgenthau to go to work on the Certificates of Indebtedness of April and the first Tax 2½% issue of May.

"More recently, at the request of the Secretary, we have also participated in the formation of the Victory Fund Committees, where we have joined forces with all the commercial banks. Each of the 12 district VFC's has its chairman the president of the respective Federal Reserve Bank and its executive manager is a man taken from the ranks of the securities industry. The nationally coordinated work of all 12 districts is under the direction of Mr. George Buffington, Assistant to the Secretary of the Treasury, in Washington.

"If I might be so bold as to define the promotional activities set up for selling Government bonds to finance the war, I would be inclined to put it this way:

"The War Bond and Stamp campaign, which is continuous, is under the direction of the WSS, of which the Honorable Harold Graves, Assistant to the Secretary of the Treasury, is the head. It is designed to make available to the Government as large a portion of current income as can be corralled. The Ten Per Cent Clubs and pay-roll alotment plans look toward that end.

"The Victory Fund Committees, on the other hand, are seeking funds of quite a different character. Among them may be mentioned the cash balances of corporations, the considerable residue of savings in the commercial balances of individuals, large and small, and the uninvested funds of insurance companies, trust companies, savings institutions and other fiduciaries.

"With reference to all of our efforts in war financing, it has been a privilege to work with the officials of the Treasury. I know I am speaking for my colleagues when I say we have been honored by their accepting our offers to serve. We are not complacent about our accomplishments; we have no disposition to boast about them; we recognize the immensity of the job that must be done. But we may be justly proud that thousands of the partners, executives and salesmen of the firms in the securities industry have given, and are giving, generously of their time and specialized experience in such matters and are successively, month by month, selling hundreds of millions of these Government obligations to corporations, trust funds and individuals.

Part IV

"As for the business itself, I shall not indulge in prophecies.

"This is no time to be looking into the far future; it is enough that we devote our energies and attention to meeting the problems which arise from day to day.

"This is no time to be thinking of making profits out of the war. We must join in the sacrifices which all must make for the common good and for the preservation of our ideals.

"We must, however, continue to exist. In the maintenance of our individual organizations, however much contracted and on whatever limited scale—if we do make money, we cannot for long lose money.

"In order to have men in this business who can give generously of their time to selling Government bonds, it is, of course, indispensable that their firms have a sufficient income from their ordinary business to meet their overhead. It is therefore a patriotic duty of the first magnitude that executives and salesmen spend a major portion of their time in originating transactions and in performing services by which their organizations may survive. For a continued existence demands that income must meet outgo.

"Experience of recent months brings us some comfort. We have always thought that our industry performed a necessary service in the business economy of the country and that it was permanent and indestructible. But 10 months ago we did not know what might happen; nor can we yet speak with certainty. We did know then that ordinary operations would be greatly curtailed and that drastic readjustment in personnel and overhead would be required.

"Today we know that buying and selling continue even under war conditions, and it begins to appear that we may be able to balance our budgets—perhaps it is not being too optimistic to believe that, eliminating taxes, we have reached and passed the low point in earnings, and that we have successfully withstood the greatest shock and strain arising from the impact of war. If it is any consolation, bear in mind that many another business in this country has had as great or even greater readjustments and displacements to meet.

"We have reason to have faith in ourselves and in the future of the investment banking business. We have an essential role to play —requiring energy, resourcefulness, and of all things, much patience.

"We are proud of this business. We are proud of the people in our association. Already many of our associates have volunteered and are now serving with the armed forces of the United States. Those of us who are left at home have a long, hard tour of duty ahead of us. Our mission is unspectacular, and will be accomplished without the accompaniment of trumpets and drums. But it will be done. We shall carry on the business as an essential part of our patriotic duty; we shall give much of our time and experience to our share, however inconspicuous, in the colossal task of financing the enormous cost of modern warfare.

"The national interest is paramount. It demands of us and all other citizens that we work together as a United people, exerting the maximum national effort to win this titanic struggle for the survival of the way of life we cherish."

GROUP CHAIRMEN

Eastern Pennsylvania

Edw. Hopkinson, Jr.

Canada

H. D. Leeming

Western Pennsylvania

S. K. Cunningham

SEC Disclosure Rule Harmful To Municipals

(Continued from page 1526)

Further, they are disturbing and detrimental to the financial operations and other interests of the states and their governmental units.

"Whatever may be the contentions, pro or con, on the subject the matter goes far beyond raising revenue for the Federal Government. It reaches the very foundation upon which our dual form of government is based. We are presently at war to protect the principles of free government, our own as well as others.

"As stated in our report of last December — 'With thoughts focured upon additional revenue for the central government, in this instance at the expense of the states and their governmental units, it would be seriously unfortunate to lay, by the method employed, the groundwork for an avenue through which our constitutional foundation for municipal home rule may, in progressive steps, be circumvented and destroyed.'

"A change in our form of government of so drastic a character as proposed should not be attempted by any other means than a constitutional amendment. The constitutional method would afford the people of our country the opportunity to measure the effect of and give consideration to all phases of the change, as well as the opportunity to express themselves concerning it.

"Some contend that a constitutional amendment would require too much time. In a matter of this importance the time required certainly should not be a governing factor. In any event, the contention is fallacious. The average time required for the ratification by the states of the 21 amendments to our constitution which have been adopted is approximately 1 year, 4¼ months. The last amendment, the 21st, was ratified by the states in 9½ months. If the proposal to tax future issues were enacted in statutory form at this time, the Federal Government would, as a practical matter, collect very little during the next several years.

"There are those, too, who contend that if a constitutional amendment on the subject were submitted to the states it would not be ratified. If that is so, it is not only a clear admission but evidence that the people, once they understand the full import of the proposal, would not be in favor of it. There are ample evidences abroad of the serious results of the gradual assumption of power by government and encroachments upon sound governmental principles without consent of the people."

The other members, whose signatures were affixed to the report besides Chairman Webster, were Fred M. Ackley, George K. Baum, Edward Boyd, Jr., Samuel K. Cunningham, Bruce H. DeSwarte, D. Ripley Gage, George C. Hannahs, John G. Heimerdinger, Bert H. Horning, W. C. Knickerbocker, Pat G. Morris, A. B. Morrison, Frank H. Morse, Russell J. Olderman, Malcolm S. Prosser, Leo L. Quist, Jones B. Shannon, Robert O. Shepard, F. Kenneth Stephenson, Robert A. Warren, Harry H. White, Elmer L. Williams and Paul E. Youmans.

Calls Banks Essential To Financing Of War

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first World War were precedent-breaking in their time. In that war, we moved the decimal point over a full place compared with anything which had happened previously. It was then that the term "billion" became a part of the common language.

In this war, we have again entered new magnitudes. In the mobilization of men alone, we are doubling the figures of the last war. Even so, the numbers of the armed forces are an inadequate index of the size of our war effort. The amount of equipment required per man has multiplied many times over. It has been aptly stated that while in the last war the problem was "to equip the men," the problem now is "to man the equipment"—and before that to produce it. Naturally, the need for ever-increasing amounts of equipment has tremendously multiplied the financial problems of this war.

In the first fiscal year of the last war, total Government expenditures amounted to about $14 billions. In the current fiscal year, our expenditures are likely to be six times as great.

In the 12 months ended June 30, 1918, the Government collected roughly $4 billions in taxes. In the 12 months ending next June 30, receipts from taxes are expected to be more than five times as great, totaling about $21 billions.

And here is another comparison that highlights the greater dimensions of our war-financing job today. During the first World War, our war expenditures in the fiscal year 1918 absorbed less than one-quarter of the total national production. But in the present fiscal year, our war activities are estimated to absorb almost half of our total production.

The amounts which have already been raised and spent since the commencement of the defense program exceed in amount all that we spent during the last war. These amounts have been raised without any dislocation in the financial markets and at unprecedentedly low rates of interest—averaging about 1¾%.

We do not delude ourselves, however, that the financing of a total war can be merely a money market operation. Total war requires total effort and total sacrifice, and the financial front can be no exception. We must recognize that when our problems are multiplied tenfold in amount, they also become different in kind and must be met by new procedures.

I have already mentioned that war activities are going to take up almost half of our total production in this fiscal year. This means that we shall have to live on the other half of our gross product. We made the decision to do this when Congress passed the appropriations for war purposes and when the whole country resolved that as large a proportion as possible of our total output should be in war goods.

Finance can and will add no burden additional to that which we have already contracted for. Wise finance can and will make the burden easier to bear, however, by distributing it more equitably.

Taxation must form the foundation for any program of war finance—for it is only by taxation, either now or in the post-war period, that the burden of the war can be finally distributed.

Much progress has already been made in the field of taxation. Our total revenue, giving effect to the passage of the tax bill now in conference between the House of Representatives and the Senate, will aggregate about $21 billions this fiscal year. This is nearly four times our revenue in the fiscal year 1940, but only about one-fourth of our expenditures in this fiscal year. Measured against the standard of past achievements, it is magnificent; measured against the standards of present needs, however, it is plainly inadequate. We shall need substantial levies beyond those contained in the present bill.

Revenue-raising alone does not, however, constitute the whole of the contribution taxes can make to the successful financing of the war. Successful war finance requires fairly stable prices, and wise fiscal policy will help maintain them. But this is not enough. Other measures must also be employed if we are to have price stability.

You are all aware of the great forward steps which have been taken by the President and Congress during the past month in the direction of the stabilization of our price structure. The appointment of Justice Byrnes as Director of Economic Stabilization has given us all a new confidence that the war will be fought through to final victory without serious disturbance of the present price level.

You all know that incomes are rising, while the supply of consumers' goods and services is shrinking. In order to secure a fair distribution of the available supply of consumers' goods and services at the present price level, it will doubtless be necessary to resort to more extensive rationing. To secure such an equitable distribution is the primary purpose of rationing. We should not lose sight, however, of the fact that rationing is also a powerful instrument of war finance. What we cannot spend, we must save. Thus rationing is really "compulsory saving," and it may be on a vast scale.

But even with rationing over a very broad area, excess purchasing power is likely to result in extreme pressure, menacing any system of price regulation.

It would be possible to control this pressure of excess purchasing power by an instrument which stands midway between direct controls such as rationing and the traditional forms of taxation. Spending must be reduced drastically if the prospective supply of consumers' goods is to "go around" at the present price level. What could be more reasonable, therefore, than a progressive tax that would give an incentive to saving and put a penalty upon spending—the very thing that must be reduced? This is what Secretary Morgenthau proposed last month with the spendings tax. I think that many people passed a rather hasty judgment on the proposed tax at that time. I believe that it is the kind of thing which looks better and better the more you consider it, and I ask you to mull it over in your own minds.

All of the money which we do not raise by current taxation, we must borrow. As investment bankers you are directly concerned with the Government's borrowing policies; and I shall therefore lay my principal emphasis tonight upon borrowing, although I would remind you that borrowing is only one facet of our wartime financing problem. Rationing and direct controls may make borrowing easier, but they do not eliminate the need for it or reduce its amount.

One of the best sources of borrowed funds is, of course, the sale of War Savings Bonds. I imagine that every man in this room has given time and thought and energy to help in this very important part of our war financing. The results of the sale of War Savings Bonds are good and growing better; we confidently expect to sell at least $12 billion worth, and perhaps more, of War Savings Bonds during this fiscal year. Even more encouraging than the sales figures is the fact that more than 20 million workers are already setting aside an average of 8% of their pay every pay day for War Bonds. Our goal is to make these figures at least 30 million workers and at least 10% of their pay by the first of January.

The Treasury, as you well know, has not overlooked other possible sources of funds from outside the banking system. In the sale of the Tax Savings Note, the long-term "tap" issues and other Government securities to non-banking investors, we believe that a significant contribution has been made to non-inflationary war financing.

The Tax Savings Note is designed not only to make available to the Government money due from taxpayers during the period in which the tax liability actually accrues, but to provide a source of investment for liquid funds that have been immobilized by wartime restrictions.

The "tap" issue, unavailable to commercial banks for a period of ten years, is designed to attract funds from investors who welcome the opportunity to secure a long-term investment at an attractive rate.

In the October offering of $4 billion, the books were open for only two days, and we obtained something like 25% of total subscriptions from investors other than commercial banks. Frankly, we had hoped to do better, and it is probable that the proportion would have been increased if the subscription books had been open longer. There was a considerable delay in the delivery of many of the printed circulars, and it seems clear now that there really was not enough time for many investors to place their subscriptions before the books closed. I believe that in the future we shall make arrangements to keep the subscription books open longer, at least for nonbanking investors, so that the Victory Fund Committees will have more time to do their work.

This brings us to a consideration of the place of the commercial banks in our financing program. I have tried to emphasize that it is our firm belief in the Treasury that we should borrow from commercial banks only on a residual basis—that is, to resort to the commercial banks only after every effort has been made to finance the deficit from other sources. We desire—in so far as we are able—neither to create **new** money nor to activate **old** money. Non-inflationary financing requires that we draw in money that would otherwise have been spent in buying consumers' goods. It is only by drawing in money that would otherwise have been spent in this way that the Government can check whatever tendency to a price rise it may be producing by its own spending program. And it should be noted here that it is total spending rather than borrowing which creates the inflationary effect.

We must recognize that the commercial banks will be called upon to finance a large share of the deficit—in fact, a share of unprecedented magnitude. In the months—perhaps years—to come, it is important that the banks preserve a maximum of liquidity. To help them to do so, we have decided that securities sold to the banks should have a range of maturities running from three months, in the case of Treasury bills, to 10 years, in the case of Treasury bonds. Interest rates on bills have been fixed at ⅜ of 1%, a rate that is designed to promote the widespread distribution of this type of security. The Federal Reserve System has posted a buying rate of this amount so that any holder of bills knows that he can convert them into cash at any time and at this specified rate. This arrangement has served to increase greatly the flexibility of bills in the money market and has also aided in the more effective use of excess reserves. For all practical purposes, excess reserves can now be invested in Treasury bills without sacrificing liquidity. As a result, we have been able to increase steadily the amount of bills outstanding so that today more than 2½ times as much is outstanding in bills as on Dec. 7.

In addition to this large increase in bills, we have also revived the use of another short-term security—the certificate of indebtedness. Beginning in April of this year, we have thus far sold four certificate issues, approximating $1,500,000,000 each. Together with bills, the certificates provide a large supply of short-term paper, and thus add a large measure of liquidity to the banking system. Incidentally, it should be remembered that this liquidity is going to be a very welcome offset to declining capital ratios, and will make it easier for banks to adjust themselves to the need of shifting deposits from area to area, a process that seems likely to continue.

In securities of over one-year maturity, we have continued to offer the banks Treasury notes, and Treasury bonds with a term of not over 10 years. This means a maximum interest rate of 2% on Treasury bonds sold to commercial banks.

It may seem at times that banks are being discriminated against in not being permitted to subscribe for longer-term securities which bear higher interest rates than 2%; but this is not the case. The Government would certainly be doing the banks no favor if it permitted them to load themselves with long-term issues. You may recall that the report of the Economic Policy Commission of the American Bankers Association, issued last April, concluded that securities sold to banks should be limited to a 10-year maturity. I think all of you will agree that a frozen banking system trying to become unfrozen after the war by selling long-term Government securities might create a bad situation.

It should also be noted that a large part of the securities which will be bought by banks will be financed by increases in deposits for the banking system as a whole. It seems reasonable that the interest rate on securities financed in this manner should be kept down to a maximum of 2%—regardless of the maturities involved—because the costs incurred by the banks in making loans direct to the Government, and in handling the increased deposits resulting from these loans, are small. Furthermore, from the point of view of the cost of financing the war, interest rates should be kept as low as is compatible with the objective of financing the war as much as possible outside of commercial banks.

I think you will have seen by now that our financing program has taken on a clear and well-considered pattern. Naturally, this program constitutes only a working framework of principles. We shall, of course, endeavor to improve it and in doing so may make further changes in the types of securities offered, especially to nonbanking investors, and in the methods of offering them.

I have no doubt that you will all agree with the objectives of our war financing policy. We all realize that a great deal more remains to be done in financing the deficit as far as possible from outside the commercial banking system. To the extent, however, that we must resort to the commercial banks, it is imperative that interest rates be kept at prevailing levels and that the maximum of liquidity be preserved.

The success of our war financing depends upon attaining these objectives. We at the Treasury have had abundant evidence that the banking and security industry knows full well what is at stake. We know that we can continue to count upon your cooperation.

Credit Of Railroads Of Prime Importance

(Continued from page 1529)

on aviation, recently gave to the Chairman of this Committee a statement on the question: "WILL THE AIRPLANE SUPPLANT THE RAILROADS?" We are attaching a copy of his complete statement and making it a part of this report. (Appears elsewhere in this issue.—Editor.) We urge everyone interested in railroad securities to read his statement. It speaks for itself.

"In the future the railroads will continue to have periods of boom and prosperity and some periods of depression just like many other basic industries (such as the steel industry) but their earnings should fluctuate less than in many industrial fields. The outlook for the rails depends of course on general business conditions and when, for example, the airlines are enjoying prosperous times the rails will probably also have good business.

"The great increase in the efficiency of operation of the railroads is still not fully appreciated. In previous reports we have listed various examples and in this brief report we will not repeat them. Mr. Fairman Dick, a member of this Committee, said in a recent article: 'Never in railroad history has the pace of improvement in efficiency of operation been as fast as in the last ten years—Class I Railroads in 1929 had operating earnings of $1,200,000,000. If they had been able to operate at that time with the efficiency they showed in 1941 they would have earned $2,400,000,000.

"Along this same line, Mr. Ernest E. Norris, President of the Southern Railway System, said: 'The war is having an effect on the railroads that guarantees the future of the industry. We are learning to do things that we never dreamed were possible. And the urgent necessity for getting more use out of our plant, out of our cars and locomotives is stimulating the inventiveness, the ingenuity and the resourcefulness of everyone connected with the railroad business. The railroads will come out of the war with the respect and confidence of a grateful people. They will have the most efficient plant they have ever had. They will have the best trained personnel in railroad history. They will have the most effective techniques ever devised for the transport service of a nation. They will have perfected machinery for cooperation between those who operate and those who use the railroads. And they will have a record of achievement that will make a shining page in history.'

"We now want to call attention to important pieces of legislation that are pending. The Senate included certain provisions in the tax bill just passed which are of great importance to the railroads and which should greatly help railroad credit.

"1. A provision for the preservation of the old property basis of railroads going through reorganization. This is important in determining the excess profits tax exemption based on invested capital and in measuring depreciation.

"2. A provision which prevents a railroad from incurring an income tax liability due to a scale down of debt in reorganization.

"3. Permission for all corporations to purchase their own bonds at less than par without incurring an income tax liability on the 'profit' represented by the discount. The new law strikes out the provision in the existing law requiring a showing of financial unsoundness.

"It is hoped and expected that these provisions will be retained in the final bill.

"This report may seem somewhat 'bullish' in spots but that wasn't our purpose. There are still plenty of problems confronting the rails but the point we want to stress is that because they are so essential to the industrial life of our country it is most important that they be kept on a sound financial and operating basis and that private capital do the job. The Government now recognizes the importance of the railroads and the necessity for their financial soundness. We hope this viewpoint will continue after the war."

Those serving with Mr. Loomis on the Committee were Ewing T. Boles, F. J. Campbell, Paul G. Courtney, Pierpont V. Davis, Fairman R. Dick, Allen N. Jones, Robert G. Rowe, Percy M. Stewart and Henry S. Sturgis.

Says Japan Fights Against Own Welfare

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nation against nation. It is not a local or regional war or even a series of such wars. . . . On our side . . . we are united in our determination to destroy the world-wide forces of ruthless conquest and brutal enslavement. Their defeat will restore freedom or the opportunity for freedom alike to all countries and all peoples.' In his address at the Arlington National Amphitheater on Memorial Day, on May 30, the Under Secretary of State declared simply and categorically, 'The age of imperialism is ended.' In that same address he adumbrated the creative task of United Nations finance, both public and private, the post-war world, in which we shall aid our invaded allies—Russia, China and the other European and Asiatic peoples—to rebuild their homelands. He said:

"'The problem which will confront us when the years of the post-war period are reached is not primarily one of production. For the world can readily produce what mankind requires. The problem is rather one of distribution and purchasing power; of providing the mechanism whereby what the world produces may be fairly distributed among the nations of the world; and of providing the means whereby the people of the world may obtain the world's goods and services.'

"This is the task we face: to win now, as we shall and must, with every asset, moral and physical, which we possess; to win without regard to cost, but with concentration upon military efficiency and speed; to win by backing every part of the war effort, all the time. Thereafter we face the longer, not less difficult and fortunately more rewarding task: to assure and safeguard our victory for the ages, so that no nation may be led into madness again, as Japan has been led, and no exploiters can again organize any nation into a marauding horde bent on conquering, plundering and ruling over other nations. Japan had prepared for this war for years. Providence has equipped us for the winning of it for centuries. We have the resources, the institutions and the character that will be decisive, and we shall win."

Economic System Kept In High By Bankers

At the recent Group meetings of the Illinois Bankers Association, Henry G. Bengel, President of the organization, told the bankers that as "the guardians of the home front," "yours is the responsibility to keep our economic system in high gear, to provide the resources for the war." He added, "You must protect the system of free enterprise in a critical time when some measure of regulation of personal freedom is necessary for the common good. You are the soldiers who man this crucial front—the Illinois Bankers Association is the organization that welds you into an effective combat force." Mr. Bengel said that "our biggest job finds us in the front line of the battle against inflation in financing the war effort," and he called on the bankers to impress upon the public that their purchase of war bonds will help keep down the tax burden. He urged the bankers to do all in their power to prevent the inflation that will ruin the country's economic system and to raise their voices in protest against waste and extravagance in a government that dissipates the country's resources.

The meetings before which Mr. Bengel spoke were: Group Two, at Pontiac Country Club, Oct. 8; Group Three, St. Charles Country Club, Oct. 7; Group Six, Hotel Custer, Galesburg, Oct. 6; Group Nine, Court House, Nashville, Oct. 14; Group Ten, Midland Hills Country Club, Carbondale, Oct. 13.

A. A. Ballantine Heads Greater N. Y. Fund

Arthur Atwood Ballantine, former Under-Secretary of the Treasury, has been elected President of the Greater New York Fund. Mr. Ballantine who has been a member of the executive committee of the Fund, succeeds Thomas S. Lamont, a Vice President of J. P. Morgan & Co. Inc., who resigned last summer to enter the Army as a Major. The Greater New York Fund, through its broadly organized annual campaigns, raises money from business firms and employee groups for essential support of 400 voluntary welfare and health agencies and hospitals, serving the people of New York City. The campaign of 1942, now drawing to a close, has resulted, to date, in contributions of $4,220,000.

Mr. Ballantine is a Vice President of the United Hospital Fund, a member of the Planning Committee of the Hospital Council of Greater New York and a trustee of Memorial Hospital for the Treatment of Cancer and Allied Diseases. He is an Overseer of Harvard College, a trustee of Teachers' College, the New York Life Insurance Co., The New York Trust Co. and the Bowery Savings Bank, as well as director of a number of corporations.

In accepting the Presidency of the Greater New York Fund, Mr. Ballantine said:

"Under the conditions of today, securing adequate support for voluntary institutions for health and welfare, presents increased difficulty. At the same time the work of these institutions, always vital to the comfort and well-being of the people of our city, is more needed than ever. In many ways the services of these institutions are part of the war effort. The object of the Fund becomes that of bringing about the widest understanding of this new need and consolidating most effectively and extensively public support for this phase of national defense."

Post-War Outlook For Electric Utilities

(Continued from first page)

During the 12 months ended with August, 1942, roughly 152,500,000,000 kilowatt-hours of electricity were consumed in this country, or about a third more than in the August 1939 year. Of this increased consumption, nearly 75% resulted from expanded industrial use. Where industrial demands accounted for 49.8% of power consumed in the August, 1939 year, they totaled 55.0% in the Auugst, 1942 12 months. Expressed in terms of kilowatt-hours, industrial power use in the August, 1942 year was 47.1% greater than three years earlier.

But the ability of electric utilities to satisfy demands of their consumers depends, in part, on their capacity to generate power. At the end of August, 1939, the installed generating capacity of all agencies contributing to the public supply totaled 39,850,000 kilowatts, compared with 45,801,000 kw at the close of August, 1942. This represents an increase of almost 15%. Moreover, the Federal Power Commission, on Sept. 29, placed the amount of net generating capacity—additions, less retirements—to be added during 1943 at 3,261,750 kilowatts. It appears likely, then, that electric utilities will not want for generating capacity for the duration.

Volume of generating capacity, however, is meaningless, unless related to demand. During August, 1939, the sum of all non-coincident peak demands upon the nation's power supply was 25,400,000 kilowatts, or 57% of the capacity available to meet them. During August, 1942, non-coincident peaks had risen by a third to 33,800,000 kilowatts, equivalent to 74% of installed capacity. In other words, the impact of vastly expanded demands for power by industries serving the defense and war efforts reduced reserve generating capacity from 43% to 26% in three years.

But that's only part of the story. During August, 1939, each of the 39,850,000 kw of capacity turned out, on the average, only 282 kilowatt-hours of power, or 38.8% of the theoretical maximum of 730 kilowatt-hours which each kw of capacity is able to produce in a month. During August of this year, however, generation per kw averaged more than 355 kilowatt-hours, or 48.7% of the theoretical maximum. Thus, due largely to industry having moved from a one-shift to a two-shift, or a three-shirt, operating schedule—of having spread its power demands around the clock, electric output per kw of capacity has been boosted by 26%. But the effect of wider utilization of generation facilities is greater than mere increase in energy produced; it assures increased operating efficiency, lower unit costs and higher operating income before taxes.

Here, then, is a fast look at privately owned electric utilities nine months after Pearl Harbor. Never before have they been so well equipped, from the standpoint of generating capacity and efficiency of operations, to serve civilian consumers and to meet the maximum demands of the war effort. Despite sharply increased Federal exactions, they currently are earning fixed charges and preferred dividends, with some margin for equity shares. Collectively, they comprise one of the few major industries of the nation which is not faced with a production shortage. And they have not drained badly needed cash from the Federal Treasury to expand production facilities.

The post-war status of electric utilities obviously is not susceptible of accurate determination today. We are in the thick of a global war, the duration of which is uncertain. We do not know the amount of wealth to be destroyed during it, the size of the Federal debt at its close, the nature of the victory to be achieved, the terms of the peace to be negotiated, or even the charactr of enterprise system under which we will operate in the post-war era. Nevertheless, in the face of these unknown factors, it is not wholly preposterous to speculate now on the conditions under which electric utilities will operate in immediate post-war years, and the degree of prosperity they will enjoy.

Despite optimistic forecasts by New Dealers and other tender theorists, no reasonable foundation exists for assuming that war-stimulated 1942 power demands of industrial consumers—13% greater in the August, 1942 year than in the 1941 calendar year, 64% greater than in 1939, and 95% greater than in 1929—can be maintained in early post-war years. To be sure, attempts will be made to maintain employment and national income at around present levels by vigorous tugging at political boot-straps. The National Resources Planning Board now has a variety of public projects in blue-print form, ready to rush into construction at the first indication that hostilities are about to end. But most of them will be "work" projects, designed to pick up slack in employment after the war, and many will be undertaken in thinly settled areas, far removed from industrial centers in which electric generating capacity has been expanded to serve the war effort.

On the other hand, some of these projects involve slum clearance and low-rent housing, which will tend to bolster the falling industrial power demands of electric systems serving these areas. Then, too, not any major proportion of plants producing materials of war will fold up, immediately upon cessation of hostilities. Many of them have learned much about the production and use of plastics, plywoods and similar basic materials during the war, and we confidently may expect the adaption of these less costly materials to the production of automobile bodies, appliance cabinets, furniture and a host of consumer goods, long desired but beyond the reach of low-income families, once industrial facilities are free from the need of producing equipment of war. And, naturally, those plants in operation before the war will revert, as soon as re-tooling can be accomplished, to pre-war production and activities.

But there is a fly in this ointment. Due to enormous increases in war-time capacities, we will have vast potential outputs of aluminum, steel, iron, copper and zinc, along with their alloys, together with plastics, plywoods and synthetic rubber, to compete with one another in post-war years. And should one of these basic materials enjoy increased use in industry or the arts, it doubtless will be at the expense of another. For that reason, although pent-up purchasing power unquestionably will stimulate production of all the things the average man considers vital to happy living—things whose purchase have been denied him for the duration—it does not appear that this demand will be large enough to offset the tremendous growth in war-expanded capacities for producing basic materials. It would not be surprising, then, if industrial use of power in early post-war years dropped by a third from present levels, or to about the consumption of three years ago. Of itself, this would tend to reduce operating revenues and boost unit costs of electric utilities.

There are, however, alleviating circumstances in the offing. Domestic and commercial consumers might be induced, through proper rate concessions or intensive selling, to expand their consumptions sufficiently to erase part or all of this prospective loss of industrial revenues. Despite sharply increased industrial use, domestic consumption of current in August, 1942, was 32% of industrial use, while the price of household electricity per kilowatt-hour was 3.7 times that of industrial power. Accordingly, if householders could be induced to expand their electric consumptions by about 30%, sufficient operating revenues would be forthcoming, despite lower rates earned by increased use, to offset the reduction of a third in industrial revenues.

Is that in the cards? It would appear so. For one thing, short-cuts in manufacturing methods, along with the use of plastics and plywoods, will permit the production of low-cost appliances after the war, for sale to low-income groups at prices within their reach. For another, since most electric utilities will have considerable excess generating capacity after the war, on which fixed charges will keep ticking away, they may be expected to grant special low rates to householders for electricity consumed in cooking and water heating, which will bring this form of energy within the price range of competitive fuels. And, for a third, electrically-wired low-rent housing, fluorescent lighting (not adapted to residential use before the war), new home construction and expanded rural electrification, all will contribute to increased household consumption of electricity. As a result of new uses and the expansion of old, a 30% increase in domestic power use in early post-war years appears a distinct possibility. After all, household use of electricity did increase 39% in the 36 months ended with August of this year.

For somewhat similar reasons, commercial use of power can be increased substantially after the war. Comprised as it is of the offices and stores, the shops and work-rooms of the country, all of which prosper largely by serving the needs of householders, the commercial class of electric consumers stands to benefit greatly from the pent-up public buying power that is certain to bring a buying surge, once the war is over and restrictions on production and sale of consumers goods are lifted. And, obviously, increased custom for commercial consumers means increased electric consumption, both from the operation of appliances and longer hours of business. If increased use of current by commercial consumers in immediate post-war years is as much as a third greater than their August, 1942 consumption, when they used some 30% as much power as industrial consumers and paid three times the industrial kilowatt-hour rate, the revenues accruing to electric utilities from this expansion in use, again, would be sufficient to erase a loss of one-third in industrial revenues. And when it is recalled that commercial consumers did increase their use of power by a third in the 36 months ended with August, 1942, during a part of which restrictions on the production of consumer goods existed, this does not appear fantastic.

Actually, of course, neither domestic nor commercial electric consumption will remain constant after the war. The experience of 60 years shows that, with few exceptions, both these classes of consumers have increased their use of current, year after year. And for that reason, we confidently may expect increased electric consumption by both householders and commercial establishments. If, then, domestic and commercial consumptions should increase in immediate post-war years at a rate half again as fast as the average of the past three years, any discernible loss in industrial revenues could be extinguished.

Purely from an operating standpoint, the outlook for privately owned electric utilities in the immediate post-war period should be encouraging to holders of their bonds and stocks. It is only when we consider the effects of probable political interference with their operations, through over-zealous or punitive regulation, and the likely invasion of their service areas by public power projects, that post-war prospects for electric utility earnings become clouded.

Foremost among the political monkey-wrenches now being tossed into electric utility machinery is the "death sentence" provision of the Holding Company Act. Serious as is the effect of this regulatory monstrosity today, its enforcement appears even more of a threat to utility profits in the post-war period. Not unlike southern prohibitionists of 20 years ago who, while demanding strict enforcement of the 18th Amendment, wholly ignored the 15th Amendment, which gave Negroes the right to vote, the Securities and Exchange Commission has selected Section 11 of the Holding Company Act for evangelistic enforcement, the while ignoring Section 30, which directs it to make studies of holding company systems. At the same time, while placing the narrowest possible interpretation on what constitutes "an integrated public-utility system," it so far has failed to define that term. As a result, hardly an electric or gas holding company in the country is not faced today with the necessity of disposing of one or more of its operating subsidiaries, without knowledge of similar action required of other holding companies.

But who, in the face of enormously expanded Federal taxes, dares buy these orphaned operating utilities today? Only the municipalities or other political subdivisions they serve, since public authorities are not taxed by the Federal Government on their business ventures. Furthermore, the interest they must pay on borrowed capital likewise is not subject to Federal income tax.

The recently arranged sale of the electric and gas facilities of San Antonio Public Service to the City of San Antonio and three outlying communities is a case in point. According to the bankers' prospectus describing San Antonio's electric and gas revenue bonds, the private utility rendering these services paid $1,071,929 in Federal taxes in the 12 months ended with May, 1942. In addition, since San Antonio will retire these utility bonds in annual installments, it contemplates no charge against operations for depreciation, which cost the private utility $889,200 in the May, 1942 year. And since San Antonio has borrowed 100% of the funds required to purchase these facilities, through issuance and sale of tax-free bonds, its average annual capital hire, even when installment repayments of debt are included, will be but 60% of the cost of money to the private company. Disregarding the sharply increased Federal taxes a private utility would be compelled to pay on 1942 profits under the new tax law, San Antonio and the three outlying communities will have a $2,883,000 advantage over private enterprise in the rendering of gas and electric service. As some of us have learned to our sorrow, you can't win from the fellow with a few extra aces.

Another political monkey-wrench that might seriously have impaired electric utility earning power and distorted utility ownerships was plucked from the works, just in time. At the instigation of a short-sighted dealer in public securities, Department of the Interior reportedly drew a provision, which the Senate Finance Committee in a weak moment included in its version of the 1942 Revenue Act, that would have permitted communities, on petition of a maximum of 10% of their voters, to acquire privately owned tax-paying utilities and convert them into tax-free public enterprises.

Not even the most rabid or bigoted advocate of public owership so far has advanced a plausible reason why a tax-reducing provision should be included in an admittedly tax-expanding measure, particularly when the nation is faced with its most pressing emergency. But when an important department of government, headed by a cabinet member, lends its aid and influence to this variety of sabotaging the war effort, it suggests the character of vicious attack and punitive legislation that may confront privately owned electric utilities in post-war years.

The third political monkey-wrench likely to mess up electric utility earning power in post-war years is the probable raiding of privately served areas by existing or newly constructed public power projects. Included in the backlog of post-war projects proposed by the National Resources Planning Board, largely to stimulate employment, are hydroelectric developments, widespread transmission "grids" and nation-wide rural electric distribution lines. And since the "unreconstructed" Supreme Court ruled, in one of the two cases involving TVA to reach it, that public power projects, no matter how screwy or ill-advised, are free to transmit, over their own lines, and sell "by-product" electricity as "property of the people," there is great probability that many areas now served by private enterprise will be invaded by, and lost to, public power projects in post-war years. The resultant loss of Federal taxes, of course, will be saddled upon other forms of taxable enterprise.

It would appear, therefore, if the foregoing assumptions are valid, that privately owned electric utilities, unhampered by political interference, could prosper in post-war years. But if politicians and politically-appointed regulators are to continue throwing monkey-wrenches into their machinery, socialization of the electric power and light industry appears the probable result. Maybe we could do something about it.

J. F. Flynn To Become Partner In Sincere Co.

J. F. Flynn will be admitted to partnership in Sincere & Co., members of the New York and Chicago Stock Exchanges, on Nov. 5. Mr. Flynn, who will make his headquarters at the firm's New York City office, 39 Broadway, will act as alternate on the floor of the Exchange for Edmund C. Coultry.

To Admit R. J. Jacobson

Robert J. Jacobson, member of the New York Stock Exchange, will become a partner in the Stock Exchange firm of Benjamin Jacobson & Co., 61 Broadway, New York City. Mr. Jacobson has been active as an individual floor broker in New York and was a partner in Giles, Norris & Hay.

Paine, Webber Booklet On Securities Transactions

Paine, Webber, Jackson & Curtis, 25 Broad St., New York City, announces publication of a 40-page booklet listing the firm's executive personnel and outlining its services as brokers in bonds, stocks and commodities and as distributors and underwriters of securities.

Pointing out that the past few years have brought about many changes in the methods of conducting a security business due to new regulatory measures, the booklet sets forth some of the more important rules and regulations relating to transactions in securities. In a section on commodities, extracts from the Commodity Exchange Administration pamphlet "Trading in Commodity Futures" are set forth, together with a Commodity Markets Schedule providing information regarding transactions on eight commodity exchanges.

A summary table shows that the 23 offices of the firm have an aggregate personnel of 794. Included in this total are 30 general partners, five limited partners, 24 branch office managers, 23 traders, 15 statisticians and 247 registered representatives. Twenty-four Exchange seats are owned and deposits are carried in 124 banks.

Copies of the booklet may be had upon request by writing to Paine, Webber, Jackson & Curtis.

H. D. Swihart Co. Dissolves Swihart Continues

Homer D. Swihart and Seymour Perkins, Jr., announce the dissolution of the firm of H. D. Swihart & Co., effective Oct. 31, 1942. Mr. Swihart will continue the same service in Government securities at the office of D. W. Rich & Co., Inc.

Lael Abbott Associated With J. M. Dain & Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — Lael R. Abbott, previously an officer of Harold E. Wood & Co., with which he had been connected for a number of years, has joined the staff of J. M. Dain & Co., Rand Tower.

UP-TOWN AFTER 3

MOVIES

If you're a city slicker who has succumbed to the back-to-the-soil movement you'll find **"George Washington Slept Here"** (Warner) rollicking fare. Based on the Moss-Hart play success of a few seasons ago, the movie details the adventures of Bill and Connie Fuller (Jack Benny and Ann Sheridan), who buy a "perfectly charming" place in Pennsylvania's Buck County. That is, Connie does. Bill, who was born in an apartment and wants to die in one, wants no part of the rural life or old broken houses whether Washington slept in them or not. The city cliff dweller, however, becomes the reluctant owner of the Colonial relic to discover after moving in that there is no water (except when it rains), no electricity, no floors and no plumbing, and to top it off, no road, except his neighbor's, who bars it to the Fullers. Benny is as gay as ever, spouting witticisms lugubriously as he discovers that being a member of the station wagon set cost a great deal more money than he has. Ann Sheridan, as his wife, is strangely subdued. Best performance contributed by Percy Kilbride, the hired man, whose erroneous estimates of the amount of manure, gravel and the other less romantic necessities of the rural life keep the Fuller's in hot water. . . . Another movie based on a play you'll enjoy is **"Sister Eileen"** (Columbia), which opened in N. Y. last week. It's the story of small town girls (Rosalind Russell, Janet Blair) who come to the Big City to find success and glory and the amazing things which happen to them when they move to their basement apartment in Greenwich Village. Their landlord is a frustrated artist, and their collection of acquaintances are either slightly mad or completely wacky. After all, it wasn't Janet Blair's fault that she has a way about her, a nice way, which is misunderstood by the hordes of eager males who infest their down cellar abode. Nor can the sisters be blamed that the local gendarmes break up their charades and hustle the whole kit and boodle off to the hoosegow. The whole thing is excellently done. You'll laugh until you ache. . . . **"Thunderbirds"** (20th-Fox) takes a John Gunther commentary describing the aims and the efforts of flying cadets from the United Nations; American, English and Chinese, then bolixes up the whole business with one of those yarns which not only makes poor entertainment but does the movie industry little good. Preston Foster, the "flying fool," comes to the Arizona flying school as an instructor. In his spare time, he renews his friendship with Gene Tierney, who lives conveniently on a nearby ranch. But Geene gives poor old Preston the old heave-ho and takes up with a scion of the English Stackhouse family (John Sutton), one of Preston's students. Sutton is a capable physician, but in order to maintain the honor of the Stackhouse line, takes up flying. He makes a bad flier but with Preston's help gets his wings plus the photogenic Miss Tierney as well. The color photography is breath-taking. The plot is anything but.

AROUND THE TOWN

The Monte Carlo (49 E. 54th) had its Grand Opening last Thursday. Not that it was closed; it just changed what in soignee circles is called the decor, an occasion which always calls for an Opening with all the fanfare to herald in the event. The carriage trade, decked out in ermine, mink and the family jewels, came to see and be seen. Broadway, which considers such affairs a "must," was there in all its finery. Even Hollywood was well represented. Of course all branches of the armed services, from ordinary seaman to gold-braided heavy stripers, and from buck privates to double-starred shoulder insignias were also there. They all jammed in to ooh and aah at the new layout. For if the Monte Carlo was beautiful before, it's positively Sybaritic now. The main room is a sheet of mirrors, blue ceilings, red drapes and white fringes rising from a red and white carpeted floor. The old Beach, open summers, has also undergone a metamorphosis. Renamed the Casino, it is something to see. The old bar, wider and longer, serves as the English Snack Bar where you can sit and eat. Prices at this bar are quite reasonable. No item sets you back more than $1.25. The old Beach dance floor, screened off, fitted out with soft lights, new upholstery and a gypsy stringed ensemble to play soft romantic airs not to dance, but to listen to, is obviously popular with the hand-holding set. If you want to dance you go into the main room where two orchestras, Sonny Kenis's and a Latin outfit, hold forth. By the way, if you hanker for celebrities, the Monte Carlo is the place to go. I have frequently seen more name people jammed into one corner of the Monte Carlo than in the entire room of that over-rated ornithological 53rd Street place. Gene Cavellero, who draws Washington bigwigs as well as other more publicized people, and still my idea of a capable host, is the managing director. With Fefe Ferry heading for the Army, Teddy Rodriguez, who rose from Harvest Moon dance contest winner, steps in to take his place. Teddy, still new at this business, was as busy as the proverbial wall paper hanger. He's likeable and willing, however, and should make a go of it. The only sombre note at the new Monte Carlo was the absence of the affable headwaiter, Melo, who passed away a few short hours before the opening took place. The Monte Carlo and the people who knew Melo will miss him. . . . **The Hotel Belmont's Glass Hat (50th & Lexington)** heralded the return of the rubber-faced comedian, Jack Marshall, and his bag of tricks. Marshall is funny, really funny. His "Butch McGurk," the draftee who never knew how he became a soldier (he thought he was just buying a sweepstake ticket), is calculated to have you roll between the tables. By the way, considering the mobs of people who come here, the Glass Hat food is surprisingly good.

Hardy & Co. To Admit

Hardy & Co., 30 Broad St., New York City, members of the New York Stock and Curb Exchanges, will admit Marjorie E. Allen to special partnership in the firm.

SEC Bid-Asked Rule Opposed By NASD

(Continued from page 1519)

of these reports of examinations and questionnaires, directed letters to firms cautioning them and further advising them concerning the mandates of the Rules of Fair Practice and urging them at all times to consider first and foremost their customers' welfare and secondly the question of their own profits.

"Thus, this phase of the Association's work has taken three forms—first, appropriate disciplinary action; second, restitution where feasible and possible; and third, the continued efforts to promote a universal awareness of the responsibility of brokers and dealers to deal fairly with their customers.

"The Association, through its Business Conduct Committees, is engaged in advancing the theory that a profit in this business must be based on service. This has been the established policy of this Association in order properly to inculcate within the membership and the industry that professional spirit which the great majority of the industry wishes to promote.

"From a statistical standpoint, the results of the Association's examination program are as follows: It has been found necessary to take disciplinary action against approximately 5% of the membership of the Association; in all, 170 complaints have been filed since Jan. 1, 1941. Of these, 99 involved violations of our Rule which provides that members shall deal fairly with their customers in the purchase and sale of securities. Thus, as a result of a concerted, well-organized effort on the part of the Association to root out such bad practices within the membership as do exist, the Association has found it necessary to file complaints against approximately 2.6% of its membership where the matters concerned involved allegations of dealing unfairly with customers in the purchase and sale of securities, which, of course, includes the matter of dealers' buying or selling securities at prices not reasonably related to the market.

"Our knowledge of the practical nature of this matter does not end with this report of what our program has disclosed to be the size of the problem and the steps taken to solve it. The Association has prepared a detailed analysis of profit policies of practically all members. It knows the number and the location of members whose policies are in need of policing. Their number is small in relation to the total of our membership but the important fact is that we know who they are and where they are and we have already demonstrated our capacity to deal with them. We are not winking at abuses and we do not deny that a minority in the business perpetrate them, but we repeat: we know who they are and where they are.

"We are not wholly satisfied with our examining processes, effective as they have been to date. As the Commission has been notified previously, examination of each member at least once a year is our program for the future. We have developed a plan to improve upon investigations into members' business practices which will bring to light information upon which the Association can move promptly against all types of improper acts and practices.

"We are, as always, prepared to discuss these matters in detail with the Commission.

"Representatives of the staff of the Commission have stated this proposed Rule to be the result of an increasing awareness of a practice growing in the over-the-counter market for dealers to buy from or sell to their customers at prices bearing no reasonable relationship to the market. It has further been said by representatives of the staff that this practice has been indulged in by many over-the-counter brokers and dealers. These statements of purpose, in our opinion, constitute an indictment and cast a reflection on the entire industry, which we do not believe to be either true or warranted by the facts. It has been the Association's experience that there is a group in the industry which engages in practices not consistent with good business ethics. The Association and the membership are presently and have been in the past engaged in a sincere endeavor to eradicate and to eliminate from the industry the practices of this group, not only in the interest of the public but also in the selfish interest of the business itself. The previous statement of the examination work of the Association substantiates the opinion that only a small group in the business has been transgressing the bounds of good business ethics in respect to their sales and profit policies in the business transactions.

"The staff of the Commission has further stated that this alleged practice which motivated this proposed Rule is a growing practice and that the Rule is to protect investors who are frequently charged prices for securities which bear no reasonable relationship to the existing markets. We submit that the Association cannot but conclude, because of our own experience and information in their field, that the record does not bear out these contentions and statements of the Commission's staff that the alleged practice is either a practice within the industry, that it is an increasing practice, or that investors are frequently charged prices bearing no reasonable relationship to the market. We further submit that those few who are in the marginal element of the industry constitute a small and diminishing minority; that this proposed Rule may very well harm the present trend of investigation and examination work within the industry being done by the Association and the Commission; and completely disorganize the work which is presently being done to promote high standards of business and commercial ethics within this business. Authorities who have had experience in this field fortify us in our opinion that rules such as this proposal are not self-enforcing and, in and of themselves, will not eradicate bad ethical practices. These authorities further say that no rule is as effective as correction and enforcement through examination work.

"The Executive Committee, in the foregoing statement, has attempted to demonstrate that the objectives of the Association and the Commission can best be attained by a continuation of the cooperative work by the Association and the Commission in an endeavor to advance and enforce high standards of commercial honor and integrity, just and equitable principles of trade, and business ethics. We are of the certain opinion that the Association can demonstrate to the Commission, to the industry, and to the public that the public interest, the interest of the Commission, and the selfish interest of the industry at large can better be served by this cooperative effort than by a rule which, in our considered opinion, is unnecessary and which will take from the Commission as well as the Association many of the tools so effectively used to date.

"The members of the staff of the Commission do not claim that the membership of this Association has not been adequately policed, nor that the problem the staff is endeavoring to solve is one which is a prevalent practice within the membership of the Association. It has been suggested that this Association is the proper vehicle for the solution of such problem as does exist. The staff of the Commission, in answer to this suggestion, has stated that there is a primary objection to this suggested solution, inasmuch as there are a great many registered brokers and dealers who are not members of the Association and who are undoubtedly guilty of the practice of over-pricing and who would be able to operate without supervision comparable to that of the Association during any period of experimentation with this suggested solution.

"The Association has made a spot check of the list of registered brokers and dealers who are not members of this Association and who are not members of Stock Exchanges to determine whether, in fact, these non-members registered with the Commission are actually engaged in the securities or investment banking business. Our inquiries disclose that a very large proportion of these non-members actually are not engaged in the securities business. We have ascertained that many of those registered with the Commission are registered only incidentally to other activities and are not, in fact, engaged in the securities business; many still registered are now deceased; many have left the business for innumerable reasons and have merely neglected to withdraw their registrations.

"In conclusion, the position of the Executive Committee in this statement is as follows:

"(1) Association experience has demonstrated that only a small marginal element within the business has engaged in the practices which the purposed Rule would seek to cure;

"(2) the purposes of the Association and the Commission can best be served in the interests of all concerned by further cooperative effort;

"(3) the Association will demonstrate that the problem can be met most effectively in the interest of the public and the business by continuing our cooperative work in an atmosphere of mutual confidence;

"(4) to put such a rule into effect would undoubtedly harm a large portion of the business and not reach those at whom the proposed Rule is directed, it being our considered opinion that the proposed Rule, if promulgated, would be easy to evade;

"(5) the number of registered brokers and dealers outside of the Association is not large enough nor is their volume of business important enough to justify such a rule on the grounds that they are beyond NASD policing and therefore constitute a major problem for the Commission; and

"(6) there would be no further need for the Association in the field of work in which it has been most active and successful."

Members of the Executive Committee of the NASD making the report are H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio, Tex., Chairman; Lee M. Limbert, Blyth & Co., Inc., New York City, Vice-Chairman; Robert W. Baird, Wisconsin Co., Milwaukee, Wis., Treasurer; Hermann F. Clarke, Estabrook & Co., Boston; Laurence M. Marks, Laurence M. Marks & Co., New York City; and Mark C. Elworthy, Elworthy & Co., San Francisco.

Sums Raised For NY Fund

A total of $32,910 has been raised to date by the casualty and surety section of the Greater New York Fund's 1942 campaign, it is reported by Vincent Cullen, President of the National Surety Co., and Chairman of the casualty and surety section. The books will not close until the end of the year. The Fund's campaign is for the support of 400 voluntary welfare and health agencies throughout the city.

Our Reporter's Report

(Continued from page 1514)

War Revenue Bill which would have made their path easy, the advocates of Government ownership of public utilities do not give up easily.

That became evident this week, at a Securities and Exchange Commission hearing, when the Bonneville Authority was disclosed as dickering with the Bureau of Internal Revenue for a special tax exemption privilege to pave the way for purchase by a Federal agency of the Puget Sound Power & Light Co.

Under the "rider" which they attempted to get across through the tax bill, it would have been a simple matter for any group of local politicians to have set up "non-profit" corporations, enjoying tax exemption, for the purpose of acquiring such properties.

Armed with such tax favoritism, it would have been virtually impossible for any interested private group to have competed with these public ownership agencies for purchase of properties which might be forced on the market through the working of the "death sentence" clause of the Public Utility Holding Company Act.

West Texas Deal Revived

Another piece of public utility financing loomed as an early possibility today with reports that the West Texas Utilities Company might shortly revive plans for refinancing.

This project first came to light about a year ago, when the company filed with the Securities and Exchange Commission, an application under the Holding Company Act, regarding the proposed issuance of $18,000,000 of bonds and some $3,000,000 of notes.

In investment banking quarters there is now a growing expectation that the company will proceed within the next few weeks to file the necessary registration statement covering this undertaking.

Since other projected utility operations, such as Central Maine Power financing on which a delaying amendment was filed a week ago, still appear to be stymied, it is possible that the West Texas deal may be the next actually to reach market.

N. Y. Analysts To Meet

"Stockholders and the Managerial Revolution" will be the subject of a special discussion at the luncheon meeting of the New York Society of Security Analysts, Inc., to be held on Friday, Oct. 30, at 12:30 p.m.

At the Society's meeting on Monday, Nov. 2, there will be a round table discussion of the Public Utility Holding Company Act, led by Charles Thatham, Jr.

T. L. Shaffer, Vice-President of Congoleum-Nairn, Inc., will speak at the meeting scheduled for Nov. 4 on "The Floor Covering Industry."

Investment Trusts

(Continued from page 1519)

"There seems to be a growing feeling among college investment officers that a policy of broad general diversification, based upon a very careful study of individual issues, is the best one that can be followed at this time. Such a policy should be backed up by the best advice obtainable from men who are familiar with the security markets. Where outside investment advice is submitted, either on a fee basis or as a service, only the highest calibre counsel or institution should be employed."

* * *

"Is your CAPITAL working harder, too?" asks Lord, Abbett's new folder on Union Bond Fund "B."

"American *people* are working *hard* today—producing and distributing a million different products urgently needed everywhere.

"American *income*, too, is working harder today—paying larger taxes, giving to our social organizations, paying higher prices, and steadily buying War Bonds.

"It's a time for *capital*—your capital—to work harder too, securing for you an adequate return to help you do your part and meet your greater obligations.

"Today your capital can get you 5 to 6% in medium-grade bonds of public utility, industrial, and railroad companies—including some of the outstanding organizations in their respective fields."

The portfolio of Union Bond Fund "B" is included, showing 29 selected issues with an average 1941 interest coverage of 1.70 times. In the list are 16 utilities, 11 rails and two industrials.

* * *

The October issue of "Economic Pre-View" by Ray Vance of New England Fund and General Investors Trust compares the economic patterns of 1917-1919 with those of the present period. Among the conclusions listed is that the stock market, having recovered part way from the effect of earlier military and naval defeats, would be vulnerable to new ones. It is suggested that investors who have unbalanced their lists by over-purchase of common stocks or speculative senior issues might well make some adjustments. Individual issues which have made sensational price advances should be subjected to special study.

* * *

The October mid-month "New York Letter," published by Hugh W. Long & Co., presents the outstanding performance of the Railroad Series of New York Stocks, Inc. From the 1940 lows this Series, as compared with an advance of 2.8% for the Dow-Jones Industrials and 31.0% for the Dow-Jones Rails, has registered a gain of 98.6%!

* * *

The following portfolio changes during September are reported in the current "Letter" of the Broad Street Investing Corporation: Additions—Pepsi-Cola and Treasury Notes Series "C" 1¼s of 3/15/45; Eliminations — General Electric and United Gas $7 Preferred.

* * *

Investment Company Reports

The report of Incorporated Investors for the quarter ended Sept. 30, 1942, shows net assets of $31,115,709, compared with net assets of $28,138,414 on June 30, 1942. During the quarter the net asset value per share increased 10%, from $12.14 to $13.39.

Deere, Goodrich, National Dairy Products, and Western Union were added to the portfolio during the quarter while holdings of American Smelting, Caterpillar Tractor, General Cable "A," Hercules Powder, Pennsylvania Railroad, and Pullman were eliminated.

Substantial increases were made in the holdings of Dome Mines, Hollinger, McIntyre Porcupine, National City Bank, and Paramount Pictures.

On the selling side there were reductions in the holdings of International Harvester, Lone Star Cement, Bankers Trust, American Can, Atchison, Union Carbide, U. S. Pipe, and Nickel Plate, Pfd. In the defaulted rail bond group, no new companies were added or eliminated although there were some changes in the issues held.

* * *

Chemical Fund, Inc., reports an increase in net assets during the quarter ended Sept. 30, 1942, from $7,831,750 to $8,118,027 and net asset value per share increased from $7.85 to $8.15. The number of shares outstanding changed only from 996,739 to 995,773 shares, as the result of the sale of 9,836 shares and the repurchase of 10,802 shares.

* * *

The net assets of General Investors Trust at Sept. 30, 1942, amounted to $1,526,840.69, or $3.75 per share.

* * *

Investment Company of America reports net asset value of $3,026,211.73 as of Sept. 30, 1942, equal to $16.48 per common share. This compares with a net asset value of $15.24 per share at June 30, 1942, and $16.24 at Dec. 31, 1941.

* * *

Broad Street Investing Corp. reports net assets at Sept. 30, 1942, amounting to $4,474,656.45. This was equivalent to $18.37 per share of capital stock.

* * *

Net assets of General Shareholdings Corp. at Sept. 30, 1942, were reported at $6,710,055, equal to $73.94 per share of the preferred stock.

Denver Tramway Corporation

(Continued from page 1515)

lines and substituting electric trolley-coach services. This has been done at a cost approximating $750,000, and paid for in cash and equipment trust certificates—all of which have subsequently been paid off. Other rail lines will be replaced with trolley-coach lines as the new equipment can be obtained.

The company also owns an 8-story office building located at 14th and Arapahoe Streets in Denver, car barns, terminals, etc., and a steam generated power plant of 40,000 horsepower capacity which is supplied with coal from a company-owned mine.

The fare in Denver is 10¢ cash or 3 tickets for 25¢. This rate became effective in 1930.

Financial

As of Dec. 31, 1925, the funded debt of the company totalled $10,970,000. This debt has been reduced substantially each year since 1925 through debt maturities, sinking fund operation and purchase of bonds in the open market. As of Dec. 31, 1941, the debt totalled $4,829,900, showing a total debt reduction of $6,140,000 during the past 16 years.

Gross revenues from 1926 to 1931, inclusive, average $4,166,540 per year. During this period total income available for interest on the funded debt (after operating expenses, taxes and depreciation) averaged $978,015, while interest charges averaged $519,377 per year.

During the 10-year period 1932 to 1941, inclusive, gross revenues averaged $2,983,468. Total income averaged $345,235 and interest charges $336,669 per year reflecting the decrease in traffic due to the more general use of automobiles as well as an increase in expenses. The decline in traffic apparently stopped in 1932 and has remained stable since that time while interest charges have declined steadily.

Outlook

Traffic revenue has increased substantially since Jan. 1, 1942, and should not only increase at an accelerated pace during the balance of the year but should continue at a high level during and for some time, at least, after the end of the war. The increased revenues are now being reflected in the 1942 interim earnings reports and result in a very substantial increase in net income to the company after all charges.

In addition to the increased city traffic, occasioned by the rationing of automobile tires, the increased population of Denver (estimated at 70,000) and the personnel of various army camps, the company is also supplying transportation and freight service to the Remington Small Arms Plant and transportation to Fort Logan and to Lowry Field. In addition, transportation will have to be furnished to Buckley Field, which is now under construction. To meet this increased demand for transportation, the company has on order several new buses which should be delivered within the near future, and will be immediately put into service.

During this period of unusual earnings the company should be able to materially increase the cash position or substantially reduce the bonded debt. It is also conceivable that Denver will, after the war, retain a good part of the increased population which should result in a heavier volume of traffic and better earnings in the future than have been shown over the past few years.

The company has called as of Jan. 1, 1943, $782,000 of the general and refunding series A 5% bonds of 1950 which will leave $4,000,000 outstanding. No bank loans or other debts exist.

7% (5% Cumulative) Preferred Stock

(Par Value $100 Per Share)

Authorized	105,000 shares
Outstanding	104,412 shares

Has preference as to assets and cumulative dividends of 5%. In event company earns more than 5% in any year, preferred stock shall be entitled to cumulative dividends up to 7% for such year. In liquidation, entitled to par and cumulative dividends of 7%.

Has equal voting power per share with common stock. In event of dividends being one year in arrears, shall have sole right to elect directors.

Dividends at the annual rate of 5% were paid from Oct. 1, 1925, to Oct. 1, 1927; at lower rates thereafter until Jan. 2, 1932, when 25¢ per share was paid. No dividends have been paid since January, 1932. Cumulative unpaid dividends totalled $65.37 per share as of Dec. 31, 1941. Dividend dates: January, April, July, October 1.

THE DENVER TRAMWAY SYSTEM

Comparative statement of Earnings, Expenses and Fixed Charges of The Denver Tramway Corporation and The Denver and Intermountain Railroad Company

(With Inter-Company Transactions Eliminated)

12-Months' Period Ended Sept. 30

	1942	1941
Total operating revenue	$4,221,867.46	$3,200,350.91
Less operating expenses and taxes:		
Operating expenses (excluding depreciation)	$2,299,782.77	$1,964,469.28
Depreciation (Note 1)	575,543.08	568,212.77
Taxes	340,134.29	358,137.11
Total operating expenses, depreciation and taxes	$3,215,460.14	$2,890,819.16
Net operating income	$1,006,407.32	$309,531.75
Total miscellaneous income	13,297.37	11,667.22
Gross income, less operating expenses, depreciation and taxes	$1,019,704.69	$321,198.97
Deductions from income:		
Interest on unfunded debt	$83.78	------
Interest on general and refunding bonds	240,896.25	$243,401.25
Interest on equipment trust certificates	422.92	4,725.00
Total deductions from income	$241,402.95	$248,126.25
	$778,301.74	$73,072.72
Estimated provision for Federal and state taxes on income	350,000.00	------
Balance for debt maturities, sinking funds and other corporate purposes	$428,301.74	$73,072.72

9-Months' Period Ended Sept. 30

	1942	1941
Total operating revenue	$3,324,425.82	$2,414,695.19
Less operating expenses and taxes:		
Operating expenses (excluding depreciation)	$1,750,711.39	$1,481,293.83
Depreciation (Note 1)	431,101.67	425,365.23
Taxes	251,208.87	266,375.50
Total operating expenses, depreciation and taxes	$2,433,021.93	$2,173,034.61
Net operating income	$891,403.89	$241,660.58
Total miscellaneous income	10,874.48	8,569.60
Gross income, less operating expenses, depreciation and taxes	$902,278.37	$250,230.18
Deductions from income:		
Interest on unfunded debt	$83.78	------
Interest on general and refunding bonds	180,522.50	$182,353.75
Interest on equipment trust certificates	------	3,150.00
Total deductions from income	$180,606.28	$185,503.75
	$721,672.09	$64,726.43
Estimated provision for Federal and state taxes on income	350,000.00	------
Balance for debt maturities, sinking funds and other corporate purposes	$371,672.09	$64,726.43

Note 1—Depreciation accruals are at the rate of $500,000 per annum on the rail system in accordance with findings of The Public Utilities Commission of Colorado and of the United States District Court for the District of Colorado. Accruals in excess of this amount cover bus and trolley coach operations on a mileage basis.

Airlines Favored By War And Peace

(Continued from page 1514)

Passengers Carried (U. S. only)
(thousands of passengers)

	February	March	April
1942	286.4	371.4	428.2
1941	218.2	245.9	308.6
1937	58.0	75.0	76.2

As the volume of operations greatly expands, even small profit margins on services performed should bulk large in terms of net income for the airline companies. In this connection it should be noted that they are given special tax treatment, being exempt from excess profits taxes on earnings up to the amount of compensation received from transportation of the mails.

The post-war potentialities of the airline companies are clear to most investors. What has not been clear is their immediate wartime outlook. The developments of recent months have gone a long way toward dispelling the wartime uncertainties with which they have been faced.

* * *

Some of the problems as well as the potentialities of the airlines are revealed in the following thumbnail sketches of certain smaller companies in the field.

Braniff Airways, Inc.

This company provides passenger, mail and express service in the territory extending from the Great Lakes to the Gulf, linking Chicago and Kansas City with Texas and the Southwest. Through connections are maintained with Latin America. Capitalization at the 1941 year-end consisted of $266,667 of mortgage notes due serially to August, 1945, and 400,000 shares of $2.50 par value capital stock. Financial condition at that date was fair.

FOUR YEAR GROWTH
Years Ended Dec. 31

	1938	1939	1940	1941
Revenue miles flown	2,692,266	3,486,925	4,661,404	5,574,708
Revenue passenger miles flown	13,503,727	19,815,703	36,030,222	45,989,555
Passengers carried	39,023	62,247	115,410	152,001
Mail lb. miles flown	423,907	501,758	542,342	667,770
Mail lbs. carried	1,165,688	1,412,599	1,542,325	2,019,230

EARNINGS, DIVIDENDS AND NET ASSETS PER SHARE
Years Ended Dec. 31

Year	Earned Per Share	Dividend	Net Assets Per Share
1939	$0.11	Nil	$8.22
1940	0.19	Nil	3.62
1941	d0.45	Nil	3.34

Chicago & Southern Air Lines, Inc.

Company operates a 900-mile route between Chicago and New Orleans via St. Louis, Memphis and Jackson, Miss. A new line between Houston and Memphis via Shreveport was opened in March, 1941, adding some 55% to mileage operated. Capitalization consists of $175,000 notes payable, 32,773 shares of 7% cumulative convertible preferred stock ($10 par) and 167,730 shares of no par common stock. As last reported, the company was in fair financial condition.

FOUR YEAR GROWTH
Years Ended June 30

	1938	1939	1940	1941
Revenue miles flown	1,441,735	1,768,668	1,943,951	2,325,817
Revenue passenger miles	6,895,319	9,241,554	15,973,503	23,414,438
Revenue passengers	17,983	23,353	42,019	62,125
Gross passenger revenue	$314,103.07	$424,115.24	$725,791.00	$1,065,358.00
Mail lb. miles	134,668,391	192,459,984	------	------
Express lb. miles	42,157,946	56,411,769	72,866,000	107,982,000

EARNINGS, DIVIDENDS, PRICE RANGE

Year	Earnings Per Share	Dividends	Price Range High	Price Range Low
1942	----	$0.50	--	--
1941	d$0.80	Nil	5	3
1940	0.03	Nil	13	6
1939	0.45	0.15	--	--

(Dividends paid June 30, 1942)

Continental Air Lines, Inc.

Operating out of Denver, this company provides all forms of commercial air transport service over air mail route 29 to El Paso, Texas, and over air mail route 43 from Pueblo, Colorado to Tulsa, Oklahoma. Common stock of $1.25 par value outstanding in amount of 250,756 shares represents the sole capitalization. Financial position as reported for June 30, 1941 showed a working capital deficit of $17,046.

THREE YEAR GROWTH
Years Ended June 30

	1939	1940	1941
Revenue passenger miles flown	708,373	1,211,670	1,414,785
Revenue passengers carried	------	11,393	17,232
Revenue passenger miles	------	3,459,687	5,264,804

EARNINGS AND OPERATING RECORD
Years Ended June 30

	1938	1939	1940	1941
Operating revenue	$223,000	$301,000	$534,000	$715,000
Net income	d12,000	20,000	37,000	d35,000
Earnings per common share	d$0.63	------	$0.18	d$0.14

Delta Air Corp.

Originally organized to carry on dusting operations in the cotton belt, company now operates routes between Fort Worth, Dallas and Tyler, Texas; Shreveport and Monroe, La.; Jackson and Meridian, Miss.; Birmingham, Cincinnati and Knoxville. Capitalization consists of $130,000 of equipment purchase obligations and 195,156 shares of no par common stock. Financial condition as last reported was only fair.

FOUR YEAR GROWTH
Years Ended June 30

	1938	1939	1940	1941
Revenue miles flown	1,344,870	1,416,546	1,790,706	2,476,569
Revenue passengers carried	18,480	22,733	40,068	58,208
Revenue passenger miles	5,200,797	6,439,846	10,283,192	15,526,291
Passengers load factor	39.5%	45.4%	52.8%	43.0%
Lbs. mail carried	302,709	342,583	441,797	581,984
Mail lb. miles	114,226,522	132,061,894	150,160,736	216,133,791

EARNINGS AND DIVIDENDS

Year	Earnings Per Share
1938	$0.14
1939	0.26
1940	0.30
1941	d0.43

Dividend payment of $2 on the old common stock was made in 1938 and 1939 which would approximate 33 cents on the present capitalization basis; a dividend payment of $1 was made in 1940 which would approximate 17 cents on the present basis.

Mid-Continent Airlines, Inc.

Routes operated by this company extend from Minneapolis to important cities in Iowa, Nebraska, Missouri, Oklahoma, North and South Dakota. At Dec. 31, 1941 a $128,600 mortgage payable was all that stood ahead of the 389,399 shares of $1 par common stock. Financial condition was good.

THREE YEAR GROWTH
Years Ended June 30

	1939	1940	1941
Miles flown	1,059,642	1,340,829	1,983,522
Passengers carried	14,134	19,764	29,245
Passenger miles flown	3,380,174	5,174,525	7,832,885
Mail lb. miles	64,327,949	71,005,140	122,189,584
Express lb. miles	11,641,820	12,906,310	15,165,696

EARNINGS AND PRICE RANGE
Years Ended June 30

Year	Earned Per Share	Price Range High	Price Range Low
1940	$0.11	6½	4
1941	d0.41	5½	2

National Airlines, Inc.

Company serves major cities in Florida with lines extending to New Orleans via Mobile, Alabama. Capitalization is simple, consisting of 270,000 shares of $1 par common stock. As of June 30, 1942, financial condition was good with a current ratio of 2.74 to 1.

THREE YEAR GROWTH
Years Ended June 30

	1939	1940	1941
Revenue miles flown	573,130	835,309	1,436,400
Revenue passengers carried	6,981	15,365	29,959
Revenue passenger miles	1,340,050	3,465,316	7,264,322

EARNINGS, DIVIDENDS, PRICE RANGE

Year	Earned Per Share	Dividends	Price Range High	Price Range Low
1942	$0.68	---	--	--
1941	d0.02	Nil	8½	5¼
1940	0.13	Nil	9¾	3½

Northeast Airlines, Inc.

This company operates two routes out of Boston, one extending to Montreal via Concord and Burlington, the other to Caribou, Maine via Portland and Augusta. Capitalization is made up of $80,000 notes payable and 300,000 shares of $1 par common stock. Financial condition was only fair as last reported.

THREE YEAR GROWTH
Years Ended June 30

	1939	1940	1941
Revenue miles flown	666,683	885,147	1,201,531
Passengers carried	16,079	24,219	36,616
Revenue passenger miles	2,445,314	3,683,029	5,557,050
Mail carried (lbs.)	92,200	95,552	115,748

EARNINGS AND OPERATING RECORD
Years Ended June 30

	1940	1941
Total operating revenue	$48,000	$607,000
Net income	9,600	d56,000
Earned per share	----	d$0.19

Tomorrow's Markets Walter Whyte Says—

Market top indicated long before Solomon news made public. Bottom in sight 5 points lower where profits not accepted stops should be watched.

By WALTER WHYTE

Since last week, the market, like the Chinese in that yarn who had foreign exchange trouble, simply fluctuated. Monday, it managed to cross the 115.50 mark (DJ) but on Tuesday it sank back to 113.50. That the 115-116 range turned out to be a tough spot was no surprise. The market gave plenty of indications in the past three weeks that this would be the case.

* * *

When I advised profit taking in anticipation of the trouble ahead I had no idea of what news or combination of news would bring the advance to a halt. Yet, as I have often said before and repeat now, it isn't necessary to know all the facts. Fundamental causes eventually make themselves known. The trouble lies in the fact that markets have nasty habits of anticipating news, not reflecting it. Of course this doesn't hold true always. Unexpected events can hit the market with a sock that can leave you dizzy. But by and large the market has its own way of reflecting events which may be known to only a handful of people.

* * *

In the week of Oct. 10 the Dow averages managed to get up to about 115 or so. Even the rails went up to a new high on the move. Right away market theorists began pointing with pride to the new bull market.

* * *

A few days later the averages declined to about 112. Nervousness increased, and the cocksure optimists began looking around for arguments to sustain them.

* * *

In the week of Oct. 17 the market got another shot in the arm and went back up again; this time keeping its head well in the 115-116 range. Again the bulls began crowing. Technicians began chortling and everything was fine again.

On this scene of joy and light I came out flatly and told you to sell. Having given you specific prices at where to get in I followed it up with equally specific prices at which to get out. As Monday's market closed the profit-taking figures were reached and, I assume, accepted. In one or two instances the stocks you were advised to sell managed to add a few points more before turning down. But I had no idea of making the absolute top.

Selling stocks when everybody around you is buying or talking of buying them is not an easy thing to do. But just because it is so difficult, it's the only thing to do.

Once before I mentioned that this business of trading in the market is a lonesome job. Mass opinions are more often wrong than right. And the man who would cash in paper profits must of necessity be a lone wolf. Of course there is always the possibility of losing a good position. But you have to take your chances. You can't have everything. Ideal conditions never exist in the stock market. If you wait for them the chances are you'll be left behind with a bunch of memories to sustain you.

* * *

The big news given today as the reason for the current decline is the battle in the Solomons. Its too early to say how it will come out. But the market itself continues to show indications that no worthwhile turn will occur until the 108-109 figure is reached. This is still some four or five points away. Meanwhile the war news will be as confused as ever you saw it.

* * *

Incidentally, basing market purchases on official war communiques has yet to prove worthwhile. Nothing is less certain than the fortunes of war. Today's victory is tomorrow's defeat. We sink a couple of Jap ships today and later learn we lost as many ourselves. Studying corporate figures also has its limitations. Profits reported for any last quarter is never a guarantee for future quarters. It all adds up to this: If you want to make money in the market then follow the market, not news or statistics.

* * *

The question will undoubtedly crop up now as to whether or not I still consider this a bull market. The answer is yes. But as I have mentioned before, even bull markets don't go up in straight lines. A 10 point advance can easily be followed by a five point decline. And as most people unfortunately buy stocks during the last part of the advance, the subsequent declines are anything but comfortable.

* * *

Time and again I have known people to buy stocks within a point or so of what was later to prove a top only to get out with losses at levels which later proved to have been the bottom. A few trades like this and the average account is all washed up. Bull markets don't do him any good.

As this is being written the market has gone off some more. The Dow averages are hugging the 113 figure and before you read this, will probably have broken through. Yet, in all fairness, it must be pointed out that in advancing from 112 to 116 the market has built up a reservoir of strength that won't be broken up so easily.

* * *

When first trying to estimate the possible lows of the coming decline I decided 104-105 would be seen. Later, in rechecking the past market performance, I raised it to 108-109. Up to this writing I still see it that way. So, until these figures are approximated, I hold new recommendations in abeyance.

* * *

Meanwhile readers who still hold stocks should not forget the critical levels given here last week.

* * *

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.]

Municipal News And Notes

(Continued from page 1520)

the 1943 issue of primary road bonds totaling $8,248,970, including interest, would be paid next year despite any large reduction in revenues.

The State still has $55,684,000 of primary road bonds outstanding out of $118,186,000 issued since 1919 by 98 out of 99 counties. Falling due next year will be $6,864,000 on the principal and $1,384,970 in interest. Payment will come out of motor vehicle registrations and a portion of the gasoline tax collections.

C. Fred Porter, State Comptroller, predicted that with gasoline tax collections cut in half and a one-third cut in motor vehicle registrations, the State would have enough funds to maintain its highway maintenance program and to meet debt service on the primary road bonds.

The Highway Commission, however, had submitted a budget to the Governor calling for an increase of $400,000 in maintenance funds. The Commission asked for $5,234,066, compared with the $4,835,900 spent this year.

Gasoline tax collection so far this year are approximately $800,000 behind the record of $18,200,191 collected in the 1941 fiscal year. Officials expect the total in the current fiscal year to range around $18,500,000. This is comparable to the yield in the 1939 fiscal year.

New Refunding Plan Proposed For Philadelphia

A new refunding plan providing for exchange of a maximum of $162,296,000 outstanding obligations of City of Philadelphia for new refunding bonds with extended call dates was recently presented to Mayor Samuel and the City Council by Drexel & Co. of Philadelphia and Lehman Brothers of New York.

The same bankers were managers of a nation-wide banking group which under the refunding plan adopted by the city in June, 1941, effected the exchange of more than $83,000,000 of the city's bonds in one of the largest municipal refinancing operations ever carried out.

It is the intention of the bankers to invite those banks and firms who participated in the 1941 plan to join with them in effecting exchanges under the new plan.

The new plan proposes the exchange of outstanding bonds, optionally callable between 1944 and 1953 and bearing interest at rates from 4% to 5%, for new securities carrying the same rates of interest to the original call dates and at 3¼% thereafter. The maturities of the new bonds range from 1959 to 1975 but become optionally callable by the city on various dates beginning in 1949. The 1942 plan provides two choices of maturities for the holders of about 90% of the bonds eligible for exchange—one series due in 1965 and the other due in 1975.

The plan is calculated to effect a reduction of $45,000,000 in debt service over the life of the bonds included, on the basis of a 100% exchange of the $140,582,900 eligible bonds held by the public. This calculation does not take into account any interest saving on the remainder of the bonds eligible for exchange which are held by the city sinking funds.

In submitting the plan to the city, the bankers called attention to the effort of the United States Treasury and the Administration to subject future issues of municipal bonds to Federal income tax and said there was no assurance that efforts would be not renewed to have such a provision included in future revenue bills. For this reason and also because borrowing by the Federal Government for the prosecution of the war is constantly increasing in volume and may effect present low interest rates, prompt action by the city was advocated. With the municipal market still at a relatively high level, the bankers pointed out, Philadelphia bonds can now be refunded at a favorable interest rate.

Frank C. Moore Nominee For N. Y. State Comptroller

In all too many instances, and unfortunately so, the candidates for public office are very often individuals who, on the basis of their background and practical experience, are largely unqualified to adequately conduct the affairs of the position to which they aspire. Fortunately this cannot be said of the Republican candidate for the office of Comptroller of the State of New York, who is Frank C. Moore, a member of the firm of Dillon, Vandewater & Moore, municipal bond attorneys of New York City. As to Mr. Moore's qualifications for the post, the subject was well covered in an editorial in the New York "Herald Tribune" of Oct. 22, from which we quote as follows:

"A lawyer by profession, he has been active in local politics up-State since the first World War, in which he participated as a Royal Air Force aviator, and has the distinction of knowing more about the practical problems of local government in this State than any one else—professors of political economy included. Furthermore, because he realizes so keenly the importance of local government, he has taken the lead in a State-wide movement to educate town, village and county officials in their duties. Before he conceived the idea of such a school for officials they learned their tasks as best they could, by rule of thumb.

"So distinguished has Mr. Moore's work been in this field that Hobart College, in giving him an honorary degree, referred to the 'conspicuous and astonishing success' with which he had persuaded thousands of local government employees to apply themselves to the study of their duties, and described him as representing 'a very rare cambination of educator and expert in local government.' In addtion, Mr. Moore has served as counsel for many towns and cities in fiscal matters and has an exceptional knowledge of municipal financing. He has been a member of numerous State Commissions, including one on municipal finance, one on the extension of civil service, and the Mastick Commission for Revision of the Tax Laws.

"While Mr. Moore has had an office in this city for years, his life has been spent up-State, and it is in that region that he is best known. A modest man, more interested in getting things done than in taking credit for them, he has gone about his affairs quietly but with marked success. If the voters in this part of the State were to come to know him as well as those up-State there would be little doubt that they would hold him in the same high esteem as that in which he is held from Albany north and west. Few men are better fitted by training and character for the important post of State Comptroller."

Florida's Municipal Credit Analyzed

A comprehensive report on Florida municipal finances which should prove extremely valuable to the many present owners and prospective investors in the bonds of the local taxing units in their appraisal of the financial structure and credit standing of the subdivisions has just been prepared by Welsh, Davis & Co., 135 South La Salle St., Chicago, Ill. The need for such a guide is additionally imperative in view of the many problems, investment and otherwise, arising as a result of the war.

The bond house informs us that a limited number of copies of the report are available for distribution, "and as long as the supply lasts we will furnish one copy to anyone who is interested in Florida bonds." Requests for copies should be addressed to Maurice A. Zollar, Vice-President of Welsh, Davis & Co.

Jersey City Reports $6,300,000 Free Cash Surplus

Six years of a pay-as-you-go policy, adopted by Jersey City in 1936 in agreement with its bond holders, have resulted in the accumulation of an unencumbered cash surplus of over $6,300,000 on January 1, 1942, or approximately 20% of the total annual budget, according to Wainwright, Ramsey & Lancaster, financial consultants of the city.

In a statement issued Oct. 26 the firm, located in New York City, reported that this surplus has been realized because of the city's policy of (1) conservatively estimating revenue collections, and (2) underexpending the sums appropriated. In each of the past three years over $1,000,000 of unexpended appropriation balances have been cancelled.

The firm further stated that, based on the collection of revenues received during the first three-quarters of 1942, there should be no material change in the city's favorable current position as a result of operations this year.

San Antonio, Texas, Bond Sale Litigation Ended

Litigation which overshadowed the Aug. 24 award of $33,950,000 electric light and power plant and gas distribution bonds has been settled out of court and the obligations distributed to the syndicate on Oct. 25. The successful bidder at the sale was a syndicate headed by A. C. Allyn & Co., Inc., which specified a delivery date of Oct. 26. The loan was floated to finance acquisition by the city of the properties of the San Antonio Public Service Co. The Guadalupe-River Authority, which previously sought to acquire the facilities, endeavored to block the sale through court action, with the result that delivery of the bonds had to be postponed. Following the bond sale, the firms of Dillon, Read & Co. and Kuhn, Loeb & Co. were asked to join the syndicate, and the former house headed a nationwide banking group in the successful distribution of the securities. The selling group has been terminated.

Missouri's Highway Revenues For Debt Service Adequate

Despite declining revenue due to wartime car travel restrictions, it is reported that the State's highway department will finish this year in perhaps the best financial condition in its history. The reason ascribed for this pleasant outlook is that the Highway Commission has reduced its expenditures even more sharply than its income has dropped and has enforced a careful long-range plan for future expenses.

The prediction is made that the department will have sufficient funds at the close of the year to take care of all of next year's $8,000,000 bond principal and interest requirements on its obligations and still have money available to apply toward 1943 road maintenance. Should this forecast materialize, it will mark the first time in the memory of veteran highway employees that the Department has ever ended a year with a cash balance without help of new bond sales.

Of course, highway officials cautiously emphasize that they cannot predict next year's developments, and they decline to comment on Auditor Forrest Smith's recent warning that a property tax might be necessary by 1944 to meet the State's heavy road bond commitments.

But their figures indicate it will take a drastic reduction in motor car use to bring about such a situation—that soon, at least.

When the new Highway Commission first began its retrenchment program it prepared for a reduction of 35% in gasoline tax collections and about 12% in registration fees — the two main sources of highway funds.

Actually, however, the revenue from both sources is running less than 10% under last year.

That gives the Commission more money than expected.

Connecticut State Debt Rapidly Reduced

The annual report of John M. Dowe, State Comptroller, for the fiscal year ended June 30, 1942, states that a sum of at least $10,000,000 of the general fund surplus of $13,758,514 will be applied very shortly to a further reduction of the State's bonded debt, which amounted to $19,385,000 at the close of the fiscal year.

Allowing for this application of funds, Connecticut's original debt of $25,000,000, which when issued less than four years ago was to be retired over a 20-year period, will be retired or offset within a period of three years or less from the present period if the present rate of reduction is maintained, Mr. Dowe said. At the time of issue, the bonds were to be retired at the rate of $1,250,000 annually. At the suggestion of Governor Robert A. Hurley, the General Assembly enacted Section 3-f of the 1941 supplement to the General Statutes, which provides for the transfer of the general fund surplus in excess of $1,000,000 to a special fund for investment in bonds issued by the State, "after taking into consideration unexpended applicable biennial or continued appropriations as determined by the Commissioner of Finance and Control." Pursuant to this requirement, a sum of $1,950,251 was transferred during the last fiscal year and the report of Comptroller Dowe states that "I can now conservatively estimate" that at least $10,000,000 of the June 30 surplus will also be applied to a reduction of outstanding bonds.

California's Cash Surplus Nears $50,000,000 Mark

California ranks high among the States which are riding the wave of wartime prosperity, the State Treasury having reported on Oct. 14 a cash surplus within close proximity to the $50,000,000 mark.

Controller Harry B. Riley declared in a financial report that revenue is pouring in to the State's coffers in greater volume than ever before, and that on Oct. 1, in place of a $34,718,560 deficit on the same day in 1941, the State had a cash excess of $46,227,112.

Income for the three-month period up to Sept. 30 totalled $58,481,000, and expenditures amounted to $26,396,716.

"Abnormally heavy business activity has increased the yield of nearly every tax source," the Controller said, "and the discontinuance of unemployment relief has removed one of the largest items of expense. Those two factors have combined to give the State an income greatly exceeding its expenditures."

Returns from the sales tax, California's No. 1 income source, showed a loss of $2,962,781, as compared with the third quarter of 1941. Riley attributed the decline to $31,009,754 in revenue to war restrictions on the purchase of automobiles, tires, refrigerators, washing machines and other durable goods.

FPHA To Improve Tax Relations With Cities

The Federal Public Housing Authority has announced that a more liberal and uniform system for the making of payments in lieu of taxes on public housing projects has been established.

The new policy, it is stated, is expected to improve the tax relations between public housing projects and local governments by "giving greater certainty to contributions which may be expected in municipal budgets; equalizing treatment among municipalities and on public housing built under various acts and by increasing contributions to the increased costs of municipal service such as schools, health, police, fire, etc., occasioned by the in-migration of war.

The Lanham Act, explains the agency, under which the major portion of war-housing projects has been constructed, requires the payments in lieu of taxes of an amount substantially equal to normal taxes less an appropriate deduction where certain municipal services are not supplied. A large amount of war housing, it is pointed out, has been constructed with funds supplied under other acts and the new order makes the payments in lieu of taxes on projects constructed under these acts uniform with those made on Lanham Act projects.

In addition to the war housing owned outright by the Federal Government, many projects for war workers have been constructed by local housing authorities with funds loaned by the Government out of low-rent housing appropriations converted to war purposes. The income of the tenants generally makes it unnecessary for subsidized rents to be charged, and on such projects FPHA has authorized local housing authorities to make payments in lieu of taxes substantially equal to normal taxes or as much thereof as the revenues of such projects will permit.

The new policy also makes possible somewhat more liberal payments in lieu of taxes of low-rent slum-clearance housing projects. Hereafter local housing authorities will be authorized to make uniform payments each year out of available funds equal to an established portion of expected income from projects for that year.

N. Y. State's Motor Fuel Sales Down 39%

The full effect of permanent rationing of gasoline was felt in New York State for the first time in August, when taxable motor fuel sales dropped 39%, compared to last year, according to a report just issued by Carroll E. Mealey, President of the State Tax Commission. The July sales had declined 26%.

The August taxable gallonage was reported as 119,931,531 gallons, in contrast to 196,091,862 gallons sold a year ago. Total August consumption of motor fuel in the State, including all non-taxable sales, was 134,084,880 gallons, as against 209,992,954 gallons last year.

The reduction cut sharply into the State's motor fuel receipts in the September collection period. Commissioner Mealey said the loss for the month would exceed $3,000,000. At the end of eight months of 1942, taxable motor fuel sales totalled 992,927,760 gallons—a decline of about 22% compared to the corresponding figure for last year.

Liquor sales in the State went into an expected slump during August, the aftermath of consumer and dealer stocking up in July when sales soared in anticipation of the effective date of the State minimum price law.

The August sales gallonage of liquor over 24% alcohol was reported as 937,433 gallons, a decline of 685,351 gallons compared to a

(Continued on page 1543)

Calendar of New Security Flotations

OFFERINGS

THE TRION COMPANY

The Trion Company has filed a registration statement with the SEC for 6,000 shares of 7% cumulative preferred stock, par value $100 per share.

Address—Trion, Georgia.

Business—Company manufactures, finishes and fabricates cotton goods in its plant at Trion, Ga.

Underwriting—Courts & Co., Atlanta, Ga., is named principal underwriter. Other underwriters will be named by amendment.

Offering—The 6,000 shares registered are issued and outstanding and are being offered for the account of a corporation and individual stockholders. The price to be paid for the stock by the underwriters and the offering price to the public will be supplied by amendment.

Proceeds—The registrant is not to receive any of the net proceeds which will go to the selling stockholder.

Registration Statement No. 2-5035. Form S-2. (8-13-42)

Trion Company on Oct. 9 filed an amendment to its registration statement which places the number of shares of 7% cumulative preferred stock to be offered at 5,496 in place of the 6,000 shares named in original registration statement

The underwriters and the number of preferred shares which each has agreed to purchase are given as follows: Courts & Co., Atlanta, 1,000; R. S. Dickson & Co., Inc., Charlotte, N. C., 1,000; Kirchofer & Arnold, Inc., Raleigh, N. C., 950; Milhous, Gaines & Mayes, Inc., Atlanta, 500; Wyatt, Neal & Waggoner, Atlanta, 500; Brooke, Tindall & Co., Atlanta, 450; J. H. Hilsman & Co., Inc., Atlanta, 450; Robinson-Humphrey Co., Atlanta, 400, and Clement A. Evans & Co., Inc., Atlanta, 246 shares

In an amendment filed Oct. 21 the public offering price of the company's 7% cumulative preferred stock, par $100, is given at $100 per share plus dividends accrued from Sept. 15, 1942, to date of delivery. The shares are being offered for the account of certain stockholders. Price to be paid by the underwriting group to the selling stockholders is $95 per share, plus dividends.

Registration effective 5 p. m. ESWT on Oct. 22 as of 5:30 p. m. ESWT on Sept. 1, 1942

Offered—Sept. 26, 1942, by Courts & Co. and associates at 100 and dividends

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.

TUESDAY, NOV. 3

FIREMAN'S FUND INSURANCE CO.

Fireman's Fund Insurance Co. has filed registration statement with SEC for 64,086 shares of $10 par value common stock

Address—San Francisco, Calif.

Business—Fire, motor and marine insurance, etc.

Offering—After reclassification of securities to offer 33,738 shares of Fireman's $10 par common and scrip for fractional shares in exchange for 44,984 shares of $10 par common of Home Fire & Marine Insurance Co. of California on basis of 75/100ths share of Fireman's Fund for one share of Home; and 30,348 shares of Fireman's in exchange for 67,440 shares of $10 par common of Occidental Insurance Co. on basis of 45/100ths share of Fireman's Fund for one share of Occidental

Underwriting—There are no underwriters

Proceeds—To be issued under plan of exchange

Statement filed in San Francisco

Registration Statement No. 2-5051. Form A-2. (10-15-42)

MONDAY, NOV. 9

JEFFERY BOULEVARD BUILDING CORP.

Jeffery Boulevard Building Corp. through voting trustees has filed a registration statement with the SEC for voting trust certificates covering 1,471 shares of preferred stock, par value $100 per share, and 163 shares of common, no par value

Address—10 South La Salle St., Chicago

Business—Apartment building

Offering—To be issued in connection with the extension of a voting trust agreement for a period of seven years from Aug. 15, 1942, to August 15, 1949, unless continued for a longer period by the affirmative vote of holders of 51% in amount of the outstanding voting trust certificates outstanding, representing the preferred stock. The stock was originally issued at the time of the reorganization of the property and placed in a voting trust for a period of five years. Trustees deem it advantageous to continue the voting trust for a further period.

Registration Statement No. 2-5052. Form F-1. (10-21-42)

OAKDALE INCORPORATED

Oakdale Incorporated through voting trustees has filed a registration statement with the SEC for voting trust certificates covering 1,056 shares of preferred stock, par value $100, and 117 shares of common stock, no par

Address—10 South La Salle St., Chicago

Business—Apartment building

Offering—To be issued in connection with the extension of a voting trust agreement for a period of seven years from Aug. 15, 1942, to Aug. 15, 1949, unless continued for longer period by vote of 51% of class A certificates which represent preferred stock

Registration Statement No. 2-5053. Form F-1. (10-21-42)

AVALON COURT APARTMENTS, INC.

Avalon Court Apartments has filed a registration statement with the SEC for voting trust certificates covering 1,025 shares of preferred stock, par $100 per share, and 113 shares of common, no par

Address—10 South La Salle St., Chicago

Business—Apartment building

Offering—To be issued in connection with the extension of a voting trust agreement for a period of seven years from Aug. 15, 1942, to Aug. 15, 1949, unless continued for a longer period by affirmative vote of holders of 51% of class A certificates representing the preferred stock

Registration Statement No. 5054. Form F-1. (10-21-42)

SATURDAY, NOV. 14

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement with the SEC covering 200,000 shares, investment trust-full certificates of participation, series "B-3"

Address—50 Congress St., Boston, Mass.

Business—Investment trust.

Underwriting—Keystone Corporation, of Boston, under control with Keystone Custodian Funds, Inc., is principal underwriter

Offering—At market

Proceeds—For investment.

Registration Statement No. 2-5055. Form C-1. (10-26-42)

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement with SEC covering 150,000 shares, investment trust-full certificates of participation, series "K-1"

Address—50 Congress St., Boston, Mass.

Business—Investment trust.

Underwriting—Keystone Corporation of Boston, under control with Keystone Custodian Funds, Inc., is principal underwriter

Offering—At market

Proceeds—For investment

Registration Statement No. 2-5056. Form C-1. (10-26-42)

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement with SEC covering 150,000 shares, investment trust-full certificates of participation, series "S-2"

Address—50 Congress St., Boston, Mass.

Business—Investment trust.

Underwriting—Keystone Corporation of Boston, under control with Keystone Custodian Funds, Inc., is principal underwriter of certificates of participation in the Keystone Funds

Offering—At market

Proceeds—For investment

Registration Statement No. 2-5057. Form C-1. (10-26-42)

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 unspecified 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 Oct. 16, 1942, to defer effective date

DENVER CHICAGO TRUCKING CO., INC.

Denver Chicago Trucking Co., Inc., has filed a registration statement with the SEC for $400,000 debentures, 5%, maturing serially from 1944 to 1952, inclusive

Address—2501 Blake Street, Denver, Col.

Business—Operation of motor truck transport lines

Underwriting—Brown, Schlessman, Owen & Co., Denver, Col., is the principal underwriter

Offering—The issuer, a new corporation, upon the exercise of its option, will take over and carry on the present business of a partnership as an interstate carrier of merchandise by motor vehicle. The new corporation will acquire from the partnership all accounts receivable, motor vehicle equipment, rolling stock, real estate, franchises, etc. In consideration thereof corporation will deliver to partnership 4,000 shares of its capital stock, $1 par value, $250,000 of its debenture 5s and is also to deliver to the underwriter, on the order of the partnership, $150,000 of the debentures of the par value of $1,000 each, for the sum of $150,000 plus accrued interest to date of delivery. Corporation in normal course also assumes liabilities of partnership. The underwriter will purchase the partnership and the debentures from the partnership and the corporation and offer them to the public at prices ranging from 103.28% for the March 1, 1944, maturity to 100 for maturities 1948 to 1952, inclusive, plus accrued interest

Proceeds—The net amount to be received by the corporation will be used as working capital. Net amount received by partnership will be partnership funds distributable among the partners or usable for such purposes as the partners may decide

Registration Statement No. 2-5044. Form A-1. (9-22-42)

Suspension data (including hearings) scheduled for Oct. 22, postponed to Nov. 3, 1942

ELLICOTT DRUG CO.

Ellicott Drug Co. filed a registration statement with the SEC for $350,000 6% debentures, due June 30, 1957.

Address—120 Cherry Street, Buffalo, New York

Business — Company is a cooperative wholesale drug company, selling to its members only, all of whom are retail druggists.

Proceeds — $250,000 of the debentures will be presently issued. Approximately $120,000 of this amount will be issued to replace the outstanding 6% preferred stock which is being eliminated. Approximately $48,000 additional will be issued to retire buying privilege deposits with the company The balance, approximately $78,500 after expenses, will become additional working capital

Offering—The new debentures will be priced at 100 and accrued interest

Registration Statement No. 2-5026. Form A-2. (7-7-42)

Amendment filed July 23, 1942 giving to members of the company only the privilege of exchanging the 6% cumulative preferred stock, par $50, for the debentures on a dollar for dollar basis and or exchange for deposits made by non stockholder members.

Registration effective 11:30 a. m. ESWT on Oct. 24 as of 5:30 p. m. ESWT on Sept. 14, 1942

GRAND FORKS HERALD, INCORPORATED

Grand Forks Herald, Incorporated, has filed a registration statement with the SEC for $170,000 4½% first mortgage serial maturity bonds, dated Sept. 1, 1942. Bonds will mature as follows: $12,000 on each Sept. 1 from Sept. 1, 1943 to and including Sept. 1, 1951; $62,000 on Sept. 1, 1952

Address — 118 North Fourth Street, Grand Forks, N. D.

Business—Newspaper publication

Offering—Bonds are to be offered at prices ranging from 101.67 for the 1943 maturity to 100.50 for the 1952 maturity. The average offering price per unit is 102.1073 plus accrued interest

Underwriting—Kalman & Co., Inc., St. Paul, is the sole underwriter

Proceeds—The net proceeds, together with other funds of the corporation, are to be used to retire as of Jan. 1, 1943, the corporation's 6½% 15-year sinking fund debenture bonds due Sept. 1, 1944

Registration Statement No. 2-5049. Form A-2. (10-12-42)

HOUSTON NATURAL GAS CORPORATION

Houston Natural Gas Corp. has filed a registration statement with SEC for 40,000 shares of preferred stock, 5% cumulative, par value $50 per share

Address—Petroleum Building, Houston, Texas

Business—Company produces, purchases and distributes natural gas in a large number of cities, towns and communities in Texas

Offering—The stock, after reclassification of securities, is to be offered at $50 per share. The holders of common stock (approximately 80,000 out of 158,289) who have not previously waived their pre-emptive rights to subscribe for the new issue of preferred will be afforded a 10-day period after the effective date of the registration statement within which to exercise such pre-emptive rights by subscribing for one share of preferred for each four shares of common stock held. If in the opinion of the company a sufficient number of shares is not subscribed for the company reserves the right to refund all payments and cancel the subscriptions, but if a sufficient number of shares of preferred is subscribed for by the public and by the holders of common, company will offer to exchange 11,000 shares of preferred, $50 par, for the 10,000 shares of preferred stock, 7% cumulative, par value $50 per share, callable at $55 per share, presently outstanding

Underwriting—The preferred stock is not being underwritten. Names of principal brokers soliciting subscriptions are Moroney, Beissner & Co., Houston, Texas, and Mackubin, Legg & Co., Baltimore. The first will receive fees and commissions for transactions occuring in the State of Texas and the second will receive fees and commissions as managers of the selling group offering the preferred stock outside of State of Texas.

Proceeds—No specific allocation of the net proceeds has been made, but will be added to and become a part of the general funds of the company

Registration Statement No. 2-5050. Form A-2. (10-12-42)

An amendment filed Oct. 26 provides that the unexchanged preferred stock 7% cumulative, par $50 per share, will be called for redemption by the company. Any portion of the 11,000 shares of 5% preferred stock not exchanged will become a part of the public offering. Where a holder of 7% preferred stock exchanges same for 5% preferred, company will allow such holder a cash adjustment of the 2% difference from Oct. 1, 1942, to the expiration date of the offer

Interesting Situations

Ward & Company, 120 Broadway, New York City, have just issued memorandums on several situations which they consider particularly interesting at the present time: Elastic Stop Nut (No. 253), Botany Worsted Mills (No. 252), Peoples Light & Power (No. 254), and Wickwire-Spencer (No. 257). Copies of these memorandums may be had from Ward & Company upon request (ask for them by the indicated number), together with timely reports on various airline companies.

Myhr Opens In Minneapolis

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — Roy O. Myhr has opened offices in the Northwestern Bank Building to engage in a general securities business. Mr. Myhr was formerly with John S. Bauman & Co. and M. H. Bishop & Co.

Interesting Possibilities

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.

Says SEC Regulation Cost Public Billions

B. C. Forbes, Managing Director of the Investors Fairplay League, told the Bond Club of Philadelphia last week that the Securities and Exchange Commission, organized to protect investors, "had caused the ruination of millions, yes billions of dollars in investments in public utilities."

Mr. Forbes expressed optimism on the outlook for the stock market and predicted that the war in Europe will be over next year. The Philadelphia "Inquirer" gave the following account of his talk:

"How has regulation panned out in recent years?" he asked.

"The first regulation by governmental authorities in this country concerned the railroads. The country today is strewn with bankrupt railroads.

"I am quite proud SEC established headquarters here. You licked New York for the honor.

"What has SEC accomplished for investors?" Mr. Forbes continued. "Organized to protect investors, it hasn't done a thing except place one man in jail.

"Hasn't it done a wonderful job in causing the ruination of millions, yes billions of dollars invested in securities of public utilities?"

Mr. Forbes, although bullish on the stock market, indicated that he did not favor investments in gilt-edged bonds, adding that he was not speaking of Governments. The reason for his pessimism on gilt-edged bonds is that the low yield is insufficient to provide most people with income adequate to meet the rising cost of living.

He based his prediction on the ending of the war next year on the rising strength of the United Nations both in war power and production and a decline in the same lines in the Axis nations.

The "Inquirer" reports that among the guests at the speaker's table were: Evan Randolph, President, Philadelphia National Bank; Carl W. Fenninger, Vice-President, Provident Trust Co.; Archie D. Swift, President, Central-Penn National Bank and former President of Pennsylvania Bankers Association; David E. Williams, President, Corn Exchange National Bank & Trust Co.; Richard E. Hanson, Vice-President, Pennsylvania Co. for Insurances on Lives & Granting Annuities; Marshall S. Morgan, President, Fidelity-Philadelphia Trust Co., and John B. Thayer, Treasurer, University of Pennsylvania.

The guests included Joseph D. Goodman, of Reynolds & Co. and a member of N. Y. Stock Exchange.

Arthur S. Burgess, of Biddle, Whelen & Co., President of Bond Club, presided.

Result Of Treasury Bill Offering

The Treasury Department announced Oct. 26 that tenders for $500,000,000, or thereabout, of 91-day Treasury bills to be dated Oct. 28, and to mature Jan. 27, 1943, which were offered on Oct. 23, were opened on Oct. 26.

The details of this issue are as follows:

Total applied for, $893,167,000.
Total accepted, $504,529,000.
Range of accepted bids:
High, 99.918, equivalent rate of discount approximately 0.324%.
Low, 99.905, equivalent rate of discount approximately 0.376%.
Average, 99.906, equivalent rate of discount approximately 0.373%.
(47% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Oct. 28 in amount of $350,308,000.

Byrnes Directs WLB And Treasury To Control Salaries, Setting $25,000 Maximum

James F. Byrnes, Director of Economic Stabilization, issued on Oct. 27 regulations clarifying the Administrative responsibilities of the War Labor Board and the Treasury Department in controlling salaries and limiting individual salaries in 1943 to $25,000, after payment of Federal income taxes and other expenses. The official summary of the regulations issued by Mr. Byrnes, with President Roosevelt's approval, follows:

"These regulations deal principally with the Administrative responsibilities given the War Labor Board and Treasury Department in the regulation of salaries and with the limitation on salaries not to exceed $25,000 a year, after certain taxes.

"As to the $25,000 a year limit:

"This applies only to salaries because that is the extent of our power under the act. The control of income from other sources could be affected only by taxation which requires an act of Congress.

"1. The regulations forbid the payment to any employee of an amount of salary which, after deduction of the Federal income taxes on the whole salary, would exceed $25,000.

"2. Additional payments of salary may be made to take care of customary charitable contributions where the recipient of the salary has no other sources of income which can be utilized for this purpose without undue hardship.

"3. Additional payments of salary may also be made to take care of payments on life insurance policies and fixed obligations which were in force on Oct. 3, 1942, and past income taxes due. Such allowances, however, will be permitted only where the recipient of the salary has no other sources of income which can be utilized for these purposes and only where the recipient can show that he is unable to meet these payments without disposing of assets at a substantial loss, involving undue hardship.

"4. No allowance, of course, will be made for life insurance policies or fixed obligations entered into after Oct. 3, 1942.

"5. Where a person has more than one employer, all his salaries will be totaled to arrive at the $25,000 limit.

"6. If a company pays a salary in excess of these regulations, the entire salary paid, and not simply the amount in excess of the $25,000, will be disregarded for tax purposes.

"7. Violations may also be punished under the penal provisions of the second price-control act.

"8. For Administrative reasons, it would be impractical for this limitation on salaries at $25,000 after taxes to be put into effect before Jan. 1, 1943. However, in the meantime, increases in salaries at this level without the approval of the Treasury are forbidden along with other salary increases.

"9. This regulation applies to public salaries as well as private ones, except for salaries specifically fixed by Federal or State statute. The President is the only Federal employee with a statutory salary exceeding $25,000. The President was advised of this by the director. However, the President has written the Secretary of Treasury asking that future payments of his salary be made in compliance with the regulations.

"As to the Administrative responsibilities:

"These regulations bring under the War Labor Board:

"A. Wage payments and

"B. Salary payments not in excess of $5,000 where such an employee is represented by a duly recognized or certified labor organization or where the employee is not employed in a bonafide executive, administrative or professional capacity.

"All other salaries come under the jurisdiction of the Treasury Department.

"This division of responsibility was worked out by the War Labor Board and the Treasury Department."

Theodore Romaine To Be Brinton Partner

Theodore C. Romaine, member of the New York Stock Exchange, will be admitted to partnership in Brinton & Co., 1 Wall Street, New York City, members of the Exchange, on Nov. 1st. Mr. Romaine has recently been active as an individual floor broker. In the past he was a partner in E. H. H. Simmons & Co. for many years.

Oklahoma City-Ada-Atoka Railway

(Continued from page 1517)

full rate has been paid on the Atoka bonds in the years 1937, 1938 and 1940, 3¾% in 1939 and 1% in 1942. The average for the six year period has been about 3¾%.

In view of recent developments which promise a more or less permanent improvement in the earnings rate, it is thought the company should be able to pay the full 6% in the future.

INCOME ACCOUNT

(9 months ended Sept. 30 and years ended Dec. 31 [cents omitted])

	9 Mos., 1942	12 Mos., 1941	12 Mos., 1940	12 Mos., 1939
Gross revenue	$947,788	$355,470	$294,967	$404,055
Railway operating expense	407,542	242,647	234,191	264,907
Rents	107,687	56,595	50,925	48,005
Railway taxes	43,672	33,064	27,374	33,697
Net railway operating income	$388,886	$23,163	†$17,552	$57,446
Other income	21,295	22,120	19,157	29,732
Total income	$410,181	$45,283	$1,605	$87,178
Miscellaneous deductions	445	598	911	-----
Balance	$409,735	$44,685	$694	$87,178
Bond interest	49,500	19,000	8,000	66,000
Federal tax reserve	146,190	*	*	*

*Included in railway tax accruals. †Deficit.

BALANCE SHEET

As of Sept. 30, 1942, disclosed a good current position. Current assets, $493,338.10; current liabilities, $382,780.68; net current assets, $110,557.42.

‡In computing the net income available for payment of interest on the bonds, no deduction is to be made for income transferred to other companies or for interest, other than 2% fixed charge on the Shawnee bonds. From the available net income the directors are to set aside such a sum, not exceeding 50% of the net income, as was incurred on additions and betterments in the specific year ended Nov. 30, and such sum as was paid during that period for operating expenses, rentals, and taxes incurred in previous years and not included in the operating expenses for the year ended on such Nov. 30, and the balance is to be set aside to pay in equal semi-annual instalments on Jan. 1 and July 1 of the ensuing year interest on the stamped bonds, provided that no amount shall be set aside for payment or paid on any Shawnee bond on any semi-annual interest date, in addition to the fixed charge, in excess of 2% of its face amount and similarly with respect to any Atoka bonds in excess of 3%. The interest payable from net income is not to be cumulative, and the payment of less than the rates mentioned is to be in full satisfaction for the period made; and, in case there is no income available for any year, the deficiency is not to be made good out of a subsequent period.

New York Stock Exchange Weekly Firm Changes

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

The proposal that Radcliffe Swinnerton act as alternate on the floor of the Exchange for Richard H. Moeller will be considered today. Both are partners in R. Swinnerton & Co., New York City.

The proposed transfer of the Exchange membership of Theodore Weicker, Jr., partner in E. F. Hutton & Co., which will continue as a member firm, to Eugene L. Norton will be considered on Nov. 5th. Mr. Norton, it is understood, will act as an individual floor broker.

Harry W. Sack, partner in Strassburger & Co., San Francisco, died on Sept. 9th.

Mann To Be Roth Partner

Phillip Mann, for many years office manager for B. H. Roth & Co., 25 Broad St., New York City, members of the New York Stock Exchange, will be admitted to partnership in the firm on Nov. 5.

Municipal News And Notes

(Continued from page 1541)

year ago. Beer sales, on the other hand, gained 357,685 gallons to total 28,462,973 gallons in August.

September collections under the alcoholic beverage tax, based on the August sales by distributors, were down $960,675, due principally to the decline in liquor sales.

Consumption of cigarettes in the State, as measured by sales of tax stamps, remained stable in September, compared to last year. Receipts from the cigarette tax totalled $2,196,057.63 last month, a gain of $73,276.15 over receipts in September, 1941.

State Assumes $3,000,000 Of Local Tax Burden

Real estate taxpayers of New York State will save approximately $3,000,000 in local taxes next year as the result of an amendment enacted by the 1942 legislature and signed by Governor Lehman.

Under the new law, the State assumes the expense af armories, their equipment and maintenance, heretofore an obligation of the counties comprising upstate brigade districts and of New York City.

The net result is a real estate tax reduction in every county and in New York City, it is pointed out by Carroll E. Mealey, President of the State Tax Commission.

This year upstate counties paid $1,193,870.39 for armory purposes. New York City real estate taxpayers this year paid somewhat more than $1,000,000 for armory purposes.

For the coming year the armory costs assumed by the State will be slightly higher than the total paid by the localities in this final year of the tax as a local levy. It will cost the State about $1,250,000 to run the upstate armories and about $1,750,000 for those in New York City. The local tax load is correspondingly lightened.

Effect Of Gasoline Rationing On State Revenues

The full effect on State revenues of the curtailment on automobile usage resulting from the gasoline and rubber conservation program cannot be determined until data for the 1943 fiscal years are available, the Bureau of the Census says in its recent analysis of State automobile-user revenues in 1941. The automobile, the Bureau observes, not only has contributed to the economic wellbeing of the American public, but in addition it has afforded State governments their largest source of revenue in recent years.

The proportion of total revenue from gasoline taxes varied from a low of 8.2% in California to the high of 36.3% in Florida. The Southern States, it is noted, place the greatest reliance on this source of revenue, as is indicated in the fact that only two of the States—Nebraska and Idaho—which obtain 22% or more of their aggregate income from gasoline taxes are not located in the South.

In 1941, before the limitations of priorities and rationing partially vitiated the stimulating effect of national defense activity and improved economic conditions, motorists contributed—in the form of motor-fuel sales taxes and motor-vehicle license taxes—$1,210,000,000, or more than one-fifth of all State income. This excludes local shares of State-collected taxes. Some individual States depended even more heavily on this revenue source. For example, Florida received 48% of its total revenue from highway-user taxes, aided by a flourishing tourist trade as well as high tax rates.

In 1941, the upward trend evident for many years continued, with a 10% rise in collections from taxes on automobile use. A corresponding rise in revenue from other tax sources caused the ratio of collections from automobile-user taxes to total State revenues to remain about the same as in the immediately prior years.

Any attempt to predict the future of automobile taxes or their impact on State fiscal systems raises a welter of uncertainties growing out of artificial factors induced by the war economy. At present it appears likely that the decrease in income from taxes on automobile users will be offset—at least temporarily—by increased collections from other taxes which tend to parallel the trend of business activity.

During the war period, expenditures for highways, which are largely paid for out of automobile-user taxes, will be curtailed owing to the shortage of labor and of critical materials. However, the minimum construction and maintenance of transportation facilities necessary for war purposes will probably be large enough to make the decrease less than that in highway-user tax collections.

Motor-fuel sales taxes—commonly called "gasoline" taxes—alone form one of the most important sources of State revenue, aggregating $860,000,000 in 1941, or 16% of total State revenues, excluding local shares of shared taxes. Of all State taxes only the unemployment compensation pay roll tax was more productive.

Silver Lining In The War Tax Bill

Corporate income tax rates are boosted sharply by the bill which has finally been agreed upon by Congress. Normal tax remains unchanged at 24%; but surtax rises from 7% to 16%—making normal and surtax 40% instead of last year's 31%. Excess profits tax exemptions based on invested capital are reduced. The rate of excess profits tax rises from last year's scale of 35%-to-60% to a new flat rate of 90%.

Despite the sharp increase in rates, the tax bill is favorably regarded by many people, and the stock market has been able to work into new high ground for the year while the bill was being passed.

For one thing, the normal and surtax rate of 40% is much better than the 55% proposed by the Treasury or the 45% originally passed by the House. For another, an 80% over-all ceiling is placed on the amount of income taxes which any corporation must pay. A third helpful factor is a provision that 10% of the excess profits taxes paid will be refunded in the post-war period. This refund can even be obtained now if a company is paying off old debts.

Exemptions based on 1936-39 average earnings were retained and strengthened. In computing average earnings for 1936-39, one bad year (say, 1938) can be dropped and in its place there will be substituted 75% of the average of the other three years. Where the base period is inadequate to reflect a company's normal earning power, relief provisions have been made.

Consolidated returns are permitted for normal and surtax as well as excess profits tax. A company may buy in its sub-par bonds without paying a tax on the profit or declaring itself in unsound financial condition. Rails going through reorganization can keep old property valuations for determing depreciation and excess profits tax exemptions. Telephone, electric, gas and water utilities subject to rate regulation do not have to pay the surtax (16%) on earnings paid as dividends on preferred stocks.

Provisions of the law calling for renegotiation of war contracts were modified in more workable fashion, thus at least reducing an important threat to the earnings and financial structures of many companies activly contributing to the war effort.

Losses and unused excess profits tax exemptions in 1942 can be "carried back" to 1941, and be used retroactively to reduce tax liabilities. In 1943 and subsequently, this carry-back can be for two years instead of one. This feature could go a long way (together with the 10% post-war refund) to cushion the changeover to peace-time activity for many companies.

A normal-and-surtax rate of 40%, plus an excess profits tax rate of 90%, is heavy taxation. But after such taxes, many representative companies whose stocks are in the portfolio of Selected American Shares, Inc., will probably show good earnings and pay good dividends for the full year 1942.—*Selected American Shares, Inc., Chicago.*

City College Resumes War Economics Lectures

Seminar lectures on various phases of "War Economics" have been resumed at the City College School of Business and Civic Administration, 17 Lexington Avenue. The first subject of the current series, "Who Should Pay For the War," was discussed on Oct. 23 by members of the Department of Economics of the college. Other timely problems scheduled for discussion this semester are:

Nov. 6 — "German Economic Warfare vs. American Economic Warfare."

Nov. 20 — "Can Price Control Work?"

Dec. —"Should We Return to a Gold Standard?"

Dec. 18—"Shall Private Investment Be Encouraged in World Rehabilitation?"

Dr. Herbert Spero is Chairman of the Committee in charge of the forums.

Arthur H. Spero Dies

Arthur H. Spero, member of the New York Stock Exchange, and a partner in Spero & Klauber, 120 Broadway, New York City, died at his home at the age of 5[illegible]. Mr. Spero had been in the brokerage business for the past 20 years.

Ernest Dorais Dead

Ernest D. Dorais, President of the Montana Stock and Bond Company of Butte, Mont., died suddenly at his home in Mont Butte. Mr. Dorais had been head of the Montana Stock and Bond Company since its inception in 1926.

Proposes Special Bond Issue To Treasury

A 3% bond issue to attract funds now lying idle and act as a brake upon inflationary tendencies has been proposed to the Treasury Department by Edwin J. Schlesinger, investment counsel, 41 East 42nd St., New York City. Special features of the issue suggested are:

"A 3% issue with an announced total of twenty billion dollars, but not purchasable by savings banks, commercial banks, or life insurance companies. The issue to run for 12 years, and to be redeemable on a basis somewhat less favorable to the investor than the Series G Savings Bonds.

"A statement to accompany the announcement of the bond issue to the effect that after the total of twenty billion dollars has been reached, there will be a comparable issue but carrying a somewhat lower coupon."

The proposed bond issue should be well received by the investing public and absorb much of the money now held aside awaiting a more favorable rate of interest on Government bonds. In addition, this issue should attract much of the loose money now being spent and which is threatening the success of the fight against inflation. Furthermore, the bonds should result in creating real enthusiasm for the purchase of War Bonds.

Ins. Issues Look Good

The current situation in The Franklin Fire Insurance Company and the Hanover Fire Insurance Company offer attractive possibilities, according to bulletins just issued by Butler-Huff & Co. of California, 210 West Seventh St., Los Angeles, Cal. Copies of bulletins discussing the condition and outlook for these companies may be had upon request.

Butler-Huff & Co. is also distributing an attractive football schedule for 1942, published by The Home Insurance Company, giving the schedules of leading colleges and universities with 1941 scores.

Interesting Situations

American Silica Sand Co., Oklahoma City-Ada-Atoka Railway Co., and O'Gara Coal Company have interesting possibilities according to analyses prepared by Lilley & Co., Packard Building, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of these analyses may be had from Lilley & Co. upon request.

Our Reporter On "Governments"

The commercial banks of the United States are going to buy around $24,000,000,000 of Government securities this fiscal year. . . . Carrying maturities ranging from three months to 10 years. . . . Named discount bills, notes, certificates and bonds. . . . Bearing rates ranging from ⅜ of 1% to 2%. . . . The market is going to be stabilized at exactly those limits. . . . All fluctuations will occur between those maximums and minimums if the Treasury and the Federal Reserve System can turn the trick. . . .

This is no guess-work. . . . This is official. . . . This is the information that came out of the war finance conference held Oct. 19 at New York by the Investment Bankers Association of America. . . . The conference was in the form of a round-table discussion attended by the heads of the various Victory Fund Committees, representatives of the war savings staff, of the Treasury, of the Reserve. . . . This, therefore, is "it," and here are your figures:

This fiscal year, which ends June 30, we're going to need $78,000,000,000 for war expenditures, $7,000,000,000 for non-war expenditures, or a total of $85,000,000,000 and an average weekly spending rate of $1,500,000,000. . . .

According to the authorities, only 25% of this amount is to come from taxes, leaving a deficit of $63,000,000,000. . . . Of this, about $3,000,000,000 will be raised by sales of special issues to special Government agencies. . . Leaving a balance of $60,000,000,000 to be borrowed in the open market. . . .

Of this, about $12,000,000,000 is to be raised by sales of war bonds. . . . Even if the campaign is stepped up terrifically, it is to be doubted whether more than this amount can be sold in this one year. . . .

That leaves $48,000,000,000 to be borrowed in the investment market—which is the market you are vitally interested in. . . .

(Incidentally, these are the highest borrowing estimates issued so far. Not to date have we heard anything as severe as this.)

Of the $48,000,000,000, about half must come from non-banking institutions—corporations, trust funds, insurance companies, savings institutions, etc., etc. . . . That's where the big job of the Victory Fund Committees will lie. That's where your pressure will come from. . . .

That leaves $24,000,000,000 to be obtained from commercial banks. . . .

Just re-read those figures, save them, take them out again and again. . . . And you'll understand why this program faces us. . . .

To be specific:

THE "INTENSIFICATION"

The days of "easy" selling—of just letting the big city banks do all the subscribing and take down issues are over. . . . If the recent $4,000,000,000 issue taught us anything, it taught us that getting out and selling 'em must be done now. . . . The "cream has been skimmed off and we must go to work and make butter" were the words of Allan Sproul, President of the New York Federal Reserve Bank. . . . They make sense. . . .

So look for an intensified sales campaign, to be carried on by the Victory Fund Committees. . . . Expect pressure to get you completely invested. . . . And have a good answer ready if you're not when the salesmen come to call, for they'll have power that if not expressed, will be implied. . . . (Public relations comes in here too). . . .

The Committees now are planning an all-out campaign to put over the Series F and G bonds—just as there has been and is a drive to put over the Series E's. . . . You can buy the F's and G's. . . . They're wonderful bonds, carry interest far above that obtainable in the open market and you should buy them. . . .

It's odd that a campaign should be necessary to sell these. . . . Their value—in comparison with outstanding issues and new securities available—is so obvious. . . .

The Committees are planning to keep interest up with a continuous promotion effort on war bonds and periodic "blitz drives" to sell new issues in the investment market. . . .

There will be heavier quotas for war bonds in every State. . . . Payroll allotment plans will be put into effect in every corporation employing four or more people. . . .

The Treasury has a full house of securities out, it and informed sources in the financial district believe. . . . There is a bond or note or bill or tax-anticipate certificate, etc., for every portfolio. . . . The aim of the drive is to get these into the investment portfolios of every institution and individual in the United States. . . .

And don't kid ourselves. . . . This aim is going to be fulfilled, no matter how you may feel about it. . . .

If you don't think you're going to like the new bonds or new offerings, get fully invested in shorts and roll over your maturities. . . .

Or fill up with securities you pick from the outstanding lists. . . . But get invested. . . . Or you'll be told to. . . .

INSIDE THE MARKET

New twist in the excess reserves situation is increasing tendency on part of interior banks to draw down their balances with their New York correspondents at payment dates for new issues. . . . Move expected to continue, will cause new drain on excess funds of big city institutions. . . .

This week's issue of certificates was routine, amounted to $2,000,000,000, or more than refunded issue, as forecast here weeks ago. . . .

Banks are buying, will continue to buy these certificates, for they're attractive, safe, carry good rates of interest in comparison with bills and longer securities. . . .

Country banks added to their holdings; New York banks increased percentage holdings, too. . . .

Feeling is Treasury will have $10,000,000,000 of certificates outstanding by end of fiscal year instead of the $6,000,000,000 now outstanding. . . . These, then, will be rotated on maturity dates. . . .

Split in discount rate and new policy of Reserve Banks of having ½% rate for advances to member banks on security of Governments maturing or callable in a year or less, will spread and help banks buying such issues as certificates. . . .

Policy makes sense, as of this writing, has been adopted by Dallas, Chicago, Philadelphia and Atlanta Reserve Banks. . . . New York may go on list this week. . . . Split rate permits banks which otherwise might hesitate to buy short-terms, borrow on near-maturities to buy more securities. . . .

Government market quiet, steady, catching breath. . . . Still much talk about latest Government issue but that's water over the dam now. . . . One thing: you know what kind of bonds you're going to get now so your confusion is over. . . .

PROPORTION OF GOVERNMENTS

An inquiry from an Ohio bank involves the problem of the proportion of bank resources being put and to be placed in Governments. . . . Answer to that lies in the first part of this column—the figures on spending alone give us the story. . . .

As for banks in New York and other big cities, they're placing between one-third to one-half their resources in Governments and the percentage will go up and up. . . . That's definite. . . . Banks outside these big districts aren't doing so well but they'll have to increase their percentage holdings, either because of pressure, of voluntary action or because they have little else to buy. . . . Answer, stated simply, is: place your money in Governments and get fully invested. . . .

DEALER BRIEFS

Chicago, Ill.

We have favored for three years the purchase of medium-priced interest-paying railroad bonds. We believe that the future still holds much in the way of investment possibilities in bonds that have never defaulted and are currently paying 8 to 12% interest with additional bonds being retired by sinking funds.

We believe that the railroads have proven that they are as necessary to the life of the nation as the Army, Navy or the required military training for all citizens.—*John A. Dawson*

I think it is becoming more and more evident that the long period of liquidation in the stock market culminated in April of this year, and that the basic *trend* is again upward. If this is true it should afford an excellent opportunity for those in our business to help our customers lay the foundation for an increase in their assets through the purchase of sound equities. Yields on good common stocks are relatively high, and the recent tax bill which leaves the normal and surtax rate at 40% should assure the continuation of a fairly liberal dividend in the case of the better situated companies. As confidence returns to the market we anticipate a general increase in equity financing. — *Reuben Thorson, Paine, Webber, Jackson & Curtis*

Denver, Colo.

A scarcity of Municipal issues, both primary and secondary, characterizes the Denver market. A good demand exists, especially for Colorados, the buying, however, being confined largely to institutional accounts.—*Aaron W. Pleasants, The International Trust Company*

New York City

The upswing in the market proved again what we had almost come to believe was a lost hope—that there is money around for investment that needs some incentive to come out of hiding. As is customary in the initial stages, the attention was focused on listed securities but after the usual time lag the overflow appeared in the Over-the-Counter market. — *Meyer Willett, Bristol & Willett*

San Francisco, Cal.

The changed treatment of capital gains in the new tax bill should make for increased security activity, for the Revenue Act of 1942 is changed fundamentally in the treatment of capital *gains and losses*. After six months an investment assumes the position of a "long term" holding. As "short term" losses may be applied against "short term" gains and likewise "long term" losses against "long term" gains, considerable market activity may be stimulated before the year end. An investor with a profit which he would like to realize on, but has hesitated to do for tax reasons, who likewise has a loss which he does not wish to take, can now, under the "first in, first out" provision, purchase additional of the "loss" stock, hold the same, but, after thirty days, sell his original "loss" security and offset this loss against the gain taken on his "profit" holding.

This change in the Revenue Act should not only prove a great stimulant to the investment industry but an important aid to a more effective National economy and a preservative to our great system of free American enterprise.—*Sidney L. Schwartz, Pres. San Francisco Stock Exchange & Partner in Sutro & Co.*

Baltimore, Md.

Under present unsettled world conditions, we are recommending to the individual investor that he diversify his types of risks among war savings bonds, municipal and corporate securities, and well-chosen equities. We are optimistic about the future of equities and feel that the investor, having the knowledge and patience to make sound selections and the courage to carry through, will reap satisfactory rewards. Business is good —but it is only good in proportion to the time and effort put on it.—*Elisha Riggs Jones, E. R. Jones & Co.*

Los Angeles, Cal.

Border Line and Receivership Railroad Bonds and medium to lower grade Industrial Preferreds have had our attention for several years. More recently we have been buying leverage trusts such as Tri-Continental and Selected Industries for hedging purposes.

We will win the war and the victory will or should be followed by a great expansion of business resulting in the disappearance of bargains in the security markets.—*R. N. Gregory, R. N. Gregory & Co.*

Owen & Greenlee Now With Peters, Writer

DENVER, COLO. — Peters, Writer & Christensen, Inc., U. S. National Bank Building, announce the association with their firm of Lawrence A. Greenlee, previously of Vasconcells, Hick & Co., and William R. Owen, formerly President of O'Donnell, Owen & Co. Both have been in the investment business in Denver a great many years, and will represent Peters, Writer & Christensen, Inc., in Denver.