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Financing War Contract Terminations

Estimated war contract terminations are running now at the rate of perhaps one and one-half billion dollars per month, according to George S. Dively, Secretary - Treasurer of the Harris - Seybold - Potter Company, Cleveland, in a paper presented April 3rd before the Fourth War Conference of Controllers, at the Waldorf - Astoria. Speaking on the subject of Termination Financing, he estimated that cancellations at the end of the war may amount to $75 billion, with resulting cancellation claims estimated at $15 billions.

George S. Dively

Mr. Dively stated that there are

(Continued on page 1616)

In This Issue

Special material and items of interest with reference to dealer activities in the States of Connecticut, Michigan and Missouri appears in this issue.

For Connecticut see page 1618; Michigan see page 1619; Missouri see page 1618.

General index on page 1632

Commodity Price Regulation And Reconversion

By Dr. RAY B. WESTERFIELD

Professor of Political Economy, Yale University
Member Economists' Committee on Reconversion Problems

Dr. Westerfield Declares That General Inflation Due To An Excessive Supply Of Money Cannot Be Obviated By Price Control And Rationing Devices In Time Of Peace

Next to winning the war with maximum possible speed and with minimum possible sacrifice of life, limb and treasure, the problem of greatest concern to our people is the reconversion of our economy from the wartime to a peacetime basis. The intense interest in this subject is evident in the universality of so-called "postwar planning" by private industry, both as individuals and associations, and by government, of city, state and nationwide scope.

Dr. R. B. Westerfield

Among the reconversion plans that are bound to exert profound influence upon the reconversion principles and technique, as well as upon the character of the postwar economy, are the Baruch-Hancock "Report on War and Postwar Policies" and the "Report of the (Senate's) special Committee on Postwar Economic Policy and Planning."

In both of these reports, however, there is one striking omission, namely, that nothing is said specifically about the abandonment of the war-time price-controls—nothing as to the extent, timing, methods or principles that

(Continued on page 1623)

The Outlook For Rails Now And In The Post-War Period

By W. WENDELL REUSS*

Broker Foresees Eventual Return Of Investor Confidence In Railroad Securities To The Extent Where They Will Again Command The Same High Respect And Compensatingly Low Yields As Experienced In Yesteryear

There are available many bases from which a forecast of railroad freight revenues can be made; some of the data which could be used include such well-known statistical factors as automobile output, steel ingot and electric kilowatt-hour production, retail sales, construction activity, and farm implement output—to mention a few.

W. Wendell Reuss

The writer holds that basically the automobile industry is more fundamental, for, after all, before an automobile has left the assembly line—ready for sale at retail—numerous lines of industry and employment have been created by the process of manufacture of A CAR!

First of all, iron ore must be mined, primarily in the Missabe

*The substance of an address delivered by Mr. Reuss at a meeting of the Association of Customers' Brokers on April 11, 1944.

(Continued on page 1628)

Future of Air Transport

By RALPH S. DAMON*

Vice-President of American Air Lines

Airline Executive Envisages Six Mile A Minute Flying Speed Which Will Permit Non-Stop Flight From New York To Chicago In Two Hours

In the days of early air transportation whenever an airline was started it was the result of a combination of imagination and gullibility, the imagination being supplied by the flying men and the engineers while the gullibility was contributed by the angel who apparently was either touched in the head or just didn't care what happened to his money. For hundreds of years our accepted means of travel had been confined to land and water so if the then novel form of transportation was to succeed countless obstacles had to be overcome.

Ralph S. Damon

The embryonic development of those early airlines frequently followed a pattern such as this. One or two fliers whose equipment consisted of an airplane or two purchased from the Government at the close of World War I would fly curious people each Sunday from county fair grounds at $5 a head. Their income was purely problematical but their imaginations were certainly substantial. Those men reasoned that if there were people who would pay to fly from a fair ground and land right back where they started, 10 minutes later, there must be people who would pay to fly between two given points provided they could be assured of regular service. Most of those visionary men were stymied when it came to

*An address delivered before the New York Society of Security Analysts, Inc., on April 10, 1944.

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Should Price Fixing And Rationing Be Extended Into The Post-War Period?

By Dr. FREDERIC EDWARD LEE

Professor of Economics, University of Illinois; Member Economists' National Committee on Monetary Policy; formerly American Financial Trade Commissioner, American Embassy, London; sometime American Economist Consul at Shanghai and Peking

The answer to the question as to whether price fixing and rationing should be extended into the post-war period and, if so, how far, depends upon a number of factors. In the first place a question of paramount importance is "For what purpose or purposes are such controls to be exercised, if extended?" If the purpose of such controls is to extend or create a government-controlled economy under bureaucratic domination for an indefinite period, or to bring about thereby a measure of redistribution of wealth, then perhaps we had better take our chances on an early return to a system of free enterprise where prices are allowed to perform their normal economic function of equating supply and demand. Or, as Dean Wm. F. Hauhart recently pointed out in "The Commercial and Financial Chronicle" (Nov. 11, 1943), the price system in a free economy furnishes a "mechanism for ascertaining the wants of the citizens" of a country, and "a mechanism to organize production according to these wants as . . . determined by their bids in the market."


Dr. Frederic E. Lee

Real Purposes Important

If, on the other hand, the purpose of price fixing and rationing for a reasonable time after the end

(Continued on page 1617)

Why Interest Rates Remain Low

Stephen M. Foster, Economic Advisor to the New York Life Insurance Co., presented to the Mortgage Bankers Association of America at its Second Mortgage Clinic of 1944, held at the Biltmore Hotel, New York City, on April 14, a detailed analysis of the conditions which affect the rise and fall of long-term and short-term interest rates. After pointing out the fact that "there never has been a time in the history of the world when any country has raised as much new money as the $142 billions that have been raised in this country during the past thirty-nine months," without causing a financial debacle of some kind or a tightening of interest rates, Mr. Foster ascribed the "very fundamental ease in money conditions" to, first, the maintenance of excess bank reserves despite heavy war financing, and secondly, of still greater importance, the existence of a large amount of cash bank deposits available for investment.


Stephen Foster

"A few years ago," Mr. Foster stated, "most of us were accustomed to thinking of financing operations in terms of one great reservoir of funds, and most of us did not stop to define this reservoir except to consider in a general way that it was represented by the country's monetary and banking system. Of recent months, however, the Government has definitely delineated between the sale of its securities to commercial banks and the sale of its securities to investors other than banks. Little by little, therefore, we have become conscious of the fact that there are two great reservoirs of

(Continued on page 1619)

NSTA Annual Meeting To Be Held In Chicago

CHICAGO—This year's annual business meeting of the National Security Traders Association, Inc., will be held in the Palmer House, Chicago, Aug. 25 and 26, according to an announcement by Wm. Perry Brown, Newman, Brown &


Wm. Perry Brown


Edward H. Welch

Co., New Orleans, Association president. Edward H. Welch, Sincere and Company, Chicago, and Association secretary, has been named chairman of the committee on arrangements. Meetings of the group's municipal and corporate committees have also been scheduled during the two-day session.

J. H. Evans Now With Florida Securities

ST. PETERSBURG, FLA. — J. Herbert Evans has become associated with the Florida Securities Company, Florida National Bank Building, to head the municipal bond department and deal in a general list of corporate securities, it is announced. Mr. Evans had been with Ed. C. Wright and Company for the past 14 years in charge of the investment department; the latter firm discontinued its investment business as of April 1st.

Mr. Evans' association with the Florida Securities Company was previously reported in the Financial Chronicle of April 13th.

B. I. Connolly Joins Loewi As Comptroller

MILWAUKEE, WISC. — B. I. Connolly has resigned as manager of the Bank Department of the Milwaukee office of Peat, Marwick, Mitchell & Co. to join Loewi & Co., 225 East Mason Street, as Comptroller.

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Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth...$20 yr.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Poll Indicates That Nearly 85% Of NASD Members Are Opposed To 5% Mark-Up Rule

Current results of the "Chronicle" poll of all members of the National Association of Securities Dealers regarding the Association's 5% mark-up policy indicates that approximately 85% of the membership are opposed to this attempt of the Board of Governors to force acceptance of a regulation that threatens to bring about, among other disastrous consequences, the ultimate extinction of the market for the securities of the nation's smaller enterprises.

As noted in previous issues, this publication sent a questionnaire to every member of the NASD in which they were asked to indicate whether they approved or disapproved of the so-called "philosophy." In addition, a similar inquiry was addressed to non-member dealer firms.

Here are the results of the poll as of April 19:

RETURNS FROM NASD MEMBERS

Total Ballots Returned	978
Number Favoring 5% Rule	148 or 15.1%
Number Opposed to 5% Rule	830 or 84.9%

RETURNS FROM NON-MEMBER DEALERS

Total Ballots Returned	228
Number Favoring 5% Rule	13 or 5.8%
Number Opposed to 5% Rule	215 or 94.2%

Resisting A Dangerous Pattern

"5% Spread Philosophy" Encroaches Upon Our Democratic Institutions

We think the recent formation of the Securities Dealers Committee, having for one of its avowed purposes the abolition of the "5% rule," constitutes a courageous and healthy indication that security dealers are determined not to take this NASD usurpation without a fight.

The "5% spread philosophy" is based upon Article 3, Section 1 of the NASD Rules of Fair Practice, which provides:

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

This Committee has taken the stand, as has the "Chronicle" right along, that this vaguely phrased rule does not vest the Board of Governors of the Association with the

(Continued on page 1616)

Schluter Condemns Unrestrained Economic Internationalism

President Of Thermoid Company Says Expansion Of Our Post-War Free Enterprise System Is The Obligation Of Business Management, But Government Should Aid With Lower Taxes And Less Regulation—Fears Wage Differentials Between United States And Foreign Nations Will Be Greater

Condemning the advocacy in certain quarters of "bigger and better internationalism" and "free trade" as endangering post-war production and employment in this country, Frederic E. Schluter, President of the Thermoid Co., Trenton, N. J., told the company's stockholders in the 1943 annual report of the company that, "While Uncle Sam has never played the role of Shylock, we don't think he should begin to play Santa Claus to the whole world at serious risk to American production and employment."

Frederic E. Schluter

"We all favor a certain amount of international cooperation on a basis of equitable consideration for American products, but business management in America is asking about the limits to be expected in the advocacy of 'economic' internationalism and 'free trade'," Mr. Schluter declared. "We have an American standard of living and wage standards to protect in competition with international markets after the war.

"Before the war American genius and mechanization of processes enabled management to compete in foreign markets against foreign labor which received only 25% to 50% of the American wage. But we must face the probability that this wage differential between the United States and foreign nations may be much greater after the war.

"There is also the additional heavy tax load which has been thrown largely upon business and production as a result of pre-war spending and necessary war costs. This burden raises costs in producing goods for the international markets and for the domestic market as well.

"The necessity for further expansion of our American free enterprise system is the obligation of business management. Our Government should do everything to aid production and employment by creating a favorable business atmosphere and with a basis to assure lower taxes and less regulation after the war.

"Managers of business would like to provide more post-war jobs in production but their plans depend upon some realistic assurances regarding these considerations. They affect the amount of export business to expect and also our own market potentials."

John Straley V.-P. Of Hugh W. Long Co.

JERSEY CITY, N. J.—Hugh W. Long & Co., Inc., 15 Exchange Place, announce that John A. Straley has been elected Vice-President of their firm in charge of dealer relations.

John A. Straley

Oglar In Cleveland

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Frank C. Oglar is engaging in a general securities business from offices at 6401 Superior Avenue. He was formerly associated with Otis & Co.

'5%' Rule Will Kill Small Business Post-War Hopes, Dealers Warn

Additional Observations By Dealers Emphasize NASD Rule Will Close Capital Markets To Small Enterprises

In our issue of April 13, we published a number of the comments made by members of the National Association of Securities Dealers in answer to the following question which appeared on the reverse side of the questionnaire sent to both members and non-member firms in which they were asked to indicate whether they approved or disapproved of the Association's 5% mark-up rule: **"What Effect, If Any, Do You Think The '5% Mark-Up' Rule, If It Stands, Will Have On The Market For Securities Of The Smaller Corporations Of The Country?"**

Again, because of space limitations, it is only possible to give at this time a relatively small number of the large volume of letters that have come to hand. These are given further on and, as in the case of those given in last week's issue, most of them express the view that the rule will have the effect of virtually isolating small business enterprises throughout the country from the capital markets. Expressions to the contrary were made by those firms who favor the 5% mark-up policy and, in this connection, it may be noted that, as indicated in the current results of the 5% poll conducted by the "Chronicle," (which are given on page 1611), only a relatively small percentage of the NASD's membership favors the rule

Appropos of the following additional expressions on the subject of the effect that the 5% rule will have with respect to the ability of small business to obtain capital accommodations, it should be noted that the name of the city or town preceding the dealer's comments was obtained from the post-mark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Maine Town," as an example, or its equivalent.

SYRACUSE, N. Y.

We believe the 5% mark-up rule would greatly lessen interest in the market for securities of smaller corporations.

The Government and NASD together can help small business after the war by making it worth the dealers' effort to help small business secure its needed capital.

BOSTON, MASS.

Kill it to a large extent.

KANSAS CITY, MO.

It is our opinion that if the 5% mark-up is not revoked the market for the securities of small corporations in the United States will be greatly handicapped.

When new issues are brought out, it is customary to pay the dealers in excess of 5% for the distribution of same, in order to get the distribution completed.

It certainly seems to us that dealers are entitled to more than 5% in trading these securities on secondary markets, and if they are not permitted to do so it is plain to be seen that the secondary market will suffer and that prices for the issues will decline materially as soon as the usual public offering is completed.

A SMALL MICHIGAN TOWN

In our opinion, the 5% mark-up rule, if enforced, will ultimately put every small dealer, such as ourselves, out of business. With salesmen covering a radius of approximately 50 miles, it is impossible for them to properly service their accounts on such a restricted basis.

(Continued on page 1629)

Southern Railway's Annual Report

In reporting to stockholders on the road's operations during 1943, Ernest E. Norris, President of the Southern Railway, again stresses the temporary character of the present record railroad business, pointing out that the railroad industry must bear in mind that much of its increased revenues will fall off after the war ends. He also cautions that stronger emphasis should be placed on what will probably be more permanent, namely, the constantly increasing burden of expenses and taxes. In the conclusion of his letter to the road's stockholders, Mr. Norris also admonishes "It is equally important that Government also should give these matters proper recognition when dealing with the vital function of transportation, to assure for the future a sound, efficient and progressive railroad industry." In view of the temporary nature of the war traffic and the permanent nature of many of the increased costs, Mr. Norris advises that a conservative financial policy must be continued. (His remarks in full text on the results of the Company's operations in 1943 will be found elsewhere in these columns.)

Ernest E. Norris

Despite the warnings of less rosy days to come, stockholders will find much to be optimistic about in the annual report. Basically, and from the standpoint of permanent results, the most striking feature of the report is the strong evidence of the high rate of efficiency which the present management has been able to realize. In the face of serious shortages of many strategic materials and the strained manpower situation the road has been able to handle the progressive new peaks of both passenger and freight traffic with outstanding dispatch, attesting to the well maintained plant and the efficacy of the program of new equipment purchases instituted a number of years ago.

Wages were higher, but, nevertheless, the road was able to report a further drop in the transportation ratio to 25.25%, the lowest in the company's history. Maintenance of equipment ratio was virtually unchanged from a year earlier and maintenance of way ratio was only moderately higher although such expenses were affected not only by increased wages but also by the higher costs of materials. The marked transportation efficiency and the fact that the ratios of bad order freight cars and locomotives at the year-end were lower than all previous records afford adequate proof that these expenses were not curtailed at the expense of the properties. It is also a tribute to the quality of the management and general personnel that Mr. Norris is able to say that despite the terrific strain on all railroad facilities last year, Southern showed the lowest percentage of casualties per train mile in the company's record.

It is from such messages as Mr. Norris addressed to his stockholders that one gets the full picture of the all-important contribution the railroads have made to the war effort. Were it not for the almost unbelievable progress there has been in railroading in the past few years there would unquestionably be a far different story to tell from the war fronts today, and this progress is epitomized by the performance of Southern. Just as one example, Mr. Norris points out that with an increase of only 2.75% in aggregate tractive power of locomotives in 1943 as compared with 1939, total freight and passenger locomotive miles increased 43.81%, establishing another new record. Many of these advances brought about by the war emergency will unquestionably be carried through into the peace years, carrying highly favorable implications for maintenance of substantial earnings despite the many adverse influences mentioned by Mr. Norris.

The most severe blow to Southern's earnings last year came from the rapid rise in taxes to a level almost as high as the road's gross revenues at the nadir of the depression. Taxes amounted to more than the total cost of transporting the record load of freight and passengers. While the increased taxes made necessary a moderation of the company's debt retirement program (the road was one of the first in the industry to recognize the advisability of reducing its debt) significant further progress was reported in 1943. From 1938 through the end of February, 1944, non-equipment debt had been reduced by $64,464,700. This program has reduced fixed charges to an annual level of about $13,500,000, or some 25% below the level supported at the outset of the depression decade. This "painless reorganization" is another reason why Southern Railway stockholders may feel a sense of satisfaction over Mr. Norris' stewardship.

John T. Blossom With Hayden, Miller & Co.

CLEVELAND, OHIO — Hayden, Miller and Company, Union Commerce Building, announced today that John T. Blossom has become associated with the firm. He has just returned to Cleveland after serving as a Captain of Infantry, U. S. Army and is now on the Inactive Reserve List.

Mr. Blossom, who also served in World War I as Captain in the 332nd Infantry, rejoined the Army in December, 1942 and was last assigned to Camp Ellis, Illinois. He was graduated from Yale University in 1914 and was Director of Athletics at Yale from 1922 to 1926.

He is widely known in Cleveland's financial district, having been a partner and one of the organizers of Murfey, Blossom & Co., New York Stock Exchange member firm formed here in 1926. In 1940 he became Chicago district representative for the Cleveland Hobbing Machine Company, leaving that position to rejoin the Army.

Herbert Lawrence Now With Keystone Corp.

BOSTON, MASS. — Keystone Corporation of Boston, 50 Congress St., announces that Herbert Lawrence, formerly assistant editor of Barron's, is now associated with their organization.

Barron McCulloch Opens In Ft. Worth

FT. WORTH — Announcement is made by Barron McCulloch that effective April 1 he has reopened his own office in the Fort Worth National Bank Building, to conduct a general securities business as a broker-dealer. Mr. McCulloch was formerly a principal of McCulloch & Williams.

Security Traders Association of New York
ANNUAL SPRING DINNER

Grand Ballroom Waldorf-Astoria — Friday, April 21, 1944 7:30 p.m.

President — 1st Vice-President — 2nd Vice-President


Willis M. Summers


Richard F. Abbe


C. E. de Willers

Treasurer — Secretary


George Leone


John S. French

The Security Traders Association of New York, Inc., will act as hosts to over 1,100 members and guests at their Eighth Annual Dinner to be held at the Waldorf-Astoria this Friday night, April 21, 1944, it was announced by the committee in charge headed by Michael J. Heaney, of Joseph McManus & Co., and Frank A. Pavis, of Chas. E. Quincey & Co.

Quite a few members of the various affiliates throughout the country will attend, including the following national officers: William Perry Brown, Newman, Brown & Co., New Orleans, President; Edward H. Welch, Sincere & Co., Chicago, Secretary; Russell M. Dotts, Bioren & Co., Philadelphia, Treasurer; George Muller, Janney & Co., President of the Philadelphia affiliate; James B. Maguire, E. H. Rollins & Sons Incorporated, President of the Boston affiliate; Preston A. Taylor, Mead, Irvine & Co., President of the Baltimore affiliate; James English, Cooley & Co., Vice-President of the Hartford affiliate; also Frank Dunne, Dunne & Co., President of the New York Security Dealers Association; Emil Schram, President of the New York Stock Exchange; Fred C. Moffatt, President of the New York Curb Exchange; Frank L. Scheffey, Executive-Secretary of the NASD; James A. Treanor, Jr., Head of the Trading Division of the SEC in Philadelphia; and James J. Caffrey, Regional Chairman of the SEC in New York.

An elaborate entertainment has been arranged which will immediately follow the dinner, which is to be informal. Subscriptions are $8, including tax. Attractive identification labels are being provided for guests.

What Is A Conference?

A conference is a group of men who individually can do nothing, but as a group can meet and decide that nothing can be done.—Anon.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

M. A. Hanna Underpriced?

L. J. Schultz & Co., members of the Cleveland Stock Exchange, have prepared an analysis of M. A. Hanna Company. Copies of this study which concludes that the common stock of the company at current levels is clearly behind the market, may be obtained from L. J. Schultz & Co.'s New York office at 76 Beaver Street.

Gindorff To Manage Harriman Ripley Dept.

G. H. Armstrong With Firm

F. N. J. Gindorff has been appointed manager of the railroad division by the board of directors of Harriman Ripley & Co., Incorporated 63 Wall St., New York City. Mr. Gindorff was formerly with the investment department of J. P. Morgan & Co. from 1925 until 1940 when he became associated with his present company.

George H. Armstrong is also now connected with the firm in the United States Government bond department. He has been identified for a number of years with the U. S. government securities business.

Knies Predicts Higher Prices For Bonds

A prediction of much higher prices for bonds was made yesterday by Arthur Knies, of Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, who expressed the opinion that credit is the answer to the strength in the securities markets over the past several months. Higher prices for bonds would arrive, he said, when institutional and bank buying broadens out with credit. He also predicted a new era of confidence in railroad securities.

Grimshaw Washington Mgr. For Kirchofer

WASHINGTON, D. C.—Kirchofer & Arnold, Inc. announce that Elliott W. Grimshaw, formerly vice-president of J. G. White & Company, Inc., has been appointed resident manager of their office at 729 15th Street, N. W.

Real Estate Securities

By JOHN WEST

Hearst-Brisbane Properties Bonds Appear Underpriced In Relation To Earning Power

Hotel Warwick Net About 5% On Entire Issue

The original $7,000,000 issue made in 1925, secured by mortgages on six properties, two of the most important being the 36-story Warwick Hotel on the northeast corner of 54th Street and Sixth Avenue, New York City, and the Ziegfeld Theatre at the northwest corner of the same streets, had been reduced to $4,844,750 when default occurred in 1940.

The Corporate Trustee took possession of all properties on Aug. 1, 1940 and has been operating them since that time. In the foreclosure action, the Trustee presented a reorganization plan governed by the Schackno Act, whereby title to all assets would be acquired for the benefit of bondholders, the income distributed, and the assets liquidated, the proceeds paid to bondholders as return of principal. Other plans were also presented but up to present time, the court has made no decision other than to approve the sale of the Ziegfeld Theatre by the Trustee for $600,000, all cash, which has recently been distributed to bondholders, reducing each $1,000 bond to $850.00. Through a settlement with William Randolph Hearst under his guarantee, the sum of $837,300 principal bonds was presented by him for cancellation which reduced the issue to approximately $4,000,000. The $600,000 cash received on the sale of the Theatre was pro-rated only against the $4,000,000 bonds outstanding with the public; so at the present time, the outstanding amount is only $3,400,000. The remaining properties are assessed at $4,045,000.

As the smaller properties are well located on 57th Street, a district which has shown considerable improvement recently, it is believed that they can contribute better net income to the picture than they have previously, although to date more than carrying fixed operating charges and taxes, it remains to measure the earning power of the Warwick Hotel in its relation to the $3,400,000 outstanding bonds. We find that for the year ended July 31, 1943, the net was about $160,000 after real estate taxes of about $80,500. As real estate taxes for the 1943-44 year have been reduced to $76,000 and monthly earnings have been on the uptrend as shown by the seven months ended Feb. 29, 1944, it is estimated that fiscal year earnings will be approximately $175,000 after taxes or slightly better than 5% on the outstanding bonds.

The present reduced bond of $850.00 quoted at around 40 or $340,000 seems underpriced in relation to the income available and in relation to future liquidations through sale of other properties.

John Stillwell Joins Kidder, Peabody Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—John David Stillwell has become associated with Kidder, Peabody & Co., 135 South La Salle Street. Mr. Stillwell was formerly with Central Republic Co. and F. S. Moseley & Co.

Carter H. Corbrey Forming Own Firm

(Special to The Financial Chronicle)

CHICAGO, ILL.—Carter H. Corbrey has formed Carter H. Corbrey & Co. with offices at 135 South La Salle Street. Mr. Corbrey was formerly Vice-President of Joseph F. Dixon & Co. and prior thereto was wholesale manager for T. L. Chapman & Co.

Reorganizat'n Potentialities

McLaughlin, Baird & Reuss, 1 Wall St., New York City, members of the New York Stock Exchange, have prepared an interesting circular discussing the reorganization potentialities for selected securities of the Missouri Pacific System. Copies of this circular may be had upon request from McLaughlin, Baird & Reuss.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Louisiana Power Issue Placed On Market

A group headed by Halsey, Stuart & Co., Inc., is offering today $17,000,000 of Louisiana Power & Light Co. First Mortgage Bonds 3% Series due 1974, at 103 and accrued interest from April 1, 1944.

Net proceeds to the company from the sale of the bonds, together with additional cash from its general funds as may be required, will be used to redeem all the $17,500,000 principal amount of First Mortgage Gold Bonds, 5% Series due 1957 outstanding at the end of 1943. The redemption price is the principal amount, plus a premium of 2½% and accrued interest to the redemption date.

Operating revenues for 1943 were $12,332,236 compared with $10,421,757 in 1942, and net income last year was $923,752, against $1,198,891 in 1942. According to the registration statement, the decrease in net income can be attributed to the charge of $256,958 to miscellaneous amortization. The funded debt and capital stock of the company as of Dec. 31, 1943, adjusted to reflect the present financing, and cancellation of the Second Preferred Stock as voted by stockholders, includes $17,000,000 of First Mortgage Bonds; 60,000 shares of $6 Cumulative Preferred Stock; and 1,200,000 shares of Common Stock.

The company shall pay, as a sinking fund for retirement of the 1974 Bonds, on Oct. 1 of each year from 1945 through 1948, 1⅛% of the principal amount of bonds outstanding, and on each Oct. 1, from 1949 through 1954, 1% of the principal amount. The sinking fund is designed to retire 10% of the initial issue of these bonds.

Rooney In Trading Dept Of Mitchell & Co.

Mitchell & Company, 120 Broadway, New York City, members of the Baltimore Stock Exchange, announce that Thomas F. Rooney, formerly with Tweedy & Company, and Hatfield, Rankin & Co., Inc., has become associated with them in their trading department.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors; Consolidated Dearborn; National Airlines; Chicago and Southern Airlines; American Export Airlines; Northeast Airlines.

Bernheimer Opens New Dept. Under Stopher

D. F. Bernheimer & Co. Inc., 42 Broadway, New York City, has opened a department to deal in mortgages and real estate securities under the management of H. C. Stopher.

Prospective Rail Prices

Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange, have issued an interesting discussion of the prospective prices of the new railroad second mortgage income bonds. Copies of the circular containing the discussion may be had from the firm upon written request.

Tomorrow's Markets Walter Whyte Says—

Failure to develop strength after reaching support throws suspicion on nearby trend—Volume shrinkage on decline remaining good sign.

By WALTER WHYTE

A month ago I wrote that the market was headed down and advised that not only should traders get out, but the long pull buyer as well. A week later prices slipped all along the line.

* * *

Then, while everything still looked grey, I saw what I believed were signs of a rally, though recognizing that lower prices were in prospect before any worthwhile recovery would occur. That signs of resurgence were present in the leaders seemed to indicate that it was more than just another rally in the wind. But, being aware of support at prices then away from the market, I recommended a list of stocks at lower levels. Though it was the leaders that showed nascent strength, I deliberately chose the secondary issues for recommendations. My reasons were two-fold. If the market were to go up the public would go for the lower-priced shares while giving lip-service to the blue chips. A $20 stock is a lot easier to buy and its stop can be placed a lot closer than in the higher-priced issue. In the old days the higher the stock the more points it could advance. That is, for every point in say a $20 stock, a $100 one could go up four or even five. Percentage-wise, however, there was no difference. But stocks today, no matter what their price, seldom move any five points.

* * *

So I went out on a limb and advised buying the following: J. I. Case at 36, stop 34; Chrysler between 83 and 84, stop at 81½; Electric Auto-Lite at 39, stop 37; Jones & Laughlin at 22½, stop at 19½; Servel at 18,

(Continued on page 1631)

Railroad Securities

There was some disappointment over the remarks of the President of New York, Chicago & St. Louis in the annual report regarding the credit standing of the road and the necessity for further debt retirement. Even those preferred stockholders who in the past have been in accord with the management's policy of diverting all available cash to the retirement of debt, and who have recognized the greater overall benefits accruing from such a program, are becoming restive. They have lived through five successive years of profitable operations, during which a total of $104.14 a share has been earned on their stock, and visualize the certainty of high earnings again at least in 1944, and still are asked to forego any return on their own investment.

Granting that such a policy of non-payment of interest was justified when the company was faced with potentially dangerous near and intermediate term maturities, stockholders consider that the debt retirement already accomplished has minimized, if not entirely eliminated, this problem. As an indication of the road's credit they point to the fact that the two underlying liens, maturing in 1947 and 1950, are selling on a money basis, with markets governed by call prices, and that the Refunding 5½s have recently been selling at a premium over par. Even the longer term Refunding 4½s have been moving steadily into the middle 90s.

It is the feeling of many investors interested in Nickel Plate securities that the time has now arrived to engage in a comprehensive refunding operation which will eliminate the underlying liens entirely and allow a further substantial saving in annual interest requirements. Even if such a refunding should involve in part a serial issue it would still allow the freeing of substantial earnings under current, or materially poorer, traffic levels for payment of preferred dividends.

In the last three years Nickel Plate has reduced its non-equipment debt by $37,660,000, to $109,621,000 as of the end of 1943. Retirements last year exclusive of equipments, amounted to $6,928,200. The debt as of the end of last year included a $2,000,000 bank loan, maturing this year, $15,188,000 of 1st 3½s, 1947, $6,500,000 Toledo, St. Louis & Western 1st 4s, 1950, $26,058,000 Refunding 5½s, 1974 and $59,875,000 Refunding 4½s, 1978. It is felt in many quarters that all but the last named could be refunded. Under such an operation the old Refunding mortgage would succeed to a first lien on the entire properties; this improvement in lien and quality would facilitate a refunding.

The bank loan, two divisionals, and Refunding 5½s aggregate $49,746,000. The company should be able to retire as much debt this year as last so that the refunding could be accomplished with a new issue of no more than $43,000,000. Even if it were necessary to make serial payments of $1,000,000 a year this would be $5,928,200 less than was spent last year to retire debt. This distributed to preferred stockholders would amount to over $16 a share which would at least mark a beginning towards liquidation of the substantial dividend arrears.

Fixed charges had been reduced by the end of last year to $5,300,000 which would have been covered in every year of the depression except 1931 and 1932, adjusting non-operating income in the former year down to current levels. By a comprehensive refunding it is indicated that approximately another $750,000 could be cut from fixed charges, which would go far towards compensating for any serial principal payments that would have to be made in periods of subnormal years. Under present conditions the high tax rates would naturally absorb any interest savings effected, but at the same time, the serial payments themselves would not be any strain while business remains good. In fact, principal payments would be covered by a wide margin by depreciation and amortization charges. Serial equipments amount to less than $1,800,000 while non-cash equipment depreciation and amortization alone amounted to $4,125,804 last year. Total amortization and depreciation amounted to more than $4,800,000 in 1943. It is quite possible that considerable pressure will be brought to have a refunding effected some time this year.

N. Y. Bank Stocks Interest'g

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have issued an interesting comparative analysis of leading New York City Bank stocks. Copies of this analysis may be had from the firm upon request.

Western Light Attractive

Common stock of Western Light and Telephone offers attractive possibilities according to a memorandum on the situation issued by Buckley Bros., 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be had from the firm upon request.

Attractive Situation

The current situation in Loft Candy Corp. offers attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

Arbitrage Possibilities

Chicago, Indianapolis & Louisville Railway Co. has attractive arbitrage possibilities, according to a circular issued by Sutro Bros. & Co., 120 Broadway, N. Y. City, members of the New York Stock Exchange. Copies of this circular may be had from Sutro Bros. & Co. upon request.

Fed. & N.Y. Transfer Taxes On Bank & Ins. Stocks

Troster, Currie & Summers, 74 Trinity Place, New York City, have prepared for distribution a schedule of Federal and New York transfer taxes required on sales of the more actively traded bank and insurance stocks. Copies of the schedule may be had from the firm upon request.

Situations of Interest

T. J. Feibleman & Co., 41 Broad St., New York City, have available for distribution to dealers reports on Pittsburgh Railways Co. with reference to underlying securities; Pittsburgh Terminal Warehouse & Transfer Co.; and Jonas & Naumburg Corp. Copies of these reports may be had upon request from T. J. Feibleman & Co.

Resisting A Dangerous Pattern

(Continued from page 1611)

power to change trade custom and usage in the securities business as it is attempting to do through the medium of its "5% spread philosophy." A spokesman for the Securities Dealers Committee said that among the many grounds upon which this philosophy is opposed by the Committee, the following are a few:

The Committee has been advised that there is considerable doubt whether the Maloney Act is constitutional, and hence feels that its creature, the NASD, is without authority to modify the customs and usages of the security business.

If in fact it had such authority, the 5% rule should have been submitted to the NASD membership for its action as provided for in the constitution and by-laws. Its origin at least should have been legal.

The poll we conducted made it clear that if so submitted the proposed rule would have been defeated, and further, that spokesmen of the NASD who have widely circulated their opinion that a large majority of the membership favored this philosophy were in error.

Representatives of The Securities Dealers Committee particularly condemn the trials before Business Conduct Committees of the NASD where firms charged with violating the "5% rule" are judged by their business competitors. Being judged by a jury of one's peers is an American institution; being judged by one's competitors never was, and is not calculated to arrive at a just result.

The Committee contends that although ostensibly voluntary, membership in the NASD is in fact compulsory by reason of certain special and monopolistic privileges which the NASD enjoys under the Maloney Act. This, they say, is unfair to non-members, and to those who have resigned in protest against the arbitrary action of the Board of Governors of the NASD. It interferes with every man's fundamental right to pursue his lawful trade.

The Committee has also been advised that in practice the "5% spread philosophy" constitutes an unreasonable restraint on interstate and foreign commerce, and is, therefore, outlawed by the Sherman Act.

The unjustified forays by means of questionnaires and audits is another sore spot and unwarranted interference. Even in cases of governmental bodies these should be limited to instances where complaints are lodged.

In these columns we have repeatedly expressed our hopes that the NASD Board of Governors would of its own volition revoke the "5% rule." We have cautioned that the failure to do so would have far reaching consequences threatening NASD existence. There may yet be time.

In the meantime, the security dealers of the nation are being circularized in an effort to gain support for the Security Dealers Committee. Dealers and brokers, whether members of an existing association or not, cannot do other than further their own interests, in our opinion, by lending such support in a liberal manner. For our part, our opposition to the "5% philosophy" as an un-American doctrine is well known, and we intend to do all in our power to erase it.

N. Y. Stock Exchange Weekly Firm Changes

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

James Q. Newton, partner in Boettcher and Company, Denver, Colo., died on April 5th.

Interest of the late Harry J. Crofton, member of the Exchange, in Richard J. Buck & Co., New York City, ceased as of March 30th.

Interest of the late Louis Haight, special partner in Ward, Gruver & Co., New York City, ceased as of April 13th, 1944.

Captain Michel A Director

Capt. Clifford W. Michel, Partner of J. S. Bache & Co., 36 Wall Street, New York City, and now on active duty with the armed forces, has been elected a director of the American Indemnity Company, Baltimore.

Public Utility Securities

Associated Gas Earnings On The Proposed New Stock

The Securities and Exchange Commission on April 14 approved the reorganization plan of the Associated Gas & Electric System. Such approval had been anticipated and substantially discounted marketwise. Hence the sharp decline in system securities (nearly 3 points in the most important issue, AGECORP 4s of 1978 traded over-the-counter) appears due to the ultra-conservative estimates of earnings and dividends which appeared in the press summaries of the plan in the New York "Times," "Journal of Commerce," etc.

Both newspapers indicated that the estimated share earnings on the 7,500,000 shares of new common stock (to be issued by the merged or "surviving" company—56 cents in the first year and 60 cents after 10 years—had been prepared by the trustees, but the trustees were obviously not interested (in their testimony before the SEC) in presenting a strong case for the future earning power of the company. Their principal interest was to prove that the assets of the two top holding companies were worth more than $12,000,000 — the approximate amount of senior claims against the estate—and less than $260,000,000, which would exclude from participation the junior securities not represented in the plan.

It has been generally assumed that, based on system earnings figures previously published by the trustees, that share earnings on the new stock would be in excess of $1 a share. The estimate of 50-60 cents, covering a 10-year period, was therefore perhaps something of a shock to many holders of the bonds. It was unfortunate that the press summaries could not have devoted more space to discussion of this all-important topic of earnings, and less to other details of the plan.

Actually, the pro forma earnings figures prepared by the trustee—one statement for the calendar year 1943 and another for the 12 months ending June 30, 1944—did not differ a great deal from previously published System figures. The statement for the latter period indicated a balance of System income applicable to the new top company of $11,452,207. However, the trustees and the SEC (it is difficult to determine to what extent each party was responsible for the various conclusions) whittled this figure down to some $2,217,000, or only 30 cents a share available for dividends on the new common. This process was somewhat as follows:

(1) The $500,000 income from General Gas & Electric, representing anticipated income rather than equity earnings, was discarded because it was only a "possibility" (for reasons not specified).

(2) $2,436,044 was deducted as not available, due to restrictions imposed by Public Service Commission orders or for other reasons.

(3) $2,464,849 more was deducted as likely to be withheld by the operating companies.

(4) $251,000 more was erased by the SEC, largely because the June estimate exceeded that for the calendar year 1943.

(5) $1,574,500 was then deducted for the expenses, taxes and interest charges of the new top company, which left a balance of $4,225,814 or 56 cents a share "earned."

(6) $1,500,000 was now deducted for amortization of the senior debt over a five-year period, and $262,500 for 10-year amortization of the debentures—although the SEC indicated that this procedure was "unrealistic," since property sales should accelerate elimination of debt and probably make it unnecessary to amortized the full amounts out of earnings.

(7) Finally, 10% of the remainder was deducted (presumably for reserve), leaving a net balance of $2,217,000, or 30 cents a share.

By the usual method of figuring utility earnings, only the expenses and taxes would have been deducted from the original figure of $11,452,207, leaving a balance of $9,877,707, or $1.32 a share, as the new company's consolidated equity share earnings. This is quite different from the unplained figure of 56 cents appearing in the news reports. It should have been made clear that the latter figure represented parent company rather than consolidated earnings. Further, the implication that earnings will show little change over a 10-year period seems a little misleading, in view of the probability that debt will be retired long before the end of the period.

The 30-cent dividend rate may be a fair estimate for the first year or so, but would seem to be unduly conservative for later years, considering the possible elimination of amortization charges. The report does not stress the most important item affecting earnings which is the possible wide variation in taxes in the post-war period.

Financing War Contract Terminations

(Continued from First Page)

approximately 100,000 prime contracts, one million direct sub-contracts, and perhaps several million sub-sub-contracts now outstanding. Cancellation claims at the end of the war will, he said, just about equal the total current amount of industry-owned working capital used in the war program, which represents one-half of the nation's total industrial working capital. The deduction was presented that above twelve billion dollars of additional temporary cash funds must be available prior to, or about the time of "V"-Day, if business reconversion is to be successful, and satisfactory employment maintained.

He made it clear that direct termination financing, by settlement of cancellation claims under present methods, will not provide industry quickly enough with the working cash needed to prevent partial business chaos and a reduction of employment. At the end of the war, he pointed out, industry will immediately need 10 to 15 billions in new cash working funds for a temporary period, covering the time required to settle cancellation claims. He emphasized that the availability of these funds should be arranged for now.

Mr. Dively, who is chairman of the Committee on Termination Financing of the Controllers' Institute of America, urged full recognition of the size and potency of the termination financing problem. He presented a practical approach to the entire problem of financing cancelled war contracts by recommending the "V" loan plan. Application of this plan, with some extension and liberalization, could, operating through established commercial bank credit channels, provide the solution. He believes that the government has started well in developing the "V" loan plan, and he advocates the broadening of its application, substantially as provided in the latest revision of the Murray-George Bill. He stressed the need for Congress to take immediate action on legislation permitting adequate clearance and financing of industrial claims resulting from cancelled war contracts. He stated that, in his opinion, there is no need to delay on this action because the present proposed Murray-George Contract Settlement Bill (S. 1718) with slight modifications is sound, practical and adequate.

New England Power Looks Good

New England Power Association 6% preferred offers excellent possibilities for price appreciation according to a detailed study of the situation prepared by Stifel, Nicolaus & Co., 105 West Adams St., Chicago, Ill. Copies of this interesting study may be had from the firm upon request.

Attractive Speculation

Common stock of the Buckeye Incubator Company is a very attractive speculative security according to a detailed memorandum on the situation being distributed by Taussig, Day & Company, Inc., 506 Olive Street, St. Louis, Mo., members of the St. Louis Stock Exchange. Copies of this memorandum and supplemental data from the company's unaudited profit and loss statement for the first six months of the current fiscal year, may be had upon request from Taussig, Day & Company.

Utility Prices Compared

E. W. & R. C. Miller & Co., 123 South Broad Street, Philadelphia, Pa., have issued an interesting table of average prices, dividends and yields for 20 representative public utility operating companies' common stocks. Copies of this table may be obtained from the firm upon request.

Should Price Fixing And Rationing Be Extended Into The Post-War Period?

(Continued from page 1610)

of World War II is to make a *bona fide* attempt to prevent the type of post-war inflation we had in 1919 and early 1920, then some extension of these powers is not only essential but highly desirable. When one remembers a general wholesale price level of 226 in 1920, on the basis of 1913 prices, with some items such as building materials at 341, with residential real estate two or three times its "normal" value—or more specifically with eggs at 90¢ a dozen and beefsteak at 80¢ to $1.00 a pound —it is apparent that a return to such conditions would not be welcomed by most citizens. It is one thing if such controls are exercised as a sincere attempt to prevent disastrous inflation but an entirely different thing if they are exercised merely for the purpose of controlling the economic system, i.e., control for the sake of control. In view of some of the recent pronouncements of members of the present administration, it would seem that with them, at least, the latter is the paramount objective.

British Bankers' Views

Confronted with a somewhat similar situation to our own and recognizing that a controlled economy is an absolute essential in time of war, British "Big Five" Joint Stock Banks' representatives recently expressed their views on this matter at the annual meetings of the stockholders of these banks. The Chairman of Barclays Bank Limited said:

"I need scarcely to say that our own Bank, in company with the other British banks, will add its full weight to the forces of restoration" after the war. "One does not expect a sudden or violent change-over, for the period following the war will be dominated by scarcity, emphasized by the latent demand which will then spring to life. For this reason we must anticipate a measure of control, with the exercise of priorities, until the whole machine adjusts itself to the new conditions. But no one will want to see the continuance of any control which has outlived its purpose, for although there must be safeguards to protect the interests of the State and of the community, the very same interests are *best served by giving full rein to those priceless assets, individuality and enterprise, which can flourish only in an atmosphere of freedom.*" (Italics added by writer.)

In a somewhat similar vein the new Chairman of the Midland Bank Limited added:

"During this war the Government, profiting by experience, has, to a very large extent avoided the evils of inflation, partly by direct restrictions on the use of purchasing power, partly by controlled distribution of supplies, and partly by the use of subsidies to hold in check the spiral of price and wage increases. The same methods will be called for on a *gradually diminishing scale, in the immediate post-war period until demand and supply are judged likely to be in equilibrium in a free market.* (Italics added.) . . . Mankind is not blind to the lessons of experience; we see clearly that our best interests lie in building upon an established equilibrium of wages and prices, avoiding the perils of both inflation and deflation."

It is thus apparent from these two statements that the British problems have not been unlike our own and that the methods used by the British Government, of restrictions on purchasing power, rationing of supplies, and subsidies to hold prices and wages in check, have been similar to those which our Government has tried under OPA. It is hoped that we also my insist as strongly as do the British that we return to a free market, and a system of free individuality and free enterprise as soon as the period of scarcity is passed.

Factor of Time Vital

Recognizing as we do that such controls must be continued as long as the war lasts, the time for which they may be extended is a vital matter. It is not so much a matter of calendar time as it is the time that it takes for "normal" demand and supply to reach a state of equilibrium. When that period will arrive depends upon the degree of scarcity and disequilibrium which will have been created by the war and its aftermath, and upon the length of the war itself. If the legitimate desire of whatever administration may be in power is to control prices and the quantities of essential materials to keep prices for such from skyrocketing, in the face of such quantities of purchasing power as will be available, then an extension of such controls and powers for a reasonable time should be encouraged. Perhaps the first extension of such time should be for a period not exceeding three months after the cessation of hostilities in Europe and the Pacific, in order that immediately after the end of the war the whole situation with regard to supplies, prices and priorities may be reviewed. Some measure of control might then be gradually diminished, others abolished entirely, and still others strengthened if dammed up purchasing power gets out of hand. But, in the opinion of the writer, such extensions of time for such controls in the post-war period should not be for more than six months at a time, in order to give frequent opportunities for careful review and appraisal of the whole situation.

Who Shall Control?

Who shall administer and exercise such extended controls as are granted is also a vitally important matter. If, as Vice-President Wallace has recently intimated, the "New Deal" is not dead but is to be revived, with a social security program for the "under-privileged" of more far-reaching scope than any yet set in motion, then it would be better to entrust such controls for the rest of the war and for the immediate post-war period to a man or men who know what it means to earn a dollar and who know that debt, be it public or private, never enriches a man or a nation. If such controls as are granted are to make possible the control of our economy in such a way as to carry out the post-war road building and public works program under an enlarged and glorified PWA or WPA, as recently suggested by President Roosevelt, then the freedoms we have lost during our war-time controlled economy must be rewon and restored, not part but all of them; not sooner or later, but sooner."* Better some of the evils of inflation and consequent deflation than a loss of economic freedom for a generation or longer—a loss of "those priceless assets, individuality and enterprise" which are essential to free men in a free world.

*Cf., Readers' Digest, Jan., 1944, p. 89.

N. Y. Analysts To Hear

The New York Society of Security Analysts, Inc. will hear John W. Barriger III, consultant, of H. H. Copeland & Son discuss railroads at their luncheon meeting scheduled for April 21st.

On April 25th the speaker will be Dr. Redvers Opie, economic advisor to the British Ambassador, who will talk on "Economic, Social and Political Trends in Great Britain."

Carl C. Conway, president of the company, will speak on Continental Can Co., Inc. on April 26th.

On April 27th, H. S. Palmer, president and trustee of the New York, New Haven & Hartford, will be speaker.

All meetings will be at 56 Broad Street, New York City, at 12:30 p. m.

Enlarges Scope of Brazil Bank Rediscount Dept.

A cablegram April 13 from Rio de Janeiro to the New York "Times" stated:

President Getulio Vargas signed today a decree enlarging the scope of the rediscount department of the Banco do Brazil, which is regarded as tantamount to revamping in part the present banking system of Brazil in setting up bases for banks to borrow against their assets in order to safeguard their depositors in time of national stress or runs on banks. The Banco do Brazil will make advances against all guaranteed assets of banks for loans negotiated up to Dec. 31, 1943.

What Is An Economist?

An economist is a man who can make a simple subject complex, a complex subject simple; in other words, an economist is simply simple.—Anon.

Security Traders Club Post-Easter Party

ST. LOUIS, MO.—Described as the 603th Annual Post-Easter Foul Dinner (toikey to youse) the Security Traders Club of St. Louis members and guests relaxed at the Hotel Mayfair, Thursday evening, April 13. President Emmett Brennan's remarks were brief and taken with the usual amount of "booing". Announcement was made that the following 19 new members have been admitted:

Albert E. Beyer, McCourtney-Breckenridge & Co., Henry M. Cook and Chapin S. Newhard, Newhard, Cook & Co., Timothy F. Dempsey, Dempsey-Tegeler & Company, Presley W. Edwards and Allen B. Tilghman, A. G. Edwards & Sons, Joe Fisher, Peltason, Tenenbaum Co., J. R. Kinsella, Brennan, Kinsella & Co., Bill Humphrey, John Nordman & Co., Max Kaplan, White & Company, Robert H. Matthews, G. H. Walker & Co., Robert Lesser, Friedman, Brokaw & Samish, Elvin K. Popper, I. M. Simon & Co., Louis J. Nicolaus, Stifel, Nicolaus & Co., Inc., William L. Reiman and Robert Bennett, Edward D. Jones & Co., Albert M. Schmelzle, Fusz-Schmelzle & Co., Garfield J. Taussig, Taussig, Day & Co., Inc., Anton A. Tibbe, Phoenix Bond & Mortgage Co.

Lists of all members in the Armed Services were distributed to those present at the dinner with the request that a name be checked and a letter written on the reverse side. This novel idea was adopted enthusiastically and as a result many letters are now on their way carrying news from the "home trading front" and an up-to-date list of members in the Services.

Missouri Bankers 54th Annual Convention

KANSAS CITY, MO.—Missouri Bankers Association will hold its Fifty-fourth Annual Convention at the Muehlebach Hotel, May 15, 16, and 17. Plans for the business sessions and social features will be announced shortly.

Rail Recommendations

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, have issued an interesting leaflet containing recommendations on railroad securities. Copies of this leaflet and a memorandum on railroad operations may be had from Vilas & Hickey upon request.

Also available is a circular on Northern Pacific which appears attractive, with possibilities for appreciation, Vilas & Hickey believe.

Stoddard With Putnam

(Special to The Financial Chronicle)

HARTFORD, CONN. — Allyn Denison Stoddard, formerly with Eddy Bros. & Company for many years, has become associated with Putnam & Company, 6 Central Row, members of the New York Stock Exchange.

Connecticut Brevities

During the past month, the Hartford-Connecticut Trust Company received bids for some $700,000 principal amount of Connecticut municipal bonds held in one of its accounts. The bonds, maturing for the most part in one to ten years, were sold to various dealers and reoffered to the public at prices approximating all-time highs for this particular type of security.

* * *

The Banking Department has recently issued an additional list of 65 different railroad bonds that now meet the requirements for "legal" investments for savings banks in accordance with the provisions of the Connecticut State law. This law provides that a savings bank may invest in the bonds of a road if in the year immediately preceding the investment and in three of the past four fiscal years the income available for fixed charges shall not have been less than one and three-quarters times such fixed charges as set forth in the annual report to the Interstate Commerce Commission.

* * *

The Plume & Atwood Manufacturing Co. of Waterbury showed an increase in net income in 1943 over the previous year. Actual figures were $196,478 (after taxes but including post-war refund) against a corresponding figure of $162,319, or on a per share basis, $3.64 against $3.01.

* * *

Many undetermined factors render it impossible to calculate earnings of Scovill Manufacturing Co. of Waterbury for the past year. The company has issued a preliminary financial report, the figures being subject to renegotiation of war contracts for the Government, various other charges, retroactive costs imposed by Government agencies, and the resulting readjustments. The company paid dividends of $2 per share, or a total of $2,093,676. Income in excess of this dividend, some $6,175,617 or $5.89 a share has been set aside as a reserve to meet these undetermined charges. Such balance remaining after coverage of these items, will be available to add to surplus.

Net sales for the year were $124,240,977 after $1,994,604 voluntary retroactive price reductions. In the previous year the company reported net sales of $89,879,571 after a deduction of $16,400,000 provision for reduction of Government contract prices resulting from renegotiation.

Net available for fixed charges was $8,447,885 against $3,609,607 in 1942. During the year the company redeemed $500,000 of their outstanding debentures which, of course, resulted in a substantial reduction in fixed charges. These charges were covered 43.85 times against 11.28 times in the preceding year.

Total assets increased from $65,216,455 to $77,065,947. Equity per share advanced from $33.62 to $39.56.

* * *

Peter Paul, Inc., of Naugatuck, has likewise issued a report subject to renegotiation adjustments. Net income for 1943 was $799,033 against $542,383 the preceding year. Based upon 152,334 shares in 1943, the earnings per share were $5.25 compared with $3.65 a share on 148,517 shares in 1942.

* * *

The United States Rubber Co. has plans to enlarge its Naugatuck plant this year through an expansion program involving the expenditure of some $1,400,000. In addition to its present manufacture of rubber solids, these new facilities will enable the company to produce greater than half of the country's present output of synthetic rubber latex.

* * *

The 1943 year-end report of The Hartford Times, Inc., shows net income of $296,514 or earnings of $2.32 per share on the common stock against $279,820 or $2.15 in 1942. Earnings on the preferred stock were $12.56 as compared with $11.85. Fixed charges and preferred dividends were covered 2.82 times against 2.60 times in 1942.

* * *

Two Hartford industrial concerns have announced important managerial changes. Graham H. Anthony, President of Veeder-Root, Inc., has been elected President of Colt's Patent Fire Arms Manufacturing Co. to succeed Samuel M. Stone, who held that position for the past 23 years. Mr. Stone was appointed Chairman of the Board of Directors.

During the last half of 1943, Colt's operated under difficulties that resulted in the omission of the March 31, 1944, quarterly dividend on the capital stock—the first interruption in payments since 1889.

John H. Chaplin, the Executive Vice-President of Veeder-Root, was elected to the presidency of that concern to succeed Mr. Anthony.

* * *

In 1943 Farrel-Birmingham Co., Inc. produced the greatest volume of output in the company's history, with total billings by the plant and subcontractors bringing the total production to 195% of the output for 1942.

After dividends and an addition to reserve for contingencies, the net addition to surplus account was $4.73 per share. Before provision for contingencies, earnings per share were $10.64. At the close of the year, their backlog of orders totalled roughly $31,000,000.

Missouri Brevities

Gaylord Container Report

Stockholders of Gaylord Container Corp. have received copies of the 1943 annual report of which they can be justly proud both from the standpoint of progress of the business and the policy of the management with respect to disclosure of information. Condensed comparative balance sheets and earnings statements for the past seven years are included together with a detailed balance sheet as of Dec. 31, 1943 and earnings statement for the year. Numerous pictures highlight the company's completely integrated activities which extend from the ownership of about 275,000 acres of pulpwood timberlands including a reforestation project to the manufacture of corrugated and solid fibre shipping containers, cartons, grocery bags, sacks, Kraft wrapping paper, other Kraft specialities, tung oil, turpentine, resin and pine oil.

Fifteen plants are owned by the company and its subsidiary. Gross sales of $34,127,713, an increase of 13.7% over 1942, were the highest in the company's history. Increased costs held net profit to $1,103,097, equal after preferred dividends to $1.56 per share on the common stock, compared with $1,108,543 or $1.55 per share after allowance for preferred dividends on the larger amount of stock outstanding in 1942.

Current assets, including $3,127,831 cash, totalled $8,747,274 compared with current liabilities of $2,896,084. Net working capital amounted to $5,851,190.

National Candy Plan

A special meeting of National Candy stockholders has been called for May 1, 1944 for the purpose of establishing redemption prices on the non-callable preferred stocks presently outstanding. The 7% first preferred stock would be given a call price of 140 per share and the 7% second preferred a call price of 125, plus accrued dividends in each instance. The proxy statement disclosed that investment dealers would be compensated for their activities in soliciting proxies if the management found such action necessary in order to assure adequate attendance and voting at the meeting. Announcement was made April 13 that members of the St. Louis Stock Exchange have been designated as the group to make the solicitation. Announcement of the special meeting has revived rumors, which have persisted for several months, regarding the possibility of a large food company acquiring the company and its corn products subsidiary. The management states that it has no present intention of calling the preferred stock issues.

Champion Shoe Machinery Changes Management

Recent annual stockholders' meeting of Champion Shoe Machinery resulted in the resignations of S. A. Dobyne, President, and John Dobyne, Treasurer. Robert A. Walsh, of Dempsey-Tegeler & Company, was elected Executive Vice-President and John Hoge, an employee of the company, was elected Vice-President and Treasurer. The offices of President and Secretary have been left open temporarily. The new Board is composed of Edward D. Jones, Edward D. Jones & Company; Fred E. Schluter, President of Thermoid Company; Arthur S. Kendall, President of Crunden-Martin Mfg. Company; Newell Augur, President, Wallace Pencil Company; John Hoge and Robert A. Walsh. Confronted with a record of annual operating losses under the old management, the new group is hopeful that changes already made and others to follow will result in improved operations.

Local Market Activities

Earnings report for 1943 showing $5.17 per share (before renegotiation) has resulted in increased trading activity in **Universal Match** at advancing prices. Main office is at Ferguson, St. Louis County, Missouri. A recent summary is available at **Scherck, Richter Co., St. Louis,** who also are distributing a new detailed description of **Steel Products Engineering.**

An interesting summary of the progress made by **Scullin Steel Co.** in debt retirement and description of the **First Mortgage 3%-6% Bonds due 10-1-51** has been prepared by **Stifel, Nicolaus & Co., Inc.** Available through the same firm is a new report on **Anheuser-Busch capital stock.** The market in **St. Louis Bank Stocks** continues strong with prices up materially since the first of the year. The bid side is best at the moment. Copies of their 1944 Manual of St. Louis Bank Stocks can still be obtained from **G. H. Walker & Co.**

Why Interest Rates Remain Low

(Continued from page 1610)

funds: (1) the reservoir represented by the funds of commercial banks, and (2) the reservoir represented by the funds of all other corporations, individuals, political and social bodies except the Federal Government. And as a corollary of that, we might conclude that, if there are two reservoirs of funds, there are probably two supply-demand relationships, each of which could have an important effect upon interest rates more or less in proportion to the size of the reservoir."

Pointing out that although commercial bank excess reserves have declined from $7 billions to $1 billion in the last three years, the supply of currency has risen from $8 billion at the end of 1940 to $20 billion at the present time.

"There you have," continued Mr. Foster, "a 2½ fold increase in one of the elements of the public's supply of funds. But let's admit that currency may have expanded in exact proportion to the public's demand for cash in this particular form and may not, therefore, represent an excess supply of funds available for investment. Let us then consider the public's cash position in terms of deposits—demand deposits in commercial banks."

These deposits, it was pointed out, arise from two sources, (1) loans granted by the banks to borrowers and (2) cash deposits representing working balances of corporations, individuals, and others, with the exception of the Government. It is the relatively large amounts of the second class of deposits, i.e., cash deposits, which has permitted the heavy Government borrowing without effecting a substatial rise in interest rates.

Continuing, Mr. Foster stated:

"It is this situation, I think, which explains the fact that interest rates have stayed steady while the Government's borrowings increased, and while 'excess reserves' of the banks declined: Interest rates were prevented from rising by the pressure of tremendous and increasing excess funds in the hands of the public—funds which eventually seek investment.

"Of course, one can say that, after the war, the Government will still be in the market for new funds, and that there will also be great need for borrowing, by business for the erection and conversion of its plant and equipment, and by consumers for the purchase of consumers durable goods of all kinds. Such a statement may prove to be correct. However, in view of the magnitude of the Government's recent borrowing operations, it is by no means clear that after the war the combined demands of Government, business and consumers for new capital will, except perhaps for brief periods, exert as much pressure on the available supplies of investable funds as has recently been exerted. A fact which particularly appeals to me is that in one way or another industry has been and is being financed at today's record breaking level of production and that interest rates remain at the lowest levels in history.

"The conclusion that I arrive at by putting these various ideas together is this: We have been and continue to be in an excessively easy money condition—a condition so easy that Government borrowings of $72 billion of new money within a 12 month period were unable to cause interest rates, on the whole, to budge. Under the circumstances, I feel that we now lack any very compelling or convincing reason for expecting higher interest rates. And, in the absence of such a reason, I for one would prefer to accept interest rates as they are and adjust our operations to them. I have in mind the great mistake that so many institutional investors made during the thirties. Continually hoping that interest rates would start to rise again, they refrained, year after year, from making long term investments. And, year after year, they passed up investment opportunities such as they have never seen since. Let us not make the same mistake now. Let us not pass up the advantage of present yield possibilities by speculating for the 'more favorable opportunities of the future' that often do not materialize. Let us, to the contrary, adjust our sights to the present conditions of the money market. In the case of insurance companies this means, in many cases, the adjustment of the interest rate assumption to conform to current yield conditions; and in the case of mortgage bankers I should think it would mean the proper adjustment, whatever that may be, of mortgage rates to conform to the yields currently obtainable on other competitive types of investments, such as, particularly, fully taxable long term Governments."

The Business Man's Bookshelf

Camillus: The Story of An American Small Business—Alfred Lief—Columbia University Press, New York City—cloth—$2.00.

Handbook of Commercial, Financial and Information Services—Walter Hausdorfer — Special Libraries Association, 31 East 10th Street, New York 3, N. Y.—$3.00.

Petroleum and American Foreign Policy—Herbert Feis—Food Research Institute, Stanford University, California—paper—50c.

Price Making in a Democracy—Edwin G. Nourse—The Brookings Institution, Washington, D. C.—cloth—$3.50.

Production of Industrial Materials in World Wars I and II—Geoffrey H. Moore—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50c.

Steel Waste, a National Issue—Steel Case Research Committee of the Steel Industry—paper.

Bond Club Of Detroit Holds Dinner Tonight

DETROIT, MICH.—A. C. Allen, of Blyth & Co., President of the Bond Club of Detroit, announces that the Club's 28th Annual Dinner will be held on Thursday, April 20th, in the Wayne Room of the Statler Hotel, at 7:00 P. M.

Feature of the evening will be a debate on the subject—"Management-Labor Relations In The Post War Period".

John L. Lovett, General Manager of the Michigan Manufacturers Association, will speak for Management and Victor Reuther, Assistant Director, War Policy Division U.A.W.-C.I.O., will speak for Labor.

Douglas H. Campbell, First of Michigan Corporation, is Chairman of the Entertainment Committee.

Prospects For Return To Gold Standard After War

Abraham & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other Exchanges, have issued an analysis of the gold situation and the prospects for a return to an international gold standard after the war. Copies of this interesting study may be obtained from Abraham & Co. upon request.

Michigan Brevities

There are additional indications that the holdings of the late Edsel Ford in the Manufacturers National Bank of Detroit will be sold in the near future and both Detroit and New York brokers are vieing for this business.

Although it is not generally known, the Ford-owned Seaboard Investment Company owns about 40% of the outstanding 60,000 shares with about 42% held by the Edsel Ford estate. Only the latter block would be marketed, in all probability.

The stock is currently quoted 165 bid, offered at 175.

* * *

The compromise settlement whereby Prentiss Brown, former U. S. Senator from Michigan, will become chairman of the Detroit Edison Co. was one of the high spots of Detroit financial news.

Mr. Brown was the candidate of William G. Woolfolk and the American Light & Traction Co., which owns about 20% of the Edison stock, and originally he was slated to be President.

When the local group balked at this—they also had the support of Director James L. Fogarty of North American—, the deal was made whereby James Parker was promoted from Vice-President to President and the new post of Chairman created for Brown.

The new officers will take over after approval at a stockholders' meeting which is to be called in about three or four weeks.

* * *

Charles Sorensen, former Ford production genius who recently resigned as Vice-President, is the subject of more rumors than any one in the business world.

Gossip has had him with General Motors, as a General in charge of the Army's interest in Willow Run, with UNRRA in government service, with F. L. Jacobs Co., and even back with the Ford Motor Co.

* * *

With the auto industry's leaders in Washington to meet on reconversion problems, the problem takes on new importance.

There has been talk that Hudson might be allowed to build some new cars. It is known that WPB's Nelson and Wilson favor resumption of production of new cars in the not too distant future.

However, one point that the auto industry will fight for is an equal start for all members of the industry. Secondly, they would like to get a joint commitment that all firms would start off on the '42 models so that no one would get a head start model-wise.

Arrangements have been completed by the Miller Manufacturing Co. for the public distribution of 95,000 shares of $5 convertible Class A stock.

Offering of the shares, each of which will be convertible into three shares of Miller $1 par common, will be made at $10 a share by a nationwide syndicate headed by Baker, Simonds & Co. of Detroit, Van Alstyne, Noel & Co. of New York and Straus Securities of Chicago.

Proceeds will go towards the purchase of Rieke Metal Products Co. of Auburn.

* * *

Personal Notes: National Bank of Detroit now has three gold stars on its service flag, two being added in a 24-hour period. . . . Collector of Internal Revenue forced the Detroit office of Securities Exchange Commission out of its quarters and it is now located at 1074 Federal Building. . . . Banking circles buzzed with news of the organization of a Negro small loan organization, which, according to its officers, will eventually become a full-fledged Negro bank—Detroit's first.

Fire & Casualty Manual

White & Company, Mississippi Valley Trust Building, St. Louis, Mo., announce the publication of their 1944 "Fire and Casualty Insurance Stock Manual," which includes a Bank Stock section. This attractive brochure contains full-page descriptive matter on some 38 issues, as well as a page devoted to pertinent facts toward proper appraisal. Copies of the brochure are available to dealers on request from White & Company.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

First quarter statements of leading New York City banks fulfilled the generally optimistic expectations of well informed followers of the bank stocks. Compared with the first quarter of last year, indicated earnings per share for the first quarter of 1944 of 15 leading banks, averaged approximately 24% greater, and book value per share 5.0% greater. The market has given some recognition to this favorable development and, as measured by Standard and Poor's weekly index of New York City bank stocks, currently stands at 99.9 compared with 92 a year ago, or 8.6% higher.

In the accompanying tabulations, Table I and Table II, comparative figures for 15 banks are given for the two periods. In Table I indicated earnings and book value are shown, and in Table II, deposits and earning assets.

	Indicated Earnings 1st Qtr. Per Share		Book Value Mar. 31 Per Share	
	1943	1944	1943	1944
Bank of Manhattan	$0.30	$0.43	$24.38	$25.26
Bank of New York	5.58	6.72	350.63	362.19
Bankers Trust	0.76	0.88	46.48	50.67
Central Hanover	1.25	1.30	96.12	99.45
Chase National	0.58	0.71	33.77	37.57
Chemical Bank & Trust	0.62	0.71	40.40	41.50
Corn Exchange	0.30	0.94	48.38	49.69
First National	17.14	23.66	1217.58	1250.26
Guaranty Trust	4.00	6.19	314.94	326.96
Irving Trust	0.19	0.24	21.02	21.38
Manufacturers Trust	0.91	0.99	39.80	42.24
*National City	0.46	0.49	33.22	38.54
New York Trust	1.15	1.60	84.57	86.06
Public National	0.69	1.00	46.82	48.93
United States Trust	16.05	16.88	1505.83	1519.38

*Includes City Bank Farmer Trust.

	Deposits March 31		Earning Assets Per Share	
	1943	1944	Mar. 31, 1943	Mar. 31, 1944
Bank of Manhattan	$862,797,000	$949,586,000	$333.58	$388.81
Bank of New York	308,698,000	347,275,000	4,222.51	4,886.38
Bankers Trust	1,434,002,000	1,647,765,000	477.43	589.06
Central Hanover	1,422,819,000	1,553,038,000	1,083.59	1,277.19
Chase National	4,203,291,000	4,457,582,000	464.52	515.28
Chemical Bank & Trust	1,041,405,000	1,206,320,000	432.51	518.06
Corn Exchange	512,996,000	603,997,000	542.15	649.15
First National	882,707,000	939.721,000	8,110.12	9,555.72
Guaranty Trust	2,666,261,000	2,940,179,000	2,681.16	3,050.40
Irving Trust	888,494,000	1,027,501,000	155.13	185.55
Manufacturers Trust	1,344,604,000	1,562,527,000	642.41	678.90
*National City	3,444,554,000	4,074,554,000	450.34	551.97
New York Trust	596,585,000	694,918,000	993.37	1,000.72
Public National	243,970,000	339,688,000	512.51	732.66
United States Trust	111,646,000	125,306,000	5,798.69	6,486.40

*Includes City Bank Farmers Trust.

It will be noted in Table II that deposits are substantially higher than a year ago for each of the banks. The total for the 15 banks aggregated $22,469,957,000 on March 31, 1944, compared with $19,965,225,000 on March 30, 1943, a gain of over $2,500,000,000 or 12.5%. In consequence, the earning assets per share are also considerably greater than a year ago, the average gain for the 15 banks being approximately 17.3%.

Dividends are unchanged and, furthermore, appear secure for the duration, with prospects of a few increases after the war. It is thus of interest to note that currently the average yield of these 15 stocks is 3.8%. The stocks which give the highest yield are First National at 4.9% and Corn Exchange at 4.7%, while those which give the lowest yields are Bankers Trust at 2.8% and National City at 2.7%.

White In New Quarters

CINCINNATI, OHIO — J. A. White and Company, specialists in Ohio municipal bonds, announce the removal of their offices from 2505 Union Central Building to larger quarters at 1425 Union Central Building.

Future of Air Transport

(Continued from first page)

making such a plan effective since few, if any, of them had much beyond their practically obsolete planes. They needed capital for new equipment and for a small payroll so the first step in making an airline was to find an angel, usually a citizen with a great deal of money and likewise imbued with imagination. Unfortunately in those days bankers viewed such undertakings with more than the usual skepticism. In justice to the bankers it must be explained that their attitude today is entirely different. But, going back to that old time, once an angel was found and new equipment ordered, the next step was to hire a publicity agent in order that the community could be kept aware of this new means of travel and perhaps additional angels be acquired. And promptly it was desirable to hire a so-called legislative engineer to obtain a contract for the carrying of mail. With such a beginning accomplished it needed only the most astute and pinch-penny management to keep it alive.

The developmental problems of the airlines were multiple. First, public confidence in this new means of transportation had to be obtained if a sufficient number of passenger sales were to be made. Secondly, the development had to be made out of capital and not out of earnings. Because of its novelty public acceptance could not be expected until the airline had made its services more speedy, more perfect, more reliable, and more safe. This had to be done from capital and not from earnings. Many other industries have been able to finance at least some of the growing development of products through sales dollars. This is true of the automobile, radio, refrigerator, and other industries where the consumer dollars were used year after year to develop early products to a high degree of perfection. The airlines could not do much of this as they had to be as nearly perfect as possible at the start if public acceptance were to be obtained.

What really gave the impetus to airline growth was the fact that mail could be carried faster by air. While air mail service was instituted in 1918 the idea itself was not new. In 1911 during a week of demonstration flights approximately 40,000 pieces of mail had been flown from the small town of Nassau Boulevard on Long Island to Mineola, a distance of three miles. In May, 1918, regularly scheduled air mail flights were established between Washing and New York and later expanded to transcontinental service. This service was performed by the Government under the Post Office Department from 1918 to 1925. For the three following years during the transition to private air carriers both the airlines and Government planes carried the mail. From those years we can get an excellent idea of the economy of private management. In 1927 the Government mail planes flew 2,329,553 revenue miles and the private carriers 2,805,781 revenue miles. Government costs were almost twice as much to perform the same air mail service as were private operators' costs. The Government operation that year cost a total of $2,255,919 for an average cost per plane mile of $.968, as against a total for the private airlines of $1,363,228 at an average plane mile cost of $.486.

In those early days of airline development air mail provided the most important portion of revenue. In 1931 mail provided 82% of all revenue and passengers 17%. Today air mail accounts for only approximately 20% of the revenue received by the airlines, while passenger fares provide about 75% of income with air express accounting for the balance. While these are the average figures for the overall domestic airline picture naturally there are a few of the smaller airlines still dependent upon air mail for a large part of their income.

In spite of the fact that air mail service had been instituted in 1918 it was not until 1926 that aviation entered the transportation industry. This was brought about by the passage in Congress of the Air Commerce Act and establishment of the Aeronautics Branch of the Department of Commerce. It was in this same year that Congress authorized a five-year plan to provide our military services with airplanes but somehow the plan was lost in the shuffle. In 1923 there were in the United States 11 airlines and they carried 5,782 passengers. The number of airlines increased each year and four years later in 1930 there were 38 airlines which carried 374,935 passengers in 497 planes. 1930 witnessed the greatest number of individual companies in the domestic air transportation business to date. In the next six succeeding years there was a reduction in numbers of companies as consolidations and eliminations took place and in 1937 there were only 17 domestic airlines in the United States, the number we have today, and which 17 airlines in 1941 had 359 planes before a Presidential order took half our equipment for the army.

In each year of airline operation, with the exception of 1934 when the ill-advised cancellation of the air mail contracts took place and the army undertook to fly the mail with most unfortunate results due to unsuitable equipment, there has been an expansion of scheduled airline flights. With that expansion there was greater utility for the use of equipment. In 1928 each plane was flown an average of 38,000 miles a year. Two years later the average had almost doubled to 64,000 miles and in 1941, the last year of normal operation, it was more than 370,000 miles per plane and today it is even greater.

This better utilization of existing equipment has made for more profitable operation. And as the airline services expanded both in operations and in volume of passengers carried, so did the average length of passenger trip. In 1930 that trip was 224 miles and in 1941 it was 367 miles.

The future of air transportation is dependent upon many factors, one of which is the ability to develop a profit on invested capital. With the growth of the number of air transportation companies it was natural that not all of them would be profitable. There are few industries in which all components make money. It is interesting, however, that the profits shown by the money-making lines, beginning in the fiscal year of 1939, exceeded the losses suffered by those other lines yet to establish a profit. Of the 14 airlines whose financial statements in Moody's Manual are shown for 1941 six operated at a combined profit of almost $8,000,000 and the other lines showed an aggregate loss of a little more than $1,000,000. With the downward trend in the unit return we may expect for performing air mail service it becomes more apparent that our revenue will have to increase through the expansion of the passenger and express services we may anticipate following the victory when airplanes will be available and when some of the numerous new routes now applied for have been established.

We are today carrying 200 pounds of mail at about the same rate as we do a 200-pound passenger and we make more money from the passenger because the passenger loads and unloads himself at terminals whereas mail requires much handling in addition to much paper work.

There has been a great deal written about the potential profitable business for the airlines in air freight. The development of this phase of the air transportation business hinges to a great degree upon the efficiency of the types of airplane equipment which will be avaliable for use after the war. We know the Army Transport Command and Naval Air Transport Service have demonstrated that it is possible to carry cargo which might include tractors, jeeps, field guns, and even Chiefs of State to any part of the world. This however, is no criterion for the airlines since the fine job those military services have done was in the course of the war where cost is probably the least interesting factor. Exactly what the full potentialities of air cargo may be in the future are hard to determine at this time because they require a number of indeterminate guesses made under conditions which surely will not exist five years after this war. A number of the airlines have taken cognizance of the potential in air freight and have formed Air Cargo, Inc., which is completing an exacting study of the problem. Today Air Express is collected and distributed by the Railway Express Agency. It is not necessary to point out that the development of air cargo currently is almost out of the question since the airlines are suffering badly from lack of planes and unfor-

(Continued on page 1627)

Mutual Funds

"What Industries In 1944?"

Hugh W. Long & Co. has followed up its announcement of the results of its "Industry Selection" contest with a tabulation of the individual votes in the April 15 issue of **The New York Letter.** This tabulation reveals that although the rails lead the list for first place with 88 votes as against 57 for railroad equipment and 46 for steel, the railroad equipment industry was actually the favorite in total votes scored.

The contest called for the naming of the first seven groups in performance for 1944 and, in total votes scored on this basis, the railroad equipment industry received 287 votes to top the list, as against 231 for the railroads and 225 for the steels, which ran a close third in preference.

The **Letter** also contains a chart showing the market action of the various Series of **New York Stocks, Inc.** during the first quarter of 1944. This chart reveals that the **Railroad Series** far outdistanced all others for the three months' period, with **Railroad Equipment** and **Steel** scoring only moderate gains. However, the **Letter** hastens to point out that "the leader at the first furlong doesn't of necessity win the race."

* * *

Distributors Group has published a new folder on **Railroad Equipment Shares,** "An Undervalued Group." Among the interesting data contained in this folder is an estimate of post-war earnings for the 15 leading railroad equipment stocks currently held by **Railroad Equipment Shares.**

These 15 leading railroad equipment stocks earned on average $2.76 per share in 1943, compared with $2.75 in 1937. Yet today these stocks are selling on average at less than 9 times earnings, whereas in 1937 they sold at over 22 times earnings.

"A careful estimate of their earnings in the first full post-war year indicates an average per share net of $5.99, or more than double their 1943 earnings. On this basis, even should these stocks continue to sell at only 9 times earnings, they would more than double their current price in the first full post-war year."

The letter accompanying this new folder concludes as follows: "In the opinion of our Investment Research Department, selected railroad equipment stocks are substantially undervalued today and afford one of the most promising opportunities for capital appreciation in the early post-war period."

* * *

In the current issue of **Keynotes,** a sensible and timely plea for "A 'Dividends-Paid Credit' for Corporations" is made by **Keystone Corp.** There has been increasing agitation for this type of tax reform lately and **Keynotes** makes a point for such reform in clear and simple language.

"Let's assume that a corporation earns $10 a share before taxes. Under our present system of double taxation, the corporation is taxed at a rate that may be 70%—which takes $7. The remaining $3 may then be paid to the shareholder and may be taxed again at rates varying from 20% to 90%. After paying his individual tax, the shareholder has from 30¢ to $2.10 out of the $10 of earnings."

* * *

"How Much Further Profit in Preferred Stocks?" is the title of a new eight-page folder from **Lord, Abbett,** sponsor of **Union Preferred Stock Fund.** This study—for it may rightly be called such—shows exactly where the 35 preferred stock in the portfolio of **UPS** stand today in relation to each of the past three years with respect to earnings and market prices. The conclusion is left to the reader but it is quite clear from the figures that there is still a large appreciation potentiality in discount preferred stocks—particularly in the public utility section of the list.

Another current publication from **Lord, Abbett** takes the form of a 16-page, pocket-size booklet entitled "VALUE as a Basis of Income and Security in Bond Investment." This booklet discusses the various measuring sticks which are used in determining bond values and expresses a definite opinion as to the value of each. The following various forms of selection: (1) by Legal List, (2) by Rating Agency, (3) by Industry, (4) by Geographic Section, (5) by Yield, are all taken to task as possessing basic fallacies. "Value Selection," based on the premise that value is "where you find it," is stressed as the fundamental approach to the management of the bond portfolio.

This discussion is related to **Union Bond Fund "A."** An interesting table listing facts about the issues in the **UBA** portfolio is included. This information is also supplemented by an issue of **Abstracts** in which the market performance of **UBA** since Jan. 1, 1941, is tabulated and other current statistical data are presented.

* * *

"The Renaissance of the Railroads" is the subject of **National Securities & Research Corp.'s** current issue of **Investment Timing.** In customary thorough fashion this discussion covers the various factors in the railroad situation today, including the factors now curtailing earnings, the progress in debt retirement, the 1944 outlook, transportation competition and the market valuation of railroad securities.

In conclusion it is stated that "More than four years of war-induced increase in freight and passenger traffic have given the railroads a new lease on life and their securities a return to popular favor. . . .

"The vastly improved fundamental position of the rails has not yet been fully discounted by recent advances in market quotations for both railroad stocks and medium - grade bonds. The post-war earnings outlook for the carriers, in relation to the prices of their securities, is favorable."

"Gold in Demand" and "Farm Speculation" are just two of the interesting paragraph headings in the current issue of **Selected Investments Co.'s** little weekly publication "These Things Seemed Important." With respect to gold it is pointed out that last week the Reserve Bank of India sold gold in Bombay to eager purchasers at a price of 78 rupees, 8 annas per tola. Translated at current exchange rates, this means the people in India were paying more than $63 an ounce. Gold brings only $35 an ounce in the U. S.

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National Bond and Share Corp. reports that net assets on Mar. 31, 1944, amounted to $8,662,387, equivalent to $24.06 per share on 360,000 shares of outstanding capital stock. This compares with net asset value of $23.60 per share on Dec. 31, 1943.

Investment Literature

George Putnam Fund—A portfolio folder showing investments owned on April 1, 1944, and including one of George Putnam's inimitable letters to shareholders. . . . **Massachusetts Distributors**—A current issue of **Brevits** discussing "Planned Economy and Private Enterprise." . . . **Eaton & Howard, Inc.**—A folder showing the record of "Twelve Years of Stewardship" with respect to **Eaton & Howard Balanced Fund. . . . Commonwealth Investment Co.**—A new prospectus dated March 31, 1944. . . . **Distributors Group**—A memorandum "How Important Is Income?" on **General Bond Shares,** together with a revised folder on that Group. Also a current issue of the monthly **Investment Report. . . . National Securities & Research Corp.**—A revised folder on **National Securities Income Series. . . . Hugh W. Long & Co.**—A current issue of **The Railroad Investor** quoting Standard & Poor's on the railroad outlook and showing the performance of **New York Stocks' Railroad Series** versus the Dow-Jones Rail Average since the Dunkirk low. Also a monthly portfolio folder on **Manhattan Bond Fund. . . . Lord, Abbett**—A new prospectus on **Union Trusteed Funds** dated March 17, 1944. . . . **Hare's Ltd.**—A folder entitled "Aviation Expansion After the War."

Dividends

New England Fund—A dividend of 15¢ per share payable May 1, 1944, to shareholders of record April 20.

Boston Fund—A quarterly dividend of 16¢ per share payable May 20, 1944, to shareholders of record April 28.

End Multiple Taxes On Trust Shares

Governor Dewey signed on April 4 the Bewley bill, designed to prevent double and occasionally triple taxation of the same transfers of stock and other corporate certificates. Reporting this advices from Albany to the New York "Times" stated:

The new law exempts from transfer tax sales of the stock or certificate of an investment trust between the investment trust and an underwriter, between an underwriter and a dealer in securities or between an underwriter or dealer and an investor.

Situation Of Interest

A circular analyzing the problems of Boston Terminal Company has been prepared by E. W. Clucas & Co., 70 Pine Street, New York City, members of the New York Stock Exchange. Copies of this interesting analysis may be had upon request from E. W. Clucas & Co.

Commodity Price Regulation And Reconversion

(Continued from first page)

should govern this important element of reconversion. The Reports are singularly silent even as to price policies that should be followed in the reconversion process. With minor exceptions these parts of the general problem are treated only by inference or their determination is postponed, being allocated to the central demobilization agencies whose establishment they recommend. Both Reports concern themselves only with the disposition of the "surplus goods owned by the Government" and would let the agencies, in the words of the Senate Report, "determine the necessity for continuing or relaxing price controls, rationing and allocation of materials, in order to keep the economy on an even keel." While the agency is to operate "under broad principles laid down by the Congress," no such principles are even suggested with respect to "price controls, rationing and allocation of materials," and apparently none is to be laid down except and until the agencies recommend.

Quite plainly neither of these Reports was minded to come to grips with the basic question whether the government controls of production and prices should be lifted straightway once the war ends. The Senate Report did declare that the "paramount consideration in the handling of all demobilization problems should be the preservation and strengthening of the American system of free competitive enterprise," and the other Report in a sentence tells how the productive capacity of our individual enterprise system exceeds that of Communism, Fascism and Nazi-ism, how desirable it is speedily to extricate our Government from industry, and to close "the books on the war as quickly as possible," not leaving "the government after the war a jackpot of controls which invites every pressure group to hit it." Nevertheless, the Reports are replete with proposals that directly require long continuance of the "jackpot of controls," which wittingly or unwittingly, may well make for totalitarianism. It is unfortunate that neither report takes as a major theme the absolute necessity of wiping out the whole array of war controls if our individual enterprise system is to be rehabilitated.

Among the various war controls price control is less defensible than control of manpower and physical materials, and it rests on a different basis. The war is fought by men and materials—they are indispensable in destroying the enemy, and the state is warranted in drafting and controlling labor; and in requiring the maximum production and conservation of materials. Such warrant as obtains for rationing and price control of civilian goods lies in shifting the costs of war as among social classes, from what the incidence would be under a free economy: they are designed to defeat the use and natural effect of the plethora of money that war financing puts into the hands of the people. In order to arouse and then maintain the maximum effort of the people, it is deemed expedient to bribe them by high wages and profits; but the present enjoyment of the higher incomes is straightway defeated by rationing and price control, as well as by taxation, bond purchases and forced saving.

All these controls are inconsistent with the freedom of spirit and action characteristic of the individual enterprise system. They are tolerated by the people in wartime only because they are thought to promote the successful prosecution of the war. During the war patriotism, common dangers and common objectives make the people tolerate these irksome controls, on a larger scale and more intensive as the war proceeds. The controls may reach, are likely in fact to reach, the stage of totalitarianism, which is the very pole of the individual enterprise system.

At the conclusion of the war there is only one way to restore the traditional American system of private enterprise, constitutional government, and personal freedom: the war controls must be abandoned, as well as many of the controls initiated during the depression of the 1930's. During that decade the trend toward totalitarianism was pronounced, and the war greatly accelerated the peace. Never in our history have we departed so far from the first essentials of the traditional American way of life, and it can be retrieved only by sharp decision, unequivocal determination, and persistent effort. And it will require sacrifice, patience and courage. Although we note the cumulated irritation from rationing, price ceilings, priorities and material allocations, we cannot count on it mounting to an irresistible demand for the immediate restoration of free enterprise and free markets. After a decade of toleration, interests will have become vested who will find for continuance of controls and theorists will rise to defend them and even to argue for a totalitarian economy.

One group will be apprehensive of inflation, another of deflation, if the controls are removed. These apprehensions have some warrant in theory and in precedent, but they fail to give due consideration to the necessities of the individual enterprise system. If the price of any commodity rises or falls with respect to the prices of other things due to scarcity or plethora, the rise is tell-tale and self-corrective: it is prices that direct production and distribution; it is prices that guide the economic system when markets are free, instead of the dictator in a totalitarian regime or the OPA Director in our war economy. On the one hand, high and rising prices make for more production, bigger profits, higher wages, and prosperity; and on the other hand, they cut the demand, making the people ration themselves. Shifts in supply and demand soon bring prices into line.

If it be general inflation that is feared—on account of an excessive supply of money—it cannot be obviated by price control and rationing devices in time of peace, nor is it likely that it can be obviated by increasing the supply of goods. Without the toleration and cooperation of the people, as in time of war, the control devices are doomed to break down; and if the money supply has been jumped two, three or more fold, it is beyond physical possibilities to jump the volume of production comparably. Efforts to hold down the price level will only delay the rise. The only effective technique would be the imposition of very high taxes on the income receivers and the destruction of the money received. The present prospect is that for the rest of the war and for a long time after the war more money will be created than destroyed, and inflation will proceed willynilly. In other words, if rationing and price controls are kept after the war ends with a view of obviating inflation, there can be no stopping — we shall surely proceed to totalitarianism. It seems the greater wisdom to discard controls and let the price level adjust itself to the supply-demand situation quite soon after the war.

The coming depreciation of the dollar will merely allocate and distribute the monetary cost of the war after the manner prevented during the war by the resort to price ceilings, rationing and other controls. Recently the Price Administrator has boasted that his price controls have saved the people of our country $67 billions; even grander estimates of alleged savings from price controls by more imaginative advocates have appeared. This is utter deception. One group of people saved in expenditure what another lost in receipts; as a nation there was no saving. What really transpired was that, for the time being and to the degree prices were stabilized, all creditors, receivers of fixed incomes, owners of money and bank balances were not despoiled by debtors, employers, and owners of equities and land. At the best the price controls merely postponed the effects of inflation.

The allocation of materials, tools and equipment may be a means of indirect price control, and it too will make for totalitarianism if continued far into peacetime. In free markets prices wil distribute these items in such a way as will accomplish the optimum advantage from our resources, the fullest employment of our people, and the maximum volume of consumable goods and services. No Fuehrer, surrounded by all the superior minds can assemble as advisers and directors, can do the job so well. A government truly interested in encouraging production and employment will assure all its citizens full freedom of contract and the right to enjoy the fruits of their toil. When a government tries to promote the welfare of favored groups of its citizens, it proceeds by restricting the freedom of the market, the freedom of contract of sale or hire, and substitutes arbitrary laws and directives, so that the individual citizen no longer has the opportunity to provide for his own needs by using his talents in the fittest way and as his ambitions and desires may direct.

Scarcely anything could be worse in defeating reconversion of industry from war to peacetime basis than Stabilization Director Vinson's recent "2% profit directive," stipulating an arbitrary profit ceiling on production—that average pre-war price margins over cost are to apply on all mandatory production of civilian goods so long as W.P.B. directs the national production pattern. The extension of such mandatory production programs to many lines and with narrow profit margins is a sure way of perpetuating price and other controls. This directive typifies government action in trying to promote the welfare of one group of citizens (in this case the consumers, wage earners) at the expense of another group (entrepreneurs).

The war has distorted and dislocated our economy beyond description. The changes have been wrought by government requirements; and it is logical and just to expect help from the government in restoring the economy and repairing the damage. That the controls cannot be scrapped overnight when the war is won wil command common consent. The general attitude toward government controls is perhaps that they should be thrown off as soon as production begins to come within striking distance of demand, as soon as enough civilian goods reach the market to absorb the surplus purchasing power. Eccles recently declared that such controls "are a form of insurance against economic disaster" that is, inflation, and he urged Congress to extend them for a period of two years after the war. Whiteside asked a "postwar quota system for three years to peg activity at 1939 levels." A prominent columnist recently argued that both the United States and England must endure a more rigid food rationing after the war than they now endure, in order to relieve suffering humanity in Europe, at least until the first full harvest there; and similarly it is said that gasoline and oil allotments for civilian use will continue severely restricted after the war, for any decrease in needs for military purposes will be offset by rehabilitation demands in liberated countries.

All these citations indicate that the extrication of our individual enterprise system from the thraldom of war controls will be a difficult task, for the continuance of the controls will be supported by the bureaucracy reluctant to abandon positions of safety and power; by theorists who advocate government regimentation and the redistribution of wealth; by the industrialists who lack courage and seek protection and subsidy from government; by visionaries bent on saving the world; by labor and other groups who have enjoyed favors from government during the war; and by those who have lost faith in private enterprise.

It is of fundamental importance that the controls and at the earliest possible moment and that the country be assured that this is the government policy, Too much attention to the "orderly demobilization of the war machine" and to the prevention of runaway prices is too likely to perpetuate the war controls. Private enterprise can live and flourish only in freedom under law—freedom from the discretionary managerial authority of bureaucrats. Its peacetime functioning canont be successfully combined with wartime controls. These controls must end with the war.

The CHRONICLE invites comments on the views expressed by Dr. Westerfield in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce St., New York (8), N. Y.

Books Closed on Offering Of National Bank of Tulsa

It is announced that subscription books have been closed on the public offering of 125,000 shares of common stock of the National Bank of Tulsa, Okla. The advices to this effect were made by Merrill Lynch, Pierce, Fenner & Beane who headed the distribution. The offering, referred to in our issue of April 6, page 1413, was oversubscribed.

N Y Bank Stocks Compared

An interesting tabulation of comparative figures for leading New York banks and trust companies as of March 31, 1944, has been prepared by the New York Hanseatic Corporation, 120 Broadway, New York City. Copies of this interesting table may be had upon request from the New York Hanseatic Corporation.

SOUTHERN RAILWAY COMPANY

Fiftieth Annual Report for the Year Ended December 31, 1943

Richmond, Va., March 25, 1944.

To the Stockholders of
SOUTHERN RAILWAY COMPANY:

The Board of Directors submits the following report of the affairs of the Company for the year ended December 31, 1943, which is the annual report it is contemplated formally to present to the stockholders of the Company at the annual meeting due to be held on May 16, 1944.

Foreword

In the second full year of war the American railroads were again called upon, in an increasing degree, to demonstrate their indispensable place in the Country's war effort—their fundamental function being the transportation of the bulk of the sinews of war and the men who make war with them.

The story of 1943 is a record of this job well done. The detailed report to follow shows that this Company, in earnest cooperation with the other railroads, the shipping and traveling public and with the many branches of the United States Government, did its full part in the accomplishment of the unprecedented task.

The officers and employees of the Company, conscious of their patriotic privilege, again renew their pledge to continue their unremitting efforts until the war is won.

The experience of 1943 justifies repeating the admonition in the Report for 1942 as to the temporary character of wartime earnings, and a stronger emphasis upon what may probably be more permanent, namely, the increased and constantly increasing burden of expenses and taxes with their inevitable depressing effect upon net earnings. As will be shown in this Report, the Company's accomplishment in reducing fixed charges is noteworthy, but, unfortunately, must be contrasted with the uncontrollable increases in wages, taxes and the cost of materials.

Detailed account of the year's activities follows:

The Year's Business

The revenue from the operation of the railroad in 1943 was $245,532,051, an increase of $40,926,470, being 20% more than the previously high recorded gross revenue of 1942.

The ebb and flow of the Nation's business through the years is well illustrated by the peaks and depressions in the Company's records of gross revenue. In 1926, the peak year of the prosperous twenties, the Company received gross revenues of $155,467,000. In 1932, the depth of the depression, the gross fell to $72,986,000. War traffic in large measure produced the new all-time record of $245,532,000 in the year just closed.

Both freight and passenger revenue attained new high records in 1943, the increase in freight revenue amounting to $16,164,015, or 10.32% more than in 1942, while the passenger revenue increased $21,394,902, or 59% over 1942. Passenger revenue constituted 23% of gross revenue, a new high proportion for this business since 1918.

The following comparative statistics show the extraordinary war time traffic conditions:

	1943	1942
Freight moved (tons)	61,747,215	61,330,812
Average distance moved (miles)	247.79	223.01
Ton miles	15,300,520,696	13,677,367,475
Average revenue per ton mile	1.129¢	1.145¢
Total freight revenue	$172,799,049	$156,635,034
Number of passengers	14,678,774	10,188,896
Average journey (miles)	177.52	175.45
Passenger miles	2,605,816,163	1,787,627,108
Average revenue per passenger per mile	2.213¢	2.029¢
Total passenger revenue	$57,660,240	$36,265,338

Large as were the increases in gross revenue, the 1943 increases in Operating Expenses and Railway Tax Accruals were even greater:

Operating Expenses were $136,604,153, an increase of $22,857,416, being 20.10% more than in 1942, the rate of increase being thus slightly greater than the 20% increase in gross revenue just stated.

Railway Tax Accruals, including the accruals for Excess Profits Taxes, amounted to $70,437,236, an increase of $28,948,841, being 69.78% more than in 1942 (due in large part to the extinction of excess profits credit carry-over) and equivalent to nearly 29¢ out of every dollar of gross revenue.

The breakdown of expenditure out of each dollar of revenue among the several general heads of Operating Expenses was as follows:

	1943	1942
Transportation of the traffic	25.25¢	26.79¢
Maintaining roadbed and structures	10.96¢	9.61¢
Maintaining rolling stock	15.12¢	15.09¢
Traffic expenses	1.12¢	1.13¢
General expenses	2.24¢	2.09¢
Incidental expenses	.95¢	.88¢
Totals	55.64¢	55.59¢
Taxes	28.68¢	20.28¢
Total expenses and taxes out of each dollar of revenue	84.32¢	75.87¢

After deducting Operating Expenses, which included sharply increased Wages, and after Taxes and Equipment and Joint Facility Rents, there was left but 14.56¢ out of each dollar of operating revenue to meet fixed charges, finance capital improvements, buy new equipment, retire debt, lay by a small reserve for rainy days, pay a modest return to the owners of the property, and for the numerous and necessary corporate obligations of every other kind.

Operations and Maintenance

Despite the growing shortage of manpower, the inability to obtain substantial additions to motive power until late in the year, and the extraordinary volume of freight and passenger business, operations were conducted with safety, as shown by the lowest percentage of casualties per train mile in the Company's records. Operating efficiency also increased, as shown by the lowest transportation ratio in the history of the Company, this ratio for 1943 being 25.25%, as compared with 26.79% in 1942.

With an increase of only 2.75% in the aggregate tractive power of locomotives available in 1943 as compared with the pre-war year of 1939, for example, total freight and passenger locomotive miles increased last year to 47,971,839, a record for the Company; and an increase of 43.81% over 1939. This indicates the greater rapidity of repairs and the faster "turn-around" of the available power.

The large increases in traffic in 1943 were accompanied by even larger increases in maintenance expenditures. Labor rates were higher, inexperienced new employees and shortage of labor added to the burden, while the unit cost of practically all materials increased greatly. A conspicuous example is the increase in the average cost of cross ties over the past few years which has been as follows:

Year	Average Cost Per Tie
1936	$0.99
1937	1.17
1938	1.30
1939	1.45
1940	1.50
1941	1.56
1942	1.76
1943	1.92

The property, way and equipment, was kept in good condition throughout the year. Maintenance of Way and Structures cost $26,916,811 in 1943, an increase of 36.89% over the previous year, and Maintenance of Equipment expenses were $37,125,333 during the year, an increase of 20.27% over 1942.

The trestle filling program was accelerated, about two and one-half miles of trestles, in 88 separate locations, having been filled in 1943, thereby making, to that substantial extent, a more "permanent way" and reducing future maintenance.

Bad order freight cars on December 31, 1943, represented only 1.37% of the Company's total ownership, and engines awaiting repairs on the same date were only 7.33% of total ownership, both being lower than all previous records.

New Rail

During the year 1943 there were laid 40,733 tons of new rail, as compared with 38,787 tons laid in 1942, and 20,925 tons in 1941.

Scientific inspection of the track for concealed defects in rail has continued throughout the year and with shortened intervals between the inspections. Largely as a result of these inspections there were removed, and replaced, about 43.5 track miles of rail in 1943.

Orders have been placed for 66,100 tons of new rail in 1944.

New Equipment

During 1943 there were delivered 1,450 new 50-ton composite type open-top hopper cars included in Southern Railway Equipment Trust, Series "KK", under which there were issued $2,820,000 principal amount of 10-year 1⅞% Certificates, representing about 75% of the cost of such cars.

As of December 31, 1943, Southern Railway Company owned 15,986 freight train cars of less than five years of age, these newer cars now constituting 38.18% of the Company's total ownership.

Due to the acquisition of new freight equipment the Company's charge to operations, called "Hire of Equipment", which represents the net rentals paid for the use of other railroads' equipment, has shown the following declining trend:

Year	Net Debit from Hire of Equipment
1938	$3,074,519
1939	1,918,509
1940	2,386,269
1941	2,246,227
1942	2,095,788
1943	1,608,717

The Company's Hire of Equipment charge in 1943 would have been substantially lower than shown, except for the inclusion in the rentals of charges for the use of privately owned oil tank cars used for the war emergency transportation of oil.

The three 5400-horsepower Diesel-electric road freight locomotives, mentioned in last year's Report, were received, one in October, 1943, and two in November, 1943. Their entire cost, aggregating approximately $1,500,000, was financed through the issuance of notes maturing monthly within two years, at an interest cost of 1½% per annum. Since their delivery they have aided materially in handling the large freight business which is still continuing.

There are now on order 950 steel freight train cars, formerly restricted by limitation order of the War Production Board, expected to be delivered during the third quarter of 1944. They are to be included in Equipment Trust, Series "JJ".

In addition the Company has on order four more 5400-horsepower Diesel-electric road freight locomotives, delivery of which is expected late in 1944, and 20 Diesel-electric switching locomotives. Of the latter, delivery of 5 is expected during the second quarter of 1944.

The Year's Financial Results

Due principally to (a) higher basic wages, (b) increases in the price of coal, and (c) the extraordinary increase in Railway Tax Accruals, net railway operating income showed a decrease from the high figure of $46,265,818 reported for the year 1942, the Company in 1943 being able to bring down out of its $245,532,051 of gross revenue only $35,744,757, or 14.56% into net railway operating income. Thus, increased expenses and taxes in 1943 consumed more than all of the increase of $40,926,470 in gross revenue.

Net Income

After adding to the net railway operating income mentioned, the sum of $2,843,218 of non-operating income, and deducting fixed charges of $14,720,360 and miscellaneous items of $339,026, there was earned (after charges and taxes) for the year 1943 a Net Income of $23,528,589, a decrease of $9,860,279 from the Net Income reported for the year 1942.

Fixed charges were covered 2.60 times, and after deducting dividends on the Preferred Stock, the balance of earnings was equivalent to $15.81 per share of Common Stock.

The Use of the Company's Financial Resources in 1943

After paying operating expenses and currently due taxes, fixed charges and dividends payable in 1943, the Company, keeping in mind the caution signals mentioned in last year's Report, from its remaining monies:

(1) Continued its policy as to taxes of being ready to "pay-as-you-go", and, to this end, added $37,000,000 to its quick assets reserved against accrued Federal tax liabilities, its total reserves for this purpose aggregating on December 31, 1943, $64,000,000, as against an estimated 1943 Federal tax liability of approximately $58,500,000;

(2) Appropriated, for capital expenditures for additions and betterments to road and equipment, the sum of $10,294,215 of treasury cash, as compared with expenditures of $10,184,715 for such purpose in the year 1942;

(3) Expended, in increasing its immediately necessary inventory of material and supplies, as compared with the previous year, approximately $2,378,500 more than in 1942;

(4) Appropriated approximately $11,500,000 of treasury cash in its program of reducing fixed charges by retiring or acquiring bonds which it was liable to service, as hereinafter set forth, and paid $4,302,000 principal amount of equipment trust obligations maturing during the year; and

(5) Declared, out of the net earnings for the fiscal year ended December 31, 1943, dividends as shown below.

The free cash balance (after eliminating, from cash shown in the balance sheet, items already outstanding and released for current payment) as of December 31, 1943, amounted to $19,014,430, but out of this cash there remained unpaid as of that date, not including the Federal Income Taxes mentioned above, retroactive wage payments estimated at approximately $5,000,000, and that portion of the dividends, mentioned below, payable in 1944.

Dividends

Dividends aggregating 5% on the Preferred Stock were declared out of 1943 earnings, being four dividends of $1.25 per share each, paid and payable, respectively, on December 15, 1943, and March 15, June 15 and September 15, 1944, these four dividends together requiring an aggregate payment from the treasury of $3,000,000.

A dividend of $2 per share, amounting to $2,596,400, on the Common Stock of the Company, was declared, payable April 1, 1944, out of the balance of 1943 earnings.

The total 1943 declarations of $5,596,400 in dividends on the Preferred and Common Stocks may be interestingly contrasted with the wartime taxes of $70,437,236 for the year.

The Reduction of Debt and of Fixed Charges

The Company, though hampered through the year by demands for increased wages, continued, though to a lessened extent, to reduce debt and the burden of fixed charges. During 1943 an aggregate principal amount of the bonds of the Company and its affiliated corporations, amounting to approximately $6,706,400, was acquired or retired, and during January and February, 1944, an additional principal amount of $556,600.

In addition, a refunding of $20,000,000 principal amount of The Atlanta and Charlotte Air Line Railway Company's First Mortgage Bonds, which the Company was obligated to service, as lessee, theretofore outstanding at an average interest rate of 4.8625% per annum, was effected on November 29, 1943.

In place thereof there was issued and sold to the public $15,000,000 principal amount of The Air Line Company's new 20-year First Mortgage 3¾% Bonds, due November 1, 1963, on an effective interest cost basis of 3.82%. The balance of the money necessary to retire the old Bonds, $5,000,000 (plus discount on the sale of the new issue) was provided by Southern Railway Company, and, in consideration of the $5,000,000 advance, it accepted an equivalent principal amount of new Second Mortgage 20-year 3¾% Bonds of The Atlanta and Charlotte Air Line Railway Company, which are held, unpledged, as treasury assets.

Through this operation there was effected a reduction of $5,000,000 in The Air Line Company's first mortgage indebtedness outstanding in the hands of the public, with an estimated net annual average reduction in

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Southern's effective fixed charges of $460,500, as compared with the charges on The Air Line Company's old bonds, after giving effect to the sinking fund operation on the new First Mortgage Bonds.

A recapitulation of the Company's program of reduction of debt and of fixed charges, beginning in 1934, is as follows:

R. F. C. Debt retired to December 31, 1938	$2,297,672
R. F. C. Debt retired in 1939	2,065,628
R. F. C. Debt retired in 1940	12,041,700
R. F. C. Debt retired in 1941	15,000,000
Total R. F. C. Debt, paid in full	$31,405,000
Bonds Retired or Acquired, including $5,000,000 of The A&CAL Second Mortgage 3¾s, from January 1, 1940, to February 29, 1944	33,059,700
Total "debt reduction" program to February 29, 1944	$64,464,700

Giving effect, on an annual basis, to the reductions in funded debt and to the acquisitions and refunding mentioned, the Company's net fixed charges are currently, as of March 1, 1944, on a basis of approximately $13,500,000 a year. This is a reduction of over a million dollars from the annual figure of $14,548,395 mentioned in the Company's annual report for 1942, and is a reduction of nearly 25% from the amount of fixed charges payable on the same basis for the year 1930.

As of December 31, 1943, the Company's table of funded debt shows another substantial net reduction, as compared with the previous year, as follows:

Funded Debt

	Dec. 31, 1943	Dec. 31, 1942
Funded Debt	$215,446,000	$223,475,000
Leasehold Estates	52,929,600*	52,932,600
Equipment Trust and Miscellaneous Equipment Obligations	35,688,834	35,974,307
	$304,064,434	$312,381,907

*Includes $5,000,000 principal amount of The Atlanta and Charlotte Air Line Railway Company's Second Mortgage Bonds, dated November 1, 1943, now held in Southern Railway Company's treasury, the interest receivable on which completely offsets the interest payable by the Company with reference thereto.

There are no maturities, other than equipment trust installments, which the Company is obligated to meet in 1944, and no direct maturity of the Company's own Bonds until 1951.

Increased Wages

The demands for increased wages mentioned in last year's Report, which had been pending since September 25, 1942, and January 25, 1943, respectively, not all having been settled, and a strike having been threatened, the United States, on December 27, 1943, through the War Department, took possession and control of the railroads, such War Department Operation of Railroads continuing until midnight, January 18, 1944, a settlement of the wage controversies having then been approved by public authorities.

The increased wages payable under the settlement, retroactive in the case of the non-operating employees to February 1, 1943, and in the case of the operating employees to April 1, 1943, are estimated to cost the Company $10,348,000 per annum, based on current employment.

Rates and Fares

The Interstate Commerce Commission, on April 12, 1943, authorized the suspension, effective May 15, 1943, until January 1, 1944, of the freight rate increases authorized in March 1942, and still later, on November 8, 1943, issued an order continuing the suspension of such freight rate increases until July 1, 1944.

Industrial Conditions

While there was a decline in the number of new military installations constructed in 1943 in the South, mobilization of industry for war reached a new peak.

In nearly every field of industrial activity, and particularly in the iron and steel industry in the Birmingham and Gadsden districts in Alabama, and the aluminum industry in north Alabama, in Tennessee and in North Carolina, new all-time high records were established. All efforts were bent in but one direction—production for war.

The Cotton Growing States, with 75.7% of the total cotton spinning machinery in place at the end of 1943, worked 82.7% of the total spindle hours, and consumed 9,307,799 bales of cotton, or 86.5% of the total consumption of cotton in the United States. During the year, Southern's handling of cotton was 1,603,452 tons, or approximately 6,400,000 bales—being 69% of the total consumption by mills in the Cotton Growing States. By operating many of the mills on a three-shift daily operation, rather than by new capital construction, the cotton textile industry has met the demand and should therefore have no problem of excess plant capacity after the war.

The rayon industry made another record with an increase of 5.5% over last year's production.

During 1943 five new coal mining developments were started in the territory, one of these in particular being a most substantial tonnage producer, involving between 40 and 50 thousand acres of land estimated to contain approximately 150 million tons of coal.

In order to help to provide crude oil for the war effort, prospectors have been drilling extensively for oil during the year in several of the Southern States, with some measure of success in Mississippi, Georgia and Florida.

Under the impact of the war, agriculture in the South has changed considerably, notably toward greater production of food and feed crops, and of live stock. Substantial progress has been made toward soil conservation, in connection with which the Company handled during 1943 some 650,000 tons of agricultural limestone.

During the year 77 new industries were established and additions made to 33 existing plants at points served by the Company.

Public Relations

The public relations program inaugurated in September, 1942, was continued and expanded during the year, as a sound investment for the future, and as a recognition of the responsibility of Management to keep the stockholders, the employees, and the public generally, informed as to the Company's business, service, finances and other important matters. This is being done through the medium of advertising in newspapers and magazines, in announcements to the press, in the dissemination of information in various forms, as well as in the Annual Report itself.

Conclusion

As stated in the Foreword, the railroad industry must bear in mind that much of its increased revenues will fall off after the war ends, while its unit costs of operation will probably not decline so rapidly.

In view of these tendencies a conservative financial policy must be continued.

It is equally important that Government also should give these matters proper recognition when dealing with the vital function of transportation, to assure for the future a sound, efficient and progressive railroad industry.

Southern Railway Company, in serving the South, has the advantage of a growing and promising territory, and its stockholders may view the future confident in the Company's position among the great railroad systems of the Country.

Respectively submitted by order of the Board,

ERNEST E. NORRIS,
President.

SOUTHERN RAILWAY COMPANY
Financial Results for the Year

	In 1943	In 1942
The Company received from freight, passenger and miscellaneous operations a total revenue of	$245,532,051	$204,605,581
The cost of maintaining the property and of operating the railroad was	136,604,153	113,746,737
Leaving a balance from railroad operations of	$108,927,898	$90,858,844
Federal, state and local taxes required	70,437,236	41,488,395
Leaving a balance of	$38,490,662	$49,370,449
The Company paid to other companies for hire of equipment and use of joint facilities in excess of the amount received by it from those sources	2,745,905	3,104,631
Leaving an income from railway operations of	$35,744,757	$46,265,818
Other income derived from investments in stocks and bonds and miscellaneous items was	2,843,218	3,180,404
Making a total income of	$38,587,975	$49,446,222
Interest on funded debt and equipment trust obligations, rents paid for leased railroads and miscellaneous deductions totaled	15,059,386	16,057,354
Resulting in a net income of	$23,528,589	$33,388,868

SOUTHERN RAILWAY COMPANY
Financial Position at the End of the Year

	On December 31, 1943	On December 31, 1942	Increase or *Decrease*
The Company had investments, in land, railroad tracks, terminal facilities, shops, locomotives, freight and passenger cars and other fixed property of	$556,053,290	$551,677,435	$4,375,855
In addition the Company had investments in stocks, bonds and notes of affiliated companies and other investments carried at	59,015,868	53,336,639	5,679,229
Total investments	$615,069,158	$605,014,074	$10,055,084
The Company had cash and special deposits amounting to	$31,424,886	$28,836,791	$2,588,095
And temporary investments, pending payment of taxes, in U. S. Government Notes	64,000,000	27,054,338	36,945,663
Other railroad companies and others owed the Company	22,788,235	16,087,992	6,700,243
The Company had on hand fuel, rails, ties, bridge material and other supplies necessary for keeping road and equipment in good order	11,867,711	9,489,184	2,378,527
Deferred assets and unadjusted debits, including items owed to but not yet available to the Company	14,733,040	7,519,100	7,213,940
The Assets of the Company totaled	$759,883,030	$694,001,479	$65,881,551
The Company owed for materials, supplies, wages and balances to other railroad companies, and interest, dividends and rents accrued but not yet due	$29,713,823	$21,271,839	$8,441,984
Taxes accrued but not due	70,692,484	36,147,877	34,544,607
Operating reserves	2,090,296	1,594,422	495,874
Reserve for depreciation of road and equipment and amortization of defense projects	57,530,285	49,014,129	8,516,156
Deferred liabilities, including items due to others, but not yet adjusted	15,652,776	12,356,651	3,296,125
The total of these liabilities, credits and reserves was	$175,679,664	$120,384,918	$55,294,746
After deducting these items from the total assets there remained for the capitalization of the Company, net assets of	$584,203,366	$573,616,561	$10,586,805
The capitalization of the Company consisted of the following:			
Funded Debt, including bonds, equipment trust obligations, etc.	$251,134,834	$259,449,307	*$8,314,473*
Preferred Stock	60,000,000	60,000,000	------
Common Stock	129,820,000	129,820,000	------
Making a total capitalization of	$440,954,834	$449,269,307	*$8,314,473*
After deducting this capitalization from net assets there remained a surplus, largely invested in the property, of	$143,248,532	$124,347,254	$18,901,278

OUR REPORTER'S REPORT

Events of the current week have served to prove once more how quickly a given set of conditions can change in the investment and financial markets.

A week ago the underwriting fraternity, and their dealer affiliates, were pointing with considerable satisfaction to the exceptionally strong position of the industry from the standpoint of inventory position, and demand was brisk.

Dealers, as a matter of fact, were finding difficulty in securing material needed to supply the wants of their customers from day to day. So far as recent new issues were concerned these had moved out in a manner which left shelves bare of anything in the way of reserves.

Well, the picture today is a bit different, judging from comments around the Street. This need not suggest that either underwriters, or dealers, are unduly burdened with unsold securities.

Far from it. But the fact remains that investors and speculators alike have developed what the trade refers to as a bad case of "invasion jitters" and things have tended to "back up" a little.

Some of the more recent new offerings have proven a trifle "sticky" temporarily at least with the result that some are reported still available to buyers in fair quantities.

Buyers Are Around

These are the days when the portfolio buyer, who has been inclined to shy away from the market a bit and await opportunities, comes into his own.

This holds true especially in the case of institutional buyers who set up their programs pretty much on a long-term basis. Insurance company portfolio men, for example, are constantly combing the list for material that fits in with their views of prices and yields.

Well, of late theirs has been a rather hard lot. But the last few days have tended to ease the strain in that direction. Their practice is to shape their orders and wait for the market to come around. And this is another of those times when it has paid them to wait.

Louisiana Power & Light

Whatever the effect of the so-called "invasion jitters" on the seasoned market, it did not deter banking groups which bid for the $17,000,000 of first mortgage bonds of the Louisiana Power & Light Co.

Opening of tenders on Tuesday disclosed a total of five separate syndicates in competition for the loan which is due to mature in 1974.

The winning group obtained the issue fixing a 3% coupon and a price of 101.9099. This group prepared to market the issue, subject to SEC approval of price and spread, at a price of 103 to yield approximately 2.85%.

Cudahy Packing 3s

Indications at the moment are that bankers handling the $14,000,000 first mortgage sinking fund bonds Series B 3%, of Cudahy Packing Co., will bring that issue to market next Wednesday.

The indenture covering the issue would limit the principal amount of bonds outstanding at any one time to $30,000,000, of which $14,000,000 would be represented by the current issue.

Proceeds of this issue, together with the general funds of the company will be used to finance redemption of $17,182,500 principal amount of first mortgage series A 3¾s, due Sept. 1, 1935, calling for an outlay of $17,526,150, exclusive of interest.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have prepared memoranda on Acme Wire Co.; Veeder-Root, Inc.; Scovill Mfg. Co.; Arrow-Hart & Hegeman Electric Co.; Landers, Frary & Clark, and United Illuminating Co., Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co. upon request.

To Be Davies & Mejia

SAN FRANCISCO, CALIF. — Effective May 1st, the firm name of Davies & Co. will be changed to Davies & Mejia. The firm, which holds memberships in the New York and San Francisco Stock Exchanges, has offices at the Russ Building.

Forms J. D. Goodman Co.

PHILADELPHIA, PA.—Joseph D. Goodman, member of the New York Stock Exchange, as of May 1st will form Joseph D. Goodman & Co. with offices at 1500 Walnut Street, in partnership with Minerva R. Goodman. Mr. Goodman has been active as an individual Exchange member in Philadelphia for some time.

S. C. Bond Quotations

E. H. Pringle & Co., 18 Broad Street, Charleston, S. C. have prepared an interesting table of quotations of representative South Carolina state, county, city and town bonds, including a few of the larger school districts. Copies of this table may be had upon request. from E. H. Pringle & Co.

Canadian Securities

By BRUCE WILLIAMS

The strong demand in the past few weeks for Canadian dollars in the "free" exchange market has reopened the old controversy with regard to the possibility of the Canadian currency returning to parity with the U. S. dollar. The idea continues to meet cold reception in official circles in Ottawa, but this is understandable.

Less comprehensible, however, is the view which has been widely publicized in Canadian circles in this country in the past few days, to the effect that economic conditions justify the retention of the 10% discount level.

It is opportune, therefore, to review as follows the case in favor of the restoration of the Canadian dollar to its old parity:

(a) The 10% discount was officially established, together with exchange restrictions as a wartime defensive measure to conserve the supply of U. S. dollars. That this is no longer necessary is proved by the fact that the main problem now of the Foreign Exchange Control Board is the disposal of an abundant surplus of the hitherto vitally necessary U. S. currency.

(b) Since the war there has been a revolutionary change in the Canadian economy. Huge industrial exports have been added to the previous almost solely agricultural surpluses available for shipment abroad. As a result, whenever any measure of freedom is restored to world foreign exchange markets, the Dominion's tremendous favorable balance of trade must ultimately be translated into a demand for Canadian dollars.

(c) Canada has led the world in the fight against inflation. More than 50% of the Dominion's total expenditures are covered by taxation. Price ceilings and wages have nowhere else been so successfully controlled. In a world where depreciation of currencies has proceeded from within, the Canadian dollar, on the contrary, has been basically strengthened.

(d) Canada's new status as a leading creditor nation renders it unnecessary to maintain an artificially depreciated exchange. To conform to sound economic principles, the Dominion will henceforth have to increase her imports in order to maintain the increased volume of exports.

(e) As any practical foreign exchange expert is aware, exchange controls and artificial restrictions must ultimately yield to pressure based on a genuine economic shift in basic conditions.

Turning to current developments, the question of the Alberta debt reorganization is arousing increasing attention. There is the precedent of the comparable Montreal situation which affords a working example, and the strong desire of the now dominant figure in the Social Credit Party, Mr. Solon E. Low, to settle the matter expeditiously. **It will not be surprising, therefore, if a definite debt reorganization plan is announced in the course of the next few months.**

With regard to the market during the past week, there was little activity and few price movements of any note. There was still a quiet demand for the shorter-term issues, but the supply problem is still acute. The New Brunswick four-year issue just announced is assured of a successful reception and should do much to stimulate not only this section, but also the publicity in connection with this new public issue will attract investment interest in the Canadian market as a whole.

In looking forward to future developments, although investors generally are at the moment leaning on the side of caution in view of impending world events, nevertheless there are several technical factors that can favorably affect the Canadian market in the near future. Foremost among them is the almost certain call on or before May 1 for payment of $57 millions Canadian National Railway 5s of July 1, 1969. Also judging from the comparatively small volume of securities offered in connection with the Sixth Victory Loan, it appears that the Canadian source of supply is virtually exhausted. On the other hand, there are constant indications that interest in Canadian securities in this country is steadily widening.

Canadian Mfg. Output Up During Past Month

According to S. M. Wedd, General Manager of the Canadian Bank of Commerce, "total Canadian manufacturing output increased during the past month according to our index of industrial activity, which rose from 215 at mid-February to 217 at mid-March, while the percentage of factory capacity utilized fell from 125 to 124. Speeding up of the heavy section of the iron and steel group was mainly responsible for the rise," says Mr. Wedd, who added:

"The automotive group once more registered a decline, while considerably lower activity in saw-milling and wood-working plants caused a drop in the wood products group. The food and clothing groups declined slightly. Shortage of labor and some textile materials still persists. Our wage payroll index for February was 210 (1937=100) compared with 205 in January. Apart from construction, which continued to decline, there was a general rise in the payrolls of each main industry. Manufacturing wages were higher than a year ago, but the composite index was lower." As to agricultural conditions he said:

"An analysis of factors affecting the ensuing agricultural season, the most critical of this war period, reveals more favorable conditions in some respects than a year ago, and less favorable in others. The efficiency of agriculture has generally improved so as to overcome many of its pre-war and early war handicaps. It has become a more profitable industry, at least for farmers who have not been severely affected by short crops last year, as were many in Western Ontario. The farm labor shortage will be eased this year if official arrangements to provide more than twice as much new mechanical equipment as the subnormal supply available last year are successfully consummated."

Do Bank Stocks Move Uniformly?

M. A. Schapiro & Co., Inc., 1 Wall St., New York City, have prepared an interesting bulletin reviewing price trends for 12 leading New York City bank stocks over an 11-year period. This study indicates the need for discrimination and the presence of opportunity in this field since few people realize the extent of the divergence in market performance among New York City bank stocks.

Copies of the bulletin may be had upon request from M. A. Schapiro & Co., Inc.

Municipal News & Notes

Among the several factors responsible for the strength that has characterized the municipal bond market in general during the past several years is the impressive record of debt reduction accomplished by the States and their local subdivisions. While this trend has been greatly accelerated during the war period, because of restraints on new borrowings imposed by materials and manpower shortages, it is nonetheless true, although not always considered, that the tendency toward local debt reduction was strongly in evidence for quite sometime before the war.

This point is illustrated in an analysis prepared by Merrill Lynch, Pierce, Fenner and Beane, the results of which were published in the firm's municipal letter of March 31. According to the findings contained in the report, one-third of the cities of more than 50,000 population reduced their net overall debt by 25% or more since 1935. The figures cited for the various communities listed in the report are additionally significant in that they reflect to which each of the cities has pared its *total* debt load during that period, as the percentage of decline was computed on the basis of the overall reduction made in both the direct and overlapping indebtedness of the respective units.

As stated by the firm, the indirect debt of the municipality "is sometimes greater than its direct debt and regardless of how small the latter may be, the ability to support it is contingent in large degree on the burden of the other (overlapping) tax-supported debt that weighs upon the property within the city." Additionally, "property taxes imposed by the overlapping units for servicing their debt in effect constitute a lien on property on a par with or ahead of the taxes levied by the city." In connection with the analysis, Merrill Lynch, Pierce, Fenner and Beane state in part as follows:

"One-third of all of the cities with more than 50,000 population have reduced their net overall debt by 25% or more since 1935. These municipalities are listed . . . in order of degree of debt reduction. In each case the reduction covers an eight-year period ending in 1943. The cities are rather evenly distributed through the various population groups. Of the 72 cities listed, 18 have cut their overall debt at least one-half, while four have slashed it 80% or more. This indicates extraordinary retrenchment in borrowing for certain municipalities, and even for cities generally the showing is not unimpressive. On the other hand, the fact remains that approximately two-thirds of the cities of more than 50,000 population have shown a reduction in their debt load of less than 25%. Debt reduction has been satisfactory for some of these cities, but a considerable number have made disappointing progress along this line."

Detroit's Industrial and Financial Prominence Emphasized

The Detroit industrial area leads the nation in war contracts, its holdings as of Feb. 1, 1944, having amounted to $12,745,525,000, according to an announcement by the Detroit regional office of the War Production Board. The Newark-Jersey City area was second with a total of $9,008,055,000; Los Angeles third with $8,913,012,000 and Chicago was in fourth place with $8,618,446,000.

Coincident with the above disclosure, was an announcement that Detroit had been accorded equal status with New York City and Chicago in the matter of issuing weekly condition statement for reserve system member banks in the city. Previously, such a report has been published covering the latter two cities and for 101 leading cities combined.

The decision to publish an individual statement for the Detroit banks further emphasized the importance of the city as a financial center, it was stated by C. S. Young, President of the Federal Reserve Bank of Chicago. "The Federal Reserve Bank in Detroit," he added, "is assuming a position of leadership in its territory and the publication of separate bank figures for that city adds to the importance of the branch as a source of vital information."

City of Detroit bonds, it might be added, have been accorded increased investor interest in recent weeks, partly as a result of the relatively higher yields at which the obligations are available.

Lehman Bros. Offers Bond Stores Pref. Stock

An underwriting group headed by Lehman Brothers and Wertheim & Co. on April 14 offered 60,000 shares of 4½% convertible preferred stock (par $100) at $105.50 a share and accrued dividends from April 1.

Of the net proceeds from the sale of the stock, the corporation will use $2,107,875 to retire serial notes payable to the Equitable Life Assurance Society of the United States, and it is planned to utilize the remainder for a general expansion program, including the enlarging of existing stores and factory capacity and the carrying of larger inventories.

Speculative Possibilities

The Hobbs' Bill opens interesting speculative possibilities for reorganization railroad equities according to a memorandum on the situation issued by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this memorandum and an interesting comparative tabulation of eight selected reorganization rails may be had from G. A. Saxton & Co. upon request.

Pension Trust Plan

Massachusetts Mutual Life Insurance Co., Springfield, Mass., have prepared an attractive, easy-to-read booklet entitled "The Pension Trust Plan," answering questions on the pension trust. Copies of this booklet may be had upon request from Massachusetts Mutual Life Insurance Co.

Future of Air Transport

(Continued from page 1621)

tunately cannot get from the Administration any information as to even a plan for returning the airplanes seized on Presidential order. This is hard to understand since the production of this type of transport airplane is high and the diversion of factory deliveries of this type of plane for only one day would do much to help speed the war work of the domestic airlines in the large priority loads they carry. The list of prospective air freight items could include almost anything which could be shipped in less-than-carload lots and which required fast delivery. Several of the smaller airlines operating in South and Central America have proven that air freight under certain conditions can be extremely profitable. It is granted that cargo rates are at this time high and before we can hope to engage in any large scale operations these costs must be reduced. In July, 1943, the rates were reduced but even still the air express rate averages 70 cents a ton mile as against 4 cents for less-than-carload freight.

As in cargo rates there has been a continual reduction in passenger fares. In 1930 the average passenger fare was 12 cents per mile. Today that average is less than half of that, being 5 cents per mile. What further reduction of rates can be made with operating figures remaining in the black are contingent upon many factors which we cannot tell today. For example, we would like to know at what point the dollar is to be stabilized in respect to living costs; how rigorous will be the taxes we suffer; the percentage of the current load factor we can hope for in the peace; and the cost of new equipment. Most of the planes the airlines are now using were constructed and sold on prices based upon pre-war labor costs. Today that cost is appreciably higher. Unquestionably there will be some reduction in such costs but how drastic they will be remains a guess. Living costs, taxes, and the ultimate costs of new equipment in the future are definite problems for the airlines. I do not share the same optimism of many of the enthusiasts who are talking of bus or rail coach fare prices for passenger air travel.

The air transportation industry can contribute to the stabilization of the employment problem which is bound to exist after the war. It is natural that in the orderly expansion the existing airlines anticipate a heavy increase of personnel will be needed. This offers the hope of a job for the returning veteran. Our military force has more than 2,000,000 men in the air services and there are many of those who upon returning to civilian life will desire to remain in aviation and will seek jobs with an airline. Likewise the acquisition of new equipment needed in the expansion will do a great deal to provide employment in the aircraft manufacturing industry. Orders for new equipment will help prevent a stagnation of the aircraft manufacturing industry such as it suffered at the conclusion of World War I.

The Civil Aeronautics Board is to be commended for its sound appreciation of the economics facing the air transportation industry and for the realistic approach to the problem of preventing in 1949 the spectacle of the carcasses of defunct airline companies strewn across the country resulting from unsound promotion now. We saw this in 1929 among the private plane manufacturers. From the quantity and quality of applications for airline routes being filed by taxicab companies and others equally unrelated to the air transportation industry that spectacle could easily take place except for the wise course set by the Civil Aeronautics Board.

In the matter of air express I fear that there is little on the horizon at this time to indicate that domestic air transportation will carry more than the perishables, the specialties, the samples, and the emergency items where time saved can be properly evaluated against an increase in the transportation cost. I do feel that all long haul first-class mail will soon be carried by air as it has always been the policy of our Post Office Department and the Congress to expedite the passage of mail. And probably this will be done without charging any extra premium for air mail as is done today.

I learned with interest only a few days ago that the railroads, who today rely mostly for their revenues upon freight, started out in their early years (as do the airlines today) by obtaining their largest revenues through passengers and that it was not until after the railroads had been in operation approximately two decades that the income from commodities exceeded that of passenger revenues. Therefore, while I do not share the enthusiasm of many that airline revenues from commodities will out-distance passenger revenues in the near future, I think we must remember that at the comparable stage in railroad development in which the airlines stand today the railroads in their turn were receiving more revenue from passengers than from freight.

Of course, the airlines will never carry the bulk commodities which are the backbone of our surface transportation such as coal, ore, steel, lumber, grain, cement and the like where proper surface transportation exists. The airlines may carry them to the remote corners of the earth under special circumstances where no surface transportation is available.

I have challenged a number of railroad executives recently to prove the statements that they are losing traffic to the airlines which they do not regain fully in other ways as a result of the quickening of all industry due to the airlines. While, of course, the proof would be hard to obtain, it is my firm belief that if air transportation continues to expand and to take from existing surface carriers certain types of travel it will by and large return to such surface carriers an equal or greater dollar value of other traffic due to the broadening of markets and greater interchange of commodities achieved by the quickening of our entire economic picture.

In the expansion of air transportation which will come in the few years after the war many problems present themselves. We have no exact agreement within the industry regarding the probable amount of growth. It seems likely that the 44,000 route-miles of airways in 1941 will be expanded within the next few years to something on the order of 100,000 route-miles. The number of flights per day over each mile of route will probably be increased two or three-fold and, therefore, we may look for a five-times expansion in service within the first five years after the peace.

In 1941 the airlines regularly served 270 cities. With the addition of new cities on the already existing routes and with the addition of even more cities on the routes to be established we expect to be serving a total of 1,000 communities within the United States during the same five-year period of time. For equipment we shall have not only the present standard Douglas DC-3 21-passenger plane types, but immediately after the war we will have the Douglas DC-4 seating between 40 and 50 passengers and shortly thereafter other models, the largest of which will probably seat approximately 100 passengers. Our present flying speeds of three miles a minute will be steadily increased as the result of technical advantages achieved during the war to four miles a minute and probably within the five-year period to between five and six miles a minute. Of course, these higher speeds will be practical on only the longer hauls. The six mile a minute flying speed will permit us to operate non-stop schedules to Chicago in only a little over two hours, thereby providing a very practical service whereby a man in New York may sleep at home, spend a day in Chicago, and sleep at home the next night in New York just as he now does when going to Philadelphia or New Haven.

What the airlines financial picture will be following the war is one of conjecture. Most of the domestic airlines already have or are formulating plans of expansion. In each instance additional expenses are being incurred and what methods of financing will be used are in various stages to be worked out. Some will undoubtedly provide for the issuance of new stocks while others may rely upon equipment trusts and some may be able to take the expansion off the books. To what extent the airlines will suffer from taxes will have some bearing upon the future financial arrangements. The whole policy of earnings allowed upon invested and created capital will be a factor.

Aviation has rightly been called the conclusive weapon in this war. Lack of it in the early days caused our Allies practically all their defeats. Possession of it today has given to the United Nations practically all their victories and with the weakening of the Luftwaffe we can count on closing in for the kill in Europe.

Today there are two American flag airlines with certificates for commercial operation to Europe. Both of them have done a fine job. I hope that Captain Rickenbacker's recent suggestion that the American military commands will not release their flying routes to many parts of the world until such routes can be established for American companies on a commercial basis will be seriously studied by our Government so that we shall not lose landing rights at the many bases we have established and which are now operating. If this can be done and we can establish American competitive principles in international air transportation we shall have done much to secure the future peace of the world through rapid transportation and the closer contacts which it establishes so that the peoples of the world can have a sympathy and human understanding of each other's points of view.

Interesting Situation

Steady and substantial growth in earnings of the "Utility Group" have increased the speculative attraction of both the Prior Lien and Plain Preferred stocks of New England Public Service Company according to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

The Outlook For Rails Now And In The Post-War Period

(Continued from first page)

Iron Range of Minnesota; after the ore has been dumped in freight cars and carried to the head of the Great Lakes, it is then transferred to Lake cargo freighters and sailed down to Cleveland—among other ports —where it is smelted and then becomes pig-iron billets; then poured into auto frames, cylinder blocks and cylinder heads and pressed into sheets for bodies.

While being shipped in such form to Detroit, St. Louis and Pittsburgh for other refinements, or assembly into an automobile body, the trend of expanding allied industry and employment grows apace, for in the interim workers are being hired for work in the related plate glass, electrical equipment, rubber and kindred industries.

Each of these workers consumes the usual run of household and personal living needs, besides food, etc., so the ever-widening spiral of demand spreads to the run of Sears-Roebuck, Montgomery Ward, J. C. Penney and the A. & P. (just to mention a FEW of the retail outlets, so as to better illustrate this point); each of these organizations needs to replenish its shelves, so their orders and re-orders spread on and on the layer of expanding business and employment.

Thus, in very homely fashion, the ever-spreading effects of the manufacturing activities of the automobile industry.

With this premise, note the near-consistency of freight revenues IN TERMS of passenger cars produced in recent years:

Year—	U. S. Passenger Car Production	U. S. Freight Revenues (Class I Roads)	Freight Revenues IN TERMS of Passenger Cars Produced
1942	------	$5,944,742,000	---
1941	3,754,800	4,447,568,000	$1,184
1940	3,693,600	3,537,149,000	957
1939	2,866,800	3,251,096,000	1,134
1938	2,001,600	2,858,077,000	*1,428
1937	3,915,600	3,377,908,000	862
1936	3,664,800	3,308,540,000	903
1935	3,250,200	2,790,551,000	858
(Intervening years omitted due to depression years' effects)			
1929	4,587,600	4,825,622,000	1,052

*Influenced, unnaturally, by the impacts of the 1938 year's depression.

In other words, the sum of ALL forms of business flowing because of, or in conjunction with, the rate of automobile production (as totalled in Class 1 freight revenues), divided by annual production of passenger cars, results in a CONSTANT of roughly $1,000 of freight revenues for each passenger car produced.

* * *

Reference to press releases of recent months will find authority for the belief that the present backlog of automobile production —before it "catches up" with current demand—is in the neighborhood of 26,000,000 units.

If this backlog were manufactured at the 1929 peak production rate of 4,500,000 units, such backlog would require roughly six years of 1929 production rate.

However, the industry currently is engaged wholly in war production effort, as a consquence of which eventual conversion to peacetime production schedules should leave a large excess of plant facilities.

The auto manufacturers—keenly alive to the known backlog, plus the realization that the "wherewithal" (in the form of bank deposits, war bonds and/or finance company facilities) exists—will in the post-war period likely convert a large portion of "excess" plant into additional auto output, thereby providing the basis for possible annual production schedules of in the neighborhood of 6,500,000 units, or a prospect of four years of production at this rate.

Thereby is provided MINIMUM and MAXIMUM possible annual output schedules of 4,500,000 units and 6,500,000 units, respectively.

Application of a "MEAN" of $1,000 in freight revenues per passenger car produced results in possible post-war levels of freight revenues of between the lower and upper limits of $4.5 and $6.5 billions, respectively.

Giving full credence to the wildest claims of the post-war aviation enthusiast, by ceding ALL mail and express revenues to that future branch of the transportation industry (eliminating at the same time dining car and incidentals—all adding up to in the neighborhood of a half billion of revenues discarded for the sake of this projection), and reducing passenger revenues from the 1943 level of around $1.7 billions to the 1938-depression year level of $500 millions (thereby diverting nearly $1.2 billions of passenger traffic to the post-war aviation, bus and passenger competitive lines of transportation)—there can be added only $500 millions of passenger revenues to the previously-noted $4.5-$6.5 billions of potential post-war freight revenues level.

Thus is provided a "knocked-down," conservatively appraised post-war gross revenues level of somewheres between $5.0-$7.0 billions—the average being $6.0 billions!

In connection with this "backdoor" method of appraising the potentiality for railroad gross revenues in the post-war period, contrast the level arrived at by Colonel Ayres (of the Cleveland Trust Co.) at the Missouri Pacific ICC hearings in Brooklyn late last year—of $6.0-$7.2 billions!

Such possible $6.0 billion average annual post-war level of gross revenues, when compared with the "highs" for recent years, shows the fallacy of any doubt about the volume of business for the railroad industry in the immediate years ahead:

"Highs" for Class I Annual Gross Revenues to date since 1926

1942	$7,466,000,000
1941	5,346,000,000
1940	4,296,000,000
1931	4,188,000,000
1930	5,281,000,000
1929	6,279,000,000
1928	6,111,000,000
1927	6,136,000,000
1926	6,382,000,000

* * *

There will be those who somewhat cynically will observe: "Granted a $6.0 billion annual gross revenues base for the post-war period, but how about the higher wage and increased tax effects upon net earnings?"

For a second or two, the believer in the future of railroads will have to give the cynic his due, for it is true in the period 1916-1942 that wages have increased tremendously, as shown below:

	Annual Average Compensation Per Hour (Cents)	Per Employee
1916	28.3¢	$892
1942	85.2¢	2,307

Agreement with the cynic ceases after this brief period, however, for the following 1916-1942 selected instances of operating efficiency, summed up in one final column of observation (as concerns ability to control employment and wages), lend conviction to the belief in the ability of management to CONTROL the wage factor in the future EVERY WHIT AS ABLY AS IN THE PAST:

Year	Miles Road Operated	Rev. Ton Mi. in Billions	Freight Cars Operated	Locomotives Operated	Av. Capac. Frt. Cars (tons)	Ton Miles per Employee	No. of Employees
1916	254,037	362,444	2,329,475	65,595	40.9	220,000	1,647,097
1942	229,174	638,069	*1,732,673	*44,375	50.5	502,000	1,271,077

*1941.

In connection with the previously-noted sharp increase in hourly and annual wages and coupled with some of the efficiency factors just listed, note the following ratio of wages paid to annual gross revenues:

1916	40.8%	1930	48.3%
1917	43.3	†1931	50.0
1918	53.6	1932	48.4
*1919	55.3	1933	45.4
1920	59.9	1934	46.4
1921	50.1	1935	47.6
1922	47.5	1936	45.6
1923	47.7	1937	47.7
1924	47.7	†1938	49.0
1925	46.7	1939	46.6
1926	46.1	1940	45.7
1927	47.4	1941	43.7
1928	46.3	1942	39.3
1929	46.1		

*Government operation influence.
†Depression year influence.

This 26-year record of ability to correlate wages to gross revenues should be conclusive enough proof of the power of today's managements to accomplish the same results in the days to come, even though wages are far higher —especially in view of the coming results expected to flow from greater efficiency in operation, which runs the gamut of "CTC" (Centralized Train Control) down through the use of aluminum-alloy freight cars and wider ultimate employment of Diesel equipment.

With regard to taxes and their effect upon the fortunes of the railroad industry, it is held that the outlook is certainly no worse than that for other industries. In this connection, reference to annual changes for abandonments and retirements in past years, and contemplation of that expected in the future—just to mention only one time—serves to modify any undue pessimism on this subject.

* * *

In summary, the railroad industry has cut debt by at least a billion dollars since 1941, in keeping with which fixed charges have been reduced some $40 millions annually. In the same three-year period cash and equivalent has been built up from $800 millions to $3 billions, while net current assets have increased from $598 millions to $1.823 billions in the like period.

With no reconversion problems, no inventories which might have to be liquidated in the post-war period at a loss, nor excess plants which might have to be disposed of at a sacrifice; with the prospects for as much as four-five years of traffic levels somewheres between the 1942 and 1941 showings and earnings results at satisfactory levels and, in keeping therewith, a further inflow of cash, concurrent with added debt reduction—the railroad industry seems possessed of a continuing optimistic outlook.

In fact the writer can confidently foresee an eventual return of investor confidence in railroad securities, to the extent where once more they will command the same high respect and compensatingly low yield as that experienced in the yesteryear; naturally, war developments will provide occasional interruption in this general direction but the overall trend appears positively onward!

Insurance Stocks Attractive

American Surety Company, Boston Insurance Company, Firemen's Insurance Company, Globe & Republic Insurance Company, Knickerbocker Insurance Company, Merchants Fire Assurance Corporation, and New York Fire Insurance Company offer attractive situations according to memoranda being distributed by Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Copies of these interesting memoranda may be had upon request from the Insurance Stocks Department of Mackubin, Legg & Company.

Wallace To Visit China On Mission For FDR

Advices to the effect that Vice-President Wallace planned a trip to China in the late spring or early summer were contained in an announcement by the Vice-President at Washington on April 11. His announcement said:

"Vice-President Wallace hopes to visit Chungking some time in late spring or early summer. No definite plans have been made and no additional details are available at this time."

It was stated in Associated Press advices that a member of his secretarial staff said the trip would be made on official business and that Mr. Wallace would represent the President.

Later press accounts from Washington, April 15, indicated that the Vice-President's trip to Chungking on a diplomatic mission is designed primarily to reassure Generalissimo Chiang Kai-shek and the Chinese people that any delay in an all-out Allied attempt to retake Burma is only temporary.

From the Associated Press we quote:

"The Vice-President's round trip by plane to China is expected to bring him back to the United States before the Democratic National Convention meets in Chicago July 19. Thus he is expected to be in this country when the Presidential and Vice-Presidential nominations are made and not 9,000 miles away, as some of his political enemies had hoped.

"It is reported that Mr. Wallace will undertake the mission at the President's personal request because it was felt that only an important personage who speaks with the backing of the White House could accomplish the objective.

"Those who professed to know something about the Vice-President's projected visit said Washington wants to reassure China that large-scale Allied activity in that theatre will be forthcoming as soon as the military necessities accompanying the coming invasion of Europe permit.

"Friends said the Vice-President's acquiescence in the President's request that he make the trip was given without thought to his own political future. Mr. Wallace is a candidate for renomination on a ticket he expects to be headed by the President."

National Container Debentures On Market

Public offering of a new issue of $4,500,000 National Container Corp. 5% 15-year sinking fund debentures was made April 18 by a nation-wide banking group headed by Van Alstyne, Noel & Co. The debentures were priced at 100 and interest from April 1, 1944.

Proceeds of this financing will be used to redeem all of the company's outstanding 5½% debentures, due April 1, 1952; to pay off a term bank loan incurred in connection with the acquisition of the capital stock of the Bedford Pulp and Paper Co.; to pay off notes and bonds of subsidiaries; to redeem on June 1 all the outstanding first mortgage 5% bonds of the Bedford Pulp and Paper Co.; to redeem at par the outstanding 5% debentures, due in 1960, of the Bedford Pulp and Paper Co.; to reimburse the company and its subsidiaries for funds advanced in connection with the acquisition by Airdepot Realty Corp. of the stock of Bedford Pulp and Paper Co. and to increase the working capital of the company.

On completion of this financing the company's funded debt and capitalization will consist of the new issue of debentures and 330,482 shares of capital stock of $1 share par value.

'5%' Rule Will Kill Small Business Post-War Hopes, Dealers Warn

(Continued from page 1612)

It should be realized that, at the best, there is a large amount of non-profit business done by firms such as ourselves. And we are only too glad to do it so long as we can afford it. As an example, our total dollar volume in 1943 was $1,945,000 and the gross profit—before any expense or commission—was approximately $48,000, or roughly, 2½%. Certainly, on an over-all basis, this could not be considered unreasonable.

Of equal importance, if such a rule is enforced, will be the effect on markets of comparatively inactive stocks, local situations, etc., with the resulting bad effects and losses on the present holder of such securities. These same shareholders, in many cases, have made possible the erection and operation of such plants with the resulting employment. Certainly, the present attempts to restrict and smother "free enterprise" would be aided and abetted by this unfair regulation.

PORTLAND, ME.

Why bother with small corporations when you can make as much on large corporations with less selling resistance?

When you sell stock in a small local company it is necessary to make some agreement with the seller or buy it outright, and if the customer wants to sell later the dealer feels obligated to pay him somewhere near the price at which he purchased, even though the broker or dealer may have to hold the stock for a long time until a new buyer comes along.

BOSTON, MASS.

I believe that it will eventually narrow the markets. Some of them are narrow enough now and depend upon local dealers for any market at all. If these local dealers always have the possibility of action by the NASD hanging over their heads there will not be any bids on some of them because they (the dealers) will not tie up their money if they are to be limited to a 5% mark-up. If the dealer has the possibility of a fight on his hands every time he buys an inactive security, he simply will not buy it. It is wrong to put the burden on an honest dealer; and I believe the whole thing wrong in principle any way and the most barefaced attempt at regimentation that this business has ever seen.

MOBILE, ALA.
(From firm favoring rule)

None whatsoever, and it will protect stockholders in such companies from unscrupulous dealers.

BOSTON, MASS.

You will note we have exercised our privilege of not signing this questionnaire for the reason that if by any chance this should get in the hands of the officials of the NASD I know we would lay ourselves open to reprisals; anything else would be contrary to all the laws of human nature.

It is our policy to mark-up unlisted securities approximately 5%. We feel, however, that in certain instances where a large amount of work is done we would be justified in getting a figure above this. The 5% figure is certainly fair enough, for example, in the case of an active bank stock or utility which can be purchased without effort. On the other hand, in inactive stocks difficult to purchase and sold in small lots with heavy transfer taxes, 5% is not enough. As a result of this ruling, we have completely eliminated our small accounts simply because, from a business standpoint, they are not worthwhile. It is tough on the customer, I admit, and they have resented the lack of attention, but we feel we are faced with no other alternative. If we operate at a loss we cannot stay in business, that is fundamental.

Another item that enters into this is the question of transfer taxes. I know of no retailer in any other line of business who is obliged to absorb taxes of this type. This 5% ruling has created a tendency on the part of salesmen to deal in stocks that do not have heavy transfer taxes. It has eliminated, as far as a dealer is concerned, the real value of an able trader. In my opinion, it is unfortunate the SEC has failed to recognize that the control of the NASD has gone into the hands of the larger underwriters and distributors directly or indirectly, who will benefit tremendously by the elimination of the small dealer. I would suggest each dealer look over the list of officials in his own district, weigh well their records over the years and ask himself whether they are really crusaders out to promote a "High Standard of Ethics" in the investment business or largely a group of mediocre, sanctimonious hypocrites with a psychopathic flair for publicity out to further their own interests.

BUFFALO, N. Y.

These regulations are arbitrary on the part of the NASD without the consent or even submission to members. It is wrong in principle and smacks of regimentation, etc. Small business under the 5% is out of luck—their chances of financing are reduced to zero.

FROM CITY NOT INDICATED

An adverse effect because we just can't make a market that will permit room for taxes, Red Cross contributions, war bond purchases, a place to transact business from, and a place to live in.

Also, no ONE interpretation of the rule can be had from those who created it.

NEW YORK, N. Y.

It would seriously curtail them and be most detrimental.

NEW YORK, N. Y.

Small companies would not find it possible to obtain financing publicly. Therefore, retard progress of expansion and development.

ROCHESTER, N. Y.

Probably a very bad effect because the dealer cannot afford to spend the time working up sales and making markets unless his profit is greater. Its much simpler to sell a security that is better known and has a broader market.

JAMESTOWN, N. Y.

I certainly believe that thin markets will become dormant. Jamestown has a population of around 45,000. There are a number of small corporations here having many stockholders, and I do not intend to put in the time and effort in finding buyers and sellers for these people, on small sales at 5%, and I have told the stockholders how the NASD has set up their rules along these lines. I have not found one person who did not agree that they would not expect that I could do so.

It is natural when people find out that their money is frozen in

(Continued on page 1630)

Kuhn, Loeb Group Offers Securities Of Moore-McCormack

Preferred and common stocks of Moore-McCormack Lines, Inc., operators of the popularly known "Good Neighbor Fleet," and now operating ships as Government agents, were offered April 18 by a banking group headed by Kuhn, Loeb & Co. and including Ladenburg Thalmann Corp., E. H. Rollins & Sons, Inc., Schroder Rockefeller & Co., Inc., A. C. Allyn & Co., Inc., Central Republic Co., Grubbs, Scott & Co., Maynard H. Murch & Co., and Johntson, Lemon & Co.

The offering, which is being made for the account of certain stockholders and does not constitute new financing by the company, consists of 60,000 shares of $2.50 cumulative preferred stock ($50 par), priced at $48.50 per share, and 60,000 shares ($10 par) common priced at $15.50 per share. The preferred is convertible until Dec. 31, 1945, into common stock at $20 per share, and thereafter to Dec. 31, 1950, at $25 per share.

The company has assets of more than $43,000,000 of which over $21,000,000 is in floating equipment. Outstanding capitalization consists of 108,000 shares of preferred stock and 500,000 shares of common stock. Of the 1,000,000 shares of authorized common stock, 270,000 shares are reserved for issuance on conversion of preferred stock.

Living Costs Unchanged In March, Conference Board Reports

Living costs of the average family of wage earners and lower-salaried clerical workers in the United States was unchanged from February to March, according to the National Industrial Conference Board.

'5%' Rule Will Kill Small Business Post-War Hopes, Dealers Warn

(Continued from page 1629)

some company they expected to be able to find a market for their investment, that they will not be anxious to go into something else, even though it may look very attractive. Financing of new industries are the only way towns and cities can grow.

I certainly hope that the N. Y. Security Dealers Association can get the attention of the right people to make a thorough investgation into the present unfair situation.

JAMESTOWN, N. Y.

There will be no market. Small dealers like ourselves will be forced out of business.

GLENS FALLS, N. Y.

Will result in no market for securities is small corporations.

LOS ANGELES, CALIF.
(From firm favoring rule)

None.

ROCHESTER, N. Y.

It is my opinion that if the 5% mark-up rule stands it will not only ruin the market for the securities of all small corporations but it will also ruin any chances any man or group of men might have to start a small corporation.

A SMALL UPSTATE NEW YORK TOWN

For many of them there will be no market.

MT. VERNON, N. Y.

Bad.

A SMALL UPSTATE NEW YORK TOWN

Is there any question about that? There just won't be any.

BUFFALO, N. Y.

Will probably discourage many dealers particularly employing salesmen from handling. It's unconstitutional in last analysis.

BUFFALO, N. Y.

I fail to see where it will have any adverse effect.

A SMALL UPSTATE NEW YORK TOWN

Very bad.

BUFFALO, N. Y.

Devastating.

BUFFALO, N. Y.

Unfavorable, at least temporarily.

NEW YORK, N. Y.

In my opinion there will be no new financing of small corporations by dealers throughout the country on a 5% basis.

SYRACUSE, N. Y.

Bad.

YONKERS, N. Y.

In our opinion it would tend to make all securities, including those of small corporations less marketable, and result unfavorably for both the borrowing corporations and investors in general. Any regulation of this kind tends to hamper and cramp the business and interests of all concerned. Free competition should suffice to protect investors, plus, perhaps, more stringent requirements, particularly as to capital investment, of dealers. Any dealer with a capital investment at stake will, in our opinion, "watch his step" more carefully than one who has little or nothing to lose.

UTICA, N. Y.

Little or no market.

A SMALL UPSTATE NEW YORK TOWN

The market will be stymied and dealers who operate in the country principally will go out of business.

UTICA, N. Y.

In the absence of any definite interpretation of this rule by the NASD or the SEC, it appears that even 1% could be determined excessive or 9% could be determined legitimate by the NASD examiner, depending how he felt that particular day or hour and who the broker or dealer concerned was. I am not opposed to a limitation of profit rule, providing it is definite and without exceptions and also providing that all securities dealers, both members and nonmembers of the NASD, are obliged to operate under the same rules and limitations. 5% appears ample for the trader, wholesaler, broker and large-volume houses, but is insufficient for the retail local dealer who originates the orders through personal contact and salesmen; some distinction should be made between the trader and the retail dealer when setting limitations; even the ICC give recognition to the extra costs of originating business and allow the originating railroad a large percentage of the total freight rate although only obliged to carry the freight a minor part of the distance.

The 5% limitation, if it stands, will force the dealer to sell only actively traded securities having solid markets; trading will be more frequent with customers in order to obtain volume. The small corporation's securities will be unattractive from a dealer's standpoint, due to lack of activity and profits. New financing of small corporations will be severely restricted and refunding operations will be hampered, due primarily to the lack of markets and dealer's interest in secondary market redistribution.

One would think that there is some mystery to this "securities business," but it is the same business that was here years ago. The costs of operation are about the same, possibly higher, due to taxes, cost of help, supplies, transportation, etc. The stock exchanges have had their commissions increased to take care of this added expense and I suppose you and millions of others have had an increase in your salaries to offset the higher costs of living and expenses. We all know the cost of our respective overhead expenses. There is no mystery to the cost of sales promotion work. Anyone who has been in the business 30 days can give concrete examples of the cost of doing business. Therefore, the dealer will concentrate on only those issues where turnover and volume will overcome the proposed decrease in our wages, so that we, too, may increase our gross profit to offset our gross expenses. As this will mean only handling actively traded securities with large markets, I am afraid the smaller corporations will be rather out of luck concerning their markets and new financing, providing this 5% decree is inaugurated.

NEW YORK CITY
(From firm favoring rule)

None.

GRAND RAPIDS, MICH.

It will probably affect the sale of low-priced issues, particularly in small blocks.

GRAND RAPIDS, MICH.

The securities business can be divided into two very distinct classifications. The "high grade," or investment type, and the "common stock," or speculative type, so far as regulation by the people in the industry is concerned. Neither one is qualified to supervise and regulate both. They are distinctly two different kinds of business and should not be thrown together.

At present about 90% of the board governing NASD are of the first type and very likely not over one or two of them deal in speculative securities. Their training is to conserve principal and apparently they know very little about the creation of new wealth. The wealth and progress of America was never made by such restrictive thinking.

There are still a lot of Americans that want higher income producing securities with a chance to speculate in new ventures and a chance to prosper with the growth of our nation.

The second type of dealer has a very definite place in the scheme of American life and while they should be regulated and encouraged to honesty and fair dealing, they should not be "put out of business," which seems likely under the "5% rule."

Government bonds, municipal obligations and other prior lien types of securities would in time become of doubtful value if financing by junior type of securities were stopped and the market for such issues ruined.

The answer, at least for the present, is the **formation of another department or association** for the handling, supervision, etc., of the second or "speculative type of business" dealer. It is a fact that IBA group do not have anything in common with the small dealer, and why the first group or conservative type should **want to regulate** the small, or common stock dealer, the "Lord only knows."

All we need is a **decent** chance to make reasonable and fair profits in order to preserve our type of business and thereby preserve and further the life and possibilities of new enterprise and markets.

KANSAS CITY, MO.

Probably will cause all prospective sellers (estates, etc.) to be at complete mercy of management officers when it is necessary to sell.

ST. LOUIS, MO.

It is our opinion that the 5% rule will probably be more of a detriment than an advantage under sound business administration.

SAN FRANCISCO, CAL.
(From firm favoring rule)

None, as should be sufficient, and it is better to have fair limit to eliminate the group of "chiselers" who prey on the investors.

ST. LOUIS, MO.

Will seriously impair such markets.

ST. LOUIS, MO.

We believe that the "5% mark-up" rule will be distinctly detrimental to the market for securities of the smaller corporations of the country and, in fact, believe that it will have a very adverse effect upon the market for all securities which are dealt in "over-the-counter."

We believe that the ruling is unfair to the small investment houses, and that it will drive many of them out of business. In fact, we consider the rule vicious in every respect.

SPRINGFIELD, MASS.

I firmly believe it will dry up the market to a very great extent and make the purchase and sale for the investor of small companies most difficult to carry out.

LOS ANGELES, CAL.

Along with the New Deal over-regulation of business, the 5% mark-up rule will eventually stifle or completely eliminate not only the market for securities of the smaller corporations but aid in the elimination of the establishment of new corporations through lack of a profit incentive. It requires courage for any business leader to publicy acknowledge his error made in good faith. For 12 years the leadership of the investment banking fraternity has shown a lack of a will to fight an Act that basicly reverses the traditional English and American principle that you are innocent unless proven guilty, so why expect a concerted move to correct one more strangling regulation.

A SMALL ALABAMA TOWN

Bad.

ST. LOUIS, MO.

Our business is largely a commission one and the 5% rule does not affect us. However, we are against control of profits by the government in principle. We do not think the 5% rule will affect small companies.

A SMALL MINNESOTA TOWN

It will eventually kill off the market for more speculative issues of small corporations.

ST. LOUIS, MO.

Smaller corporations, not known, there will be very little interest in their markets.

KANSAS CITY, MO.

Sadly neglected—resulting in withdrawal of dealer interest—hence, difficult to find bids. 5% rule made to order and ordered made by stock exchange houses and well-to-do over-the-counter houses who can get along until small dealers are compelled to get out of business and then, no doubt, another "made to order" directive will be issued in some way, allowing larger mark-up.

ST. LOUIS, MO.

It is bound to ruin these markets.

Calendar Of New Security Flotations

OFFERINGS

ALLIS - CHALMERS MANUFACTURING CO.—296,015 shares of $4 cumulative convertible preferred stock (par $100). Of the net proceeds the company will apply $15,600,000 to the redemption and payment of all of its outstanding 15-year 4% convertible sinking fund debentures due Sept. 1, 1952, at 104. Balance of proceeds will be added to working capital for war purposes and post-war business. Offered for subscription to common stockholders of record March 31, at rate of one share of preferred for each six shares of common at $100 per share. Rights expire April 12. Underwritten by Blyth & Co., Inc., and a nation wide group of 63 underwriters. Filed March 17, 1944. Details in "Chronicle," March 23, 1944.

Unsubscribed 24,248 shares placed privately by Blyth & Co., Inc. and associates.

AMERICAN CASUALTY CO. OF READING, PA.—100,000 shares capital stock (par $5), to be offered to stockholders of record March 10 at $11 per share in ratio of one new share for each share held. Rights expire about April 20, 1944. Proceeds for working capital. Filed Feb. 18, 1944. Huff, Geyer & Hecht, Inc., principal underwriters. Details in "Chronicle," March 9, 1944.

Offered by bankers on April 20 at 11¼.

AMERICAN OPTICAL CO. — 230,000 shares of common stock (no par), of which 167,490 shares are to be offered by company and 62,510 shares presently outstanding to be sold by ten vendor trusts. Net proceeds to company will be used, in part, as additional working capital. Principal underwriters are Harriman Ripley & Co., Inc. and Estabrook & Co. Stockholders (other than vendor trusts) will be offered right to subscribe to 167,490 new shares in ratio of one new share for each three shares held. Filed March 25, 1944. Details in "Chronicle," March 30, 1944.

Offered April 13 by above named underwriters and 40 associates at $22.25 per share.

ATLANTIC CITY ELECTRIC CO.—55,000 shares of cumulative preferred stock (par $100). Proceeds will be used to redeem 26,283 shares of old $6 preferred and purchase and cancellation of 30,592 shares of old $6 preferred stock of American Gas & Electric Co. (parent). Filed March 14, 1944. Details in "Chronicle," March 23, 1944.

Offered 55,000 shares of 4% cumulative preferred stock offered April 13 at 102.50 per share by Shields & Co., White, Weld & Co. and associates.

BOND STORES, INC.—60,000 shares of convertible preferred stock, cumulative (par $100). Dividend rate by amendment. From the estimated net proceeds approximately $2,167,875 will be used for retirement of $2,100,000 serial notes, together with premium thereon. Balance will be used for corporate purposes. Lehman Bros. and Wertheim & Co., principal underwriters. Filed Mar. 31, 1944. Details in "Chronicle," April 6, 1944.

Offered 60,000 shares 4½% cumulative preferred stock (par $100) offered at 105.50 per share plus dividend.

CELANESE CORP. OF AMERICA—350,000 shares of first preferred stock, $4.50 series (no par), cumulative and 139,622 shares of common (no par). Holders of its common stock will be given the right to subscribe for additional shares of common stock at the rate of one share for each ten shares held. Of net proceeds, $23,662,290 is to be applied, concurrently with the issuance of the 350,000 shares of first preferred stock, $4.50 series, to the redemption of 164,818 shares of 7% cumulative series prior preferred stock and 37,710 shares of 5% cumulative series prior preferred stock presently outstanding. The balance is initially to become part of the corporation's general funds and applied for additional plant facilities, or any corporate purposes. Dillon, Read & Co., and Morgan Stanley & Co., are named principal underwriters. Filed March 22, 1944. Details in "Chronicle," March 30, 1944.

Amendment filed April 9, 1944, fixing dividend rate at $4.75 annually.

Offered April 13 at $99 per share by Dillon, Read & Co. and Morgan Stanley & Co. and 96 associates.

ILLINOIS COMMERCIAL TELEPHONE CO.—21,000 shares of $4.75 cumulative preferred stock (no par). Proceeds will retire $6 cumulative preferred stock as follows: 17,098 shares at $110 per share, requiring $1,880,780, and 1,567 shares owned by parent, General Telephone Corp., at latter's cost, requiring $130,849, total $2,011,629. Balance will be placed in treasury. Paine, Webber, Jackson & Curtis and Mitchum, Tully & Co. principal underwriters. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

Offered April 18 at $100 per share, plus dividend by above named underwriters and associates.

LOUISIANA POWER & LIGHT CO.—$17,000,000 first mortgage bonds due April 1, 1974. Proceeds for refunding first mortgage 5s due 1957. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

Bonds awarded April 18 to Halsey, Stuart & Co., Inc. and 66 associates on bid of 101.9099 as 3s.

Offered by the bankers on April 19 at 103 and accrued interest.

MENGEL CO.—$2,500,000 sinking fund debentures, due April 1, 1959. Proceeds will be applied to redemption at 100½% plus interest of $1,568,000 first mortgage 4½% convertible sinking fund gold bonds, due March 1, 1947, balance added to general funds. Underwriters are F. S. Moseley & Co., Boston; Metropolitan St. Louis Co., St. Louis; Hemphill, Noyes & Co., New York, and J. J. B. Hilliard & Son, Louisville. Filed March 23, 1944. Details in "Chronicle," March 30, 1944.

Offered $2,500,000 3¾% sinking fund debentures, offered by above named underwriters on April 13 at 99½ and interest.

MOORE-McCORMACK LINES, INC. — 60,000 shares of $2.50 cumulative preferred stock (par $50) and 210,000 shares of common stock (par $10), including 150,000 shares reserved for issuance on conversion of preferred stock. The 60,000 shares of preferred and 60,000 shares of common offered are issued and outstanding Stock is being sold by present stockholders. Offering price and names of underwriters to be supplied by amendment. Filed March 28, 1944. Details in "Chronicle," April 6, 1944.

Offered April 18, the preferred at $48.50 per share plus dividend and the common at $15.50 per share by Kuhn, Loeb & Co., Ladenburg Thalmann Corp., E. H. Rollins & Sons, Inc., Schroder Rockefeller & Co., Inc., A. C. Allyn & Co., Inc., Central Republic Co., Maynard H. Murch & Co., Grubbs, Scott & Co. and Johnston, Lemon & Co.

NATIONAL CONTAINER CORP.—$4,500,000 5% 15-year sinking fund debentures due April 1, 1959. Price to public 100 and interest. Of net proceeds, $2,844,500 will be applied to redemption of presently outstanding 5½% debentures, bank loan, notes or bonds and mortgages, and $556,000 will be applied to redemption of presently outstanding first mortgage bonds and 5% note of Bedford Pulp & Paper Co., Inc.; $246,300 will be used to reimburse company and subsidiaries for cash expended to acquire Bedford Pulp & Paper Co., Inc.; remainder ($553,200) will be added to general funds. Van Alstyne, Noel & Co. is named principal underwriter. Filed March 27, 1944. Details in "Chronicle," March 30, 1944.

Offered April 18 by Van Alstyne, Noel & Co. and 25 associates at 100 and interest.

NORTHWEST AIRLINES, INC.—117,460 shares of common stock (no par) offered to common stockholders of record March 25 at $16 per share in ratio of one for each two held. Rights expired 3 p.m. EWT on April 6. Proceeds for general corporate purposes. Unsubscribed shares underwritten and sold by Auchincloss, Parker & Redpath and associates. Filed Dec. 23, 1943. Details in "Chronicle," March 16, 1944.

> **NEW FILINGS**
>
> **List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.**

TUESDAY, APRIL 25

CUDAHY PACKING CO. — $14,000,000 first mortgage sinking fund bonds, series B, 3% due May 1, 1964. Proceeds together with general funds of company are to be applied to the redemption at 102% of entire $17,182,500 first mortgage sinking fund bonds, series A, 3¾%, due Sept. 1, 1955. Underwriting are Halsey, Stuart & Co., Inc., $4,800,000; Goldman, Sachs & Co., $1,400,000; Central Republic Co., Inc., $1,050,000; Ladenburg, Thalmann & Co., $1,050,000; F. S. Moseley & Co., $1,050,000; A. G. Becker & Co., Inc., $900,000; Hallgarten & Co., $750,000; Shields & Co., $750,000; Blair & Co., $600,000; Hayden, Stone & Co., $600,000; Paine, Webber, Jackson & Curtis, $450,000; William Blair & Co., $300,000, and First of Michigan Corp., $200,000. Filed April 6, 1944. Details in "Chronicle," April 13, 1944.

WEDNESDAY, APRIL 26

WESTVACO CHLORINE PRODUCTS CORP.—35,000 shares of $4.25 cumulative preferred stock (no par). Proceeds will be made available for one or more of following purposes: Enlargement and improvement of present plants and processes; erection of plants to produce new products; acquisition and conversion of plants now owned by government and operated by the company, as well as other properties, and other general corporate purposes. F. Eberstadt & Co., New York, is principal underwriter. Filed April 8, 1944. Details in "Chronicle," April 13, 1944.

WEDNESDAY MAY 3

AMPAL-AMERICAN PALESTINE TRADING CORP. has filed a registration statement for 102,000 shares 4% preferred, cumulative, non-voting, $5 par.

Address—1140 Broadway, New York City.

Business—To develop trade relations between the United States and Palestine.

Underwriting—None. The securities will be sold through the efforts of the directors and employees of the issuer.

Offering—Price to the public $5.50 per share.

Proceeds—To increase working capital.

Registration Statement No. 2-5350. Form A-1. (4-14-44).

> **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.**

AMERICAN BAKERIES CO.—13,000 shrs. of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen. Cushman as trustees of L. A. Cushman Trust. Names of underwriters and price to public by amendments. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 23, 1943. Details in "Chronicle," March 9, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. No underwriters named. Filed Mar. 30, 1944. Details in "Chronicle," April 6, 1944.

CORNELL-DUBILIER ELECTRIC CORP. —20,000 shares cumulative preferred stock, series A (no par). Proceeds for working capital. Eastman, Dillon & Co., principal underwriter. Price to the public by amendment. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

KLINE BROTHERS CO.—$500,000 5% sinking fund notes, due March 1, 1954. To be offered at 100 net, proceeds will be applied as follows: To redemption of $243,600 5% sinking fund notes, due May 1, 1952, at 100, $243,600; to renewal of equipment, etc., $75,000; for working capital, $74,295, and for post-war expansion, $80,000. Illinois Securities Co., Joliet, Ill., underwriters. Filed March 24, 1944. Details in "Chronicle," March 30, 1944.

MILLER MANUFACTURING CO.—100,000 shares of convertible class A stock (par $5) and 316,667 shares of common stock (par $1). Of class A stock 95,000 shares will be offered to public at $10 per share. The remaining 5,000 shares of class A stock, and 16,667 shares of common stock will be issued to certain holders of Rieke Metal Products Corp. as part of purchase price of stock of Rieke Metal proposed to be acquired by Miller from such stockholders. Of the net proceeds from sale of 95,000 shares of class A stock ($790,445), $587,500 will be used to pay cash balance of the purchase price of stock of Rieke Metal and any balance will be added to working capital. Baker, Simonds & Co., Van Alstyne, Noel & Co. and Straus Securities Co. are underwriters. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

PEERLESS IMPERIAL CO., INC.—4,000 shares of preferred stock ($100 par). Company is offering, without underwriters, to its various customers and others the 4,000 shares of preferred stock at $100 per share plus dividends. Proceeds for working capital. Not underwritten. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

PLOMB TOOL CO.—$600,000 10-year 5% convertible debentures due Jan. 1, 1954. Proceeds will be used to redeem first mortgage bonds, reimbursement of company for funds used to redeem preferred shares and reduction in V-loan. Price to public and names of underwriters by amendments. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

SOUTH COAST CORP.—$1,500,000 first mortgage 5% bonds due Dec. 31, 1955. Proceeds to redeem $998,405 general mortgage income 6s and for working capital. Paul H. Davis & Co. principal underwriter. Filed Jan. 24, 1944.

SOUTH COAST CORP.—$1,702,260 5% cumulative income debentures (subordinated) due Nov. 30, 1973. The debentures are owned by Celotex Corp. and do not represent new financing. Paul H. Davis & Co., Chicago, is named underwriter. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

SPRAGUE-WARNER-KENNEY CORP. — 15,000 shares of 6% cumulative preferred stock (par $100). Proceeds will be used for the acquisition of a maximum of 8,649 shares of Western Grocer Co. 7% preferred in exchange of shares and $575,000 will be applied to retirement of 5,750 shares of 6% cumulative preferred of Sprague at $100 per share. Company also plans to issue $3,250,000 face amount of installment promissory notes and use proceeds as additional working capital. A. C. Allyn & Co., Inc., underwriter. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

SPROUSE-REITZ CO., INC.—1,000 shrs. voting common stock (par $100) and 3,000 shares non-voting com. stock (par $100). Shares of voting common stock are to be offered first to present holders of voting common stock ratably in accordance with present holdings. Shares of non-voting common stock are to be offered first to present holders of all classes of stock ratably in accordance with present holdings. Price $100 per share for each class of stock. Unsubscribed stock will be offered to the public. Proceeds for working capital not underwritten. Filed March 27, 1944. Details in "Chronicle," April 6, 1944.

Proceeds will be used to retire equal number of shares of 7% preferred. Company offers right to purchase preferred stock to holders of common stock who have not waived such right, on basis of one share of preferred for each 7½ shares of common held and for each remaining unit of less than 7½ shares held. The preferred stock covered by waivers is initially offered by the underwriters. The remaining preferred stock is offered subject to its purchase from the company by holders of the common stock. Underwriters are Courts & Co.; Milhous, Martin & McKnight, Inc.;

THE TRION CO.—12,850 shares of 5% preferred stock, cumulative (par $100). Ingalls & Snyder; Wyatt, Neal & Waggoner: R. S. Dickson & Co., Inc.; Kirchofer & Arnold, Inc.; Robinson-Humphrey & Co.; Brooke, Tindall & Co.; J. H. Hilsman & Co., Inc.; Clement A. Evans & Co., Inc. A. M. Law & Co., and H. T. Mills. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

VIRGINIA ELECTRIC & POWER CO.—An amended plan for merger of Virginia Electric & Power Co. and Virginia Public Service Co. filed with SEC April 17, 1944. Amended plan provides following changes from original plan: (1) $23,000,000 of 3% bonds of Vepco will be sold instead of $24,500,000 of 3½% bonds; (2) $9,000,000 of 2¼% 10-year serial notes will be issued instead of $5,000,000 2¼% 5-year serial notes; (3) each share of Vps preference will receive one share of new Vepco $5 dividend preference stock plus, for the 7% Vps preference, $24.50 in cash and for 6% Vps preference $19 in cash (plus accrued dividends in both cases); Vepco will restrict dividend payments on common to an extent which will leave in surplus $11,020,000 over a period of 10 years as compared with original proposal of $6,000,000 over a period of five years. Original plan filed Feb. 28, 1944, details of which were outlined in "Chronicle," March 16, 1944. Bond will be sold through competitive bidding.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1614)

stop at 16¾; United Aircraft at 28, stop at 27, and Youngstown Sheet & Tube at 37 with a stop at 35.

* * *

The market, however, did not live up to its earlier promises. For volume dried up and prices, while they didn't break, were nevertheless whittled away. Result is that Youngstown bought at 37 sort of sagged through the 35 figure, automatically knocking it out of the list. The loss is not great. But the fact that there is a loss is not a comforting one. It shows an unravelling around the edges, a condition not present week ago.

* * *

From the news front there is little that wasn't known last week. The war is, of course, a subject of considerable speculation. The British removal of all diplomatic privileges from all but American and Russian representatives has brought about another flood of talk about the Channel invasion. All this is, however, talk. What is more important to the market is the coming election campaign. The entry of General MacArthur into the Presidential campaign was not unexpected. But the number of non-Democratic candidates is merely a subject for conversation. Officially, no one knows if FDR will run again. If he does, then all the talk about how grand a man Dewey, or MacArthur, or Taft is, won't do much good.

* * *

Another subject that will play an important part in the market picture is the post-war plans. At this point let me give you a word of caution. Practically all of the talk you hear and the stuff you read about the wonderful world of tomorrow is made up of little but fanciful imagination plus wishful thinking. That the market is quite aware of this you can be certain. Otherwise, a great many stocks would be cheap today. They would be cheap if even half the rose-colored dreams came true. Instead, you have a market which is feeling its way carefully and gingerly. Talk is one thing. Putting up hard cash to back this talk is another.

* * *

I haven't abandoned my belief that the temporary trend is up; just as I haven't given up the idea that the main trend is down. But if some of the stocks we have in our list don't get off their rumps in the next week or so I'll have to change my theories of even the minor trend.

* * *

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.]

Brownhoist Attractive

Industrial Brownhoist offers interesting possibilities, according to a memorandum on the situation prepared by Gillis-Russell & Co., Union Commerce Building, Cleveland, O., members of the Cleveland Stock Exchange. Copies of this memorandum may be had upon request from Gillis-Russell & Co.

Gain Or Lose On Friscos?

Raymond & Co., 148 State St., Boston, Mass., have issued an interesting discussion on how the current holders of Frisco issues will fare by the new capital setup. Post-war estimates and figures are presented in this discussion, copies of which may be had from Raymond & Co. upon request.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market in the past week was a quiet affair despite some activity in the partially tax-exempt obligations. . . . These bonds advanced about a quarter of a point in some instances during the middle of the week, then gave up practically all of their gains and closed the week about unchanged. . . . There appeared to be no significance to this brief flurry in the partially tax-exempt securities, aside from some banking buying for tax purposes. . . . For some time now the market for this type of obligation has been quite thin on both the buy and sell sides. . . .

It is indicated that the Treasury may be giving consideration to an interim offering of securities to the banks and it is expected that the final decision may be reached this week. . . . With great world-shaking events likely to happen in the not too distant future, the Treasury may deem it advisable to bolster its cash position to meet any emergencies that may develop. . . .

By borrowing before the Fifth War Loan begins in June, the Treasury would prevent its cash position from running low by the time the bulk of the Fifth War Loan subscriptions become payable on June 26. . . . It is estimated that Treasury balances may decline to between $3,000,000,000 and $4,000,000,000 by the end of June. . . . If the Treasury should borrow new money from the banks, it will probably take place about May 1, when $1,655,000,000 of certificates of indebtedness mature. . . . This comparatively small maturity could be refunded with a larger issue to build up Treasury funds. . . .

BANK RATIOS

The total volume of deposits of all the banks at the close of 1943 was in excess of $92,000,000,000 compared with capital resources of approximately $6,500,000,000, indicating a ratio of capital funds to deposits of about 7%. . . . In the central reserve cities, the New York banks reported a ratio of about 8%, while the Chicago banks had a ratio of approximately 6%. . . . Reserve city banks had an indicated ratio of 6%, whereas in the country districts it was about 8%. . . . There has been a substantial decrease in this ratio in the last few years, and since with the ending of hostilities and during the conversion period the volume of deposits is bound to increase sharply and certainly faster than capital resources, this ratio may be as low as 5%, and for many banks even below this figure. . . .

EFFECTS OF LOWER CAPITAL RATIO

This declining capital ratio has already had its effect upon the investment policies of the banks, and on the Government bond market. . . . The thinning out of the capital protection has made it essential for the banks to maintain a shorter average bond maturity and the relation of short-term Governments to deposits has risen sharply in the last three years. . . . This receding capital ratio is being actively discussed in banking circles, and the question arises whether or not too much emphasis is being placed on the ratio of capital funds to deposits. . . . It is pointed out that it does not give a realistic picture of the strong position of the banks. . . . Accordingly, it is suggested that a more reliable guide to the banking situation would be a ratio of capital funds to:

(a) Risk assets;

(b) Assets other than cash and United States Government bonds.

Capital funds, consisting of capital, surplus, undivided profits and reserves, less banking premises, is the cushion to be used against possible losses in assets, and it is contended that a ratio of capital funds to (a) risk assets, or (b) assets other than cash and U. S. Government bonds would appear to reflect more accurately the position of the banks than a ratio of capital funds to deposits. . . .

RISK ASSETS DEDUCTION

In considering the ratio of capital funds to risk assets it is pointed out that risk assets should include every type of assets on which losses might be sustained, and the best way to ascertain risk assets is to deduct them from all other assets . . . The following are considered riskless assets:

(1) Cash on hand and with banks;

(2) All short-term Government obligations, such as Treasury bills and certificates of indebtedness;

(3) Loans to brokers and dealers secured by Government securities and other securities;

(4) Prime bankers' acceptances.

Capital funds would then be measured against the remaining assets (risk assets), and if the ratio of capital resources to risk assets is lower than 1 for 10, the bank should endeavor to increase its capital. . . .

The other ratio being put forward for consideration as more representative of the banking situation is the ratio of capital resources (capital, surplus, undivided profits and reserves, less banking premises) to assets other than cash and holdings of U. S. Government obligations, since cash and Government bonds are held to entail no risk. . . .

A comparison made at the end of March, 1944, of the ratio of capital, surplus and undivided profits to deposits and of capital resources to assets, other than cash and holdings of U. S. Government bonds, for banks in New York City indicated the following:

	Capital, Surplus and Undivided Profits to Deposits	Capital Resources to Assets Other Than Cash and United States Government Bonds
Chase National Bank	6.2%	20.6%
National City Bank	5.5	17.6
Guaranty Trust Co.	10.0	35.8
Bankers Trust Co.	7.7	23.1
Manufacturers Trust Co.	5.1	20.2
Central Hanover Bank & Trust Co.	6.7	28.2
Chemical Bank and Trust Co.	7.0	22.2
Irving Trust Co.	10.4	35.4
First National Bank	13.3	62.5

It is pointed out that while the ratio of capital, surplus and undivided profits to deposits is under 10% in many instances among the New York City banks, the ratio of capital resources to assets, other than cash and Government bonds, is substantially in excess of the 10% figure. The capital resources are the safety factors for losses in assets, and from this ratio can be seen the outstanding strength displayed by the New York City banks. . . .

It is contended by the proponents of the ratio of capital resources to assets, other than cash and Government bonds, that a much better picture of the strength of the banking system is obtained from this ratio, than from the ratio of capital, surplus and undivided profits to deposits.

Broker-Dealer Personnel Items

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

ALBANY, N. Y.— **Thomas A. Cody**, formerly with R. M. Horner Co., is now associated with **Amott, Baker & Co.**, 150 Broadway, New York City.

(Special to The Financial Chronicle)
AUGUSTA, GA.—**William Wesley Doughty** is with **Clement A. Evans & Co., Inc.**, Marion Building.

(Special to The Financial Chronicle)
BOSTON, MASS.—**Mahlon T. Cowles** is connected with **Draper, Sears & Co.**, 53 State Street.

(Special to The Financial Chronicle)
DENVER, COLO.—**John Sellers Braddock** has been added to the staff of **Sullivan & Co.**, Security Building.

(Special to The Financial Chronicle)
HOLLYWOOD, CALIF.—**Rudolph Wihl** is now affiliated with **E. F. Hutton & Co.**, 1710 North Irvar Avenue.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Arthur H. Voelker** has joined the staff of **Russell M. Anderson**, 559 South Figueroa Street.

(Special to The Financial Chronicle)
OAKLAND, CALIF.—**Ivan E. Miller** has become associated with **Frank Knowlton & Co.**, Bank of America Building.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Frank N. Rasmussen** has become connected with **H. R. Baker & Co.**, Russ Building.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Olga Poulsen** has been added to the staff of **Hannaford & Talbot**, 519 California Street.

(Special to The Financial Chronicle)
SPRINGFIELD, ILL.—**Walter O. Brinkman** is now with **Dixon, Bretscher, Noonan, Inc.**, First National Bank Building.

Interesting Situation

Aeronautical Products, Inc., offers an interesting situation according to a memorandum issued by Mercier, McDowell & Dolphyn, Buhl Building, Detroit, Mich., members of the Detroit Stock Exchange. Copies of this memorandum may be had from the firm upon request.

RR. Reorganization Delay, Beneficial or Detrimental

In their Chicago Letter for April, Carter H. Harrison & Co., 209 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, discuss delays in consummating railroad reorganizations and whether they are beneficial or detrimental. Also contained in the letter is a comparative chart of railroads in reorganization and an interesting table of Chicago business indices.

Copies of this letter may be had upon request from Carter H. Harrison & Co.

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