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"The Spirit Of Enterprise"

"The possibilities of the future, now that industry has embraced science, are so limitless that only one forecast can be made with certainty — that the most extravagant prophecy will fall short of potential accomplishments."

Edgar M. Queeny

That is the hope which Edgar M. Queeny, chairman of the board of directors of Monsanto Chemical Company, holds forth for the postwar world in his book, "The Spirit of Enterprise" just released by Scribner's Sons. Mr. Queeny wrote the book at the request of Scribner's.

Denying the fundamental tenets of those who base their postwar plans on the theory that our economy has reached maturity and that our chief problem is to learn

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In This Issue

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

For Missouri see page 206; Michigan, page 207; Connecticut on 208.

For index see page 224.

Managing A Business For Stockholders Through The Vicissitudes Of Inflation

A well-informed management is the best hedge a corporation or its stockholders have against inflation and the deflation readjustments that follow. The management should have a full knowledge of what to expect and a flexible program constantly in the processes of readjustment to meet changing economic and political conditions and expectations. With a thorough knowledge of inflation and deflation conditions, and their effects upon business and finance the management and investor can prepare a blueprint for a flexible policy.

With the foregoing in mind Dr. Ivan Wright, Professor of Economics, Brooklyn College, wrote his article, "Managing a Business for Stockholders Through the Vicissitudes of Inflation," which appeared in "The Chronicle" of July 8. As was to be expected, numerous comments have come to hand regarding the views and conclusions drawn by Dr. Wright in this excellent article. Due to space limitations, however, we can make room in this issue for only a number of these expressions and others will appear in subsequent issues. The first group of comments are given herewith:

WILLIAM L. DeBOST

President, Union Dime Savings Bank, New York City

William L. De Bost

I have read with a good deal of interest the article "Managing a Business for Stockholders Through the Vicissitudes of Inflation," written by Dr. Ivan Wright.

It seems to me that unless postwar problems are well thought out and planned for from now on, that there will be very many serious and unfortunate situations after the war. This warning by Dr. Wright is timely.

DUNCAN W. FRASER

President, American Locomotive Company

I have read Dr. Wright's article "Managing a Business for Stockholders Through the Vicissitudes of Inflation," and found it most informative.

D. W. Fraser

I am in entire agreement with Dr. Wright's advice that the most protective measures that can be be attempted to avoid the effects of inflation are to be free of debt; to keep a liquid cash position and to avoid unnecessary speculation in inventories.

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Canada Proposes Plan For International Exchange Union

Proposals Offered As Substitute For British and U. S. Currency Stabilization Programs

Tentative draft proposals for an International Exchange Union have been announced this week by Canadian Experts on Plans for Post-War Monetary Organization, who in their observation state that following their study of the British and American proposals, they are "led to make certain observations of a general character and to submit an alternative plan."

The Canadian Plan was presented to the House of Commons at Ottawa on July 12 by J. L. Ilsley, Canadian Minister of Finance. "Like the British and the American plans," the Canadian experts state, the latter's proposals are "provisional and tentative in character;" the experts further state: "they incorporate imporate features of both the American and British plans, and add to them certain new elements."

Hon. J. L. Ilsley

The Canadian experts in summing up their general observations, suggest that

(a) An international agreement for the establishment of an international monetary organization which involves the extension of credit is essential if international cooperation in the post-war world is to be achieved.

(b) Such machinery will deal with only one of the numerous problems which must be faced, but it is a logical and convenient starting place for joint international action.

(c) The credit made available

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Bank Of International Cooperation: A World RFC

In an article published in the "Chronicle" of June 24, bearing the above caption, Rep. Charles S. Dewey (Rep., Ill.), a member of the House Ways and Means Committee, criticized the Keynes and Morgenthau currency stabilization plans and proposed a "Bank of International Cooperation: a World RFC," as a method of rehabilitating the financial and economic strength of other countries after the war and maintaining equilibrium of their interna-

Rep. Chas. S. Dewey

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IBA Nominees For Office Are Announced

John Clifford Folger, investment banker of Washington, D. C., will head the official ticket of nominees of the Investment Bankers Association of America to be elected at the association's annual meeting in New York, November 3, 4, and 5, it was announced today by Jay N. Whipple of Bacon, Whipple & Co., Chicago, President of the association. The presidential nominee is head of the Washington investment house of Folger, Nolan & Co. and has served for the last two years as a vice-president of the association.


J. C. Folger


Albert T. Armitage


Edw. Hopkinson, Jr.


Vic E. Breeden


Julien H. Collins

Others on the regular ticket, as approved by the association's Board of Governors for submission at the annual meeting, are: Albert T. Armitage of Coffin & Burr, Boston; Albert H. Gordon of Kidder, Peabody & Co., New York; Edward Hopkinson, Jr., of Drexel & Co., Philadelphia; Vic E. Breeden of R. H. Moulton & Company, San Francisco and Julien H. Collins of Harris, Hall & Company, Chicago, all nominated as vice-presidents. In the case of the first three men this represents renominations since they are at present serving as vice-presidents. Nomination is considered tantamount to election, as the selections of the Board have always been approved.

Mr. Folger has been in the investment business in Washington since 1929 and president of his present organization since 1931. He has extensive business interests in addition, being a director of the Chesapeake and Potomac Telephone Company and the Appalachian Mills of Knoxville, Tennessee, chairman of the board of the Piedmont Mortgage Company, treasurer and director of the Mayflower Hotel Corporation and president of the Cumberland Trust Company of Knoxville.

Taking an active part in war financing, Mr. Folger has served as a vice chairman of the War Savings Bond Committee of the District of Columbia, co-chairman of the Washington Victory Fund Committee and also a member of the executive committee of the

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Stock Market In Line Says Schram of NYSE

Emil Schram, President of the New York Stock Exchange, visiting the Chicago Stock Exchange, told members that neither the Securities and Exchange Commission nor the Federal Reserve Board has so much as hinted that the stock market is getting out of hand. The market has been pretty much on a cash basis, he said, adding that member borrowings have been held in line and there has been no competition with national credit needs.

Mr. Schram, who was accompanied by John A. Coleman, Chairman of the New York Exchanges, was conducted on the inspection tour by Harry M. Paine, Chairman, and Kenneth L. Smith, President of the Chicago Exchange, and Charles C. Renshaw, Chicago representative on the Board of Governors of the New York Stock Exchange.

Boenning & Co. Forms New Partnership

PHILADELPHIA, PA.—Boenning & Company, on July 12, 1943, succeeded and acquired the business of the firm of the same name which was established over a quarter of a century ago, for the transaction of a general investment and commission business in stocks and bonds. The following comprise the partners of the new firm: Albert J. Williams, member of the Philadelphia Stock Exchange and New York Curb Exchange (associate) was associated with the old firm for over ten years as a partner. Henry D. Boenning, Jr., will resume an active interest in the organization upon his return from military service. He is now serving as a Captain in the U. S. Army. Paul A. Haffner and John R. O'Connell have been associated with the organization for over seventeen years in the capacities of statistician and cashier, respectively.

Offices of Boenning & Company are located at 1606 Walnut Street.

Mid-Summer Idea Review

In the current issue of their "Preferred Stock Guide," G. A. Saxton & Co., Inc., 70 Pine Street, New York City, review a number of situations which they have outlined in previous issues as offering attractive possibilities. Copies of the "Guide," which also contains comparative figures on public utility preferred and common stocks, may be had from G. A. Saxton & Co. upon request.

Steven Taylor Joins E. H. Rollins & Sons

PHILADELPHIA, PA.—Steven P. Taylor, formerly with Salomon Bros. & Hutzler and Stroud & Co., is now in the trading department of E. H. Rollins & Sons, Inc., 1528 Walnut Street.

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

Eastman, Dillon & Co. To Open In Chicago

Eastman, Dillon & Co., members of the New York Stock Exchange, will open an office in Chicago in the Field Building on August 1. The office will be under the supervision of Alvin F. Kramer, who is expected to become a partner in the firm on that date. Mr. Kramer was one of the founders and Executive Vice-President of the Federal Securities Corporation of Chicago, leaving that firm in 1929. Since 1940 he has been connected with the Trust Department of the City National Bank and Trust Company of Chicago, from which position he is resigning on August 1 to join Eastman, Dillon & Co.

Now A Corporation

CINCINNATI, OHIO — Stanley Cooper & Co., Fountain Square Bldg., formerly a sole proprietorship, has been incorporated and officers of the new corporation are Stanley M. Cooper, President and Treasurer, R. Knecht, Vice-President and Secretary; Ralph C. Bennett is a director of the firm in addition to the officers.

Milhous, Martin And McKnight Formed

ATLANTA, GA. — Milhous, Gaines & Co., Inc. announces the discontinuance of their office in Birmingham, Ala. and the change in name to Milhous, Martin & McKnight, Inc. The company will continue its offices in the Rhodes-Haverty Building, Atlanta, and will act as underwriters, participating distributors and dealers in Southern municipal bonds, corporate bonds and stocks and local securities.

Officers of Milhous, Martin & McKnight are James F. Milhous, President; Wayne Martin and H. Neil McKnight, Vice-Presidents.

Walter Gaines Opens Own Investment Firm

BIRMINGHAM, ALA. — Walter B. Gaines has formed Gaines & Co., Inc. with offices in the First National Building to engage in a general securities business. Mr. Gaines was formerly president of the recently dissolved firm of Milhous, Gaines & Co., Inc.

Adams & Peck Admit R. Wood & G. Perry

Adams & Peck, 63 Wall Street, New York City, have admitted Reginald Wood and George W. Perry to partnership in their firm. Mr. Wood has been associated with the firm as manager of the Boston office for more than 12 years; Mr. Perry has been office manager in the New York office for over 19 years.

Situations Of Interest

Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges, have prepared interesting circulars on Four Wheel Drive, Autocar Co. common and preferred, and York Corporation w. i., which offer attractive possibilities at current levels the firm believes. Copies of these interesting circulars may be had from the firm upon request.

OUR REPORTER'S REPORT

Day to day business of larger bond houses is running at a brisk pace judging by the comments of those who are in a position to check on the volume going through.

This business is proving decidedly helpful to underwriting firms pending resumption of corporate financing operations, a number of which are in registration awaiting the expiration of the required time between filing and offering.

Some observers feel that they can discern the beginnings of the usual shifting about of portfolios which normally precedes a heavy Treasury financing project.

The market, these people hold, indicates activity on the part of institutional investment officials toward building up cash reserves for the purchase of the Third War Loan which is due out in September.

Each day brings forth sizeable blocks of bonds and also investment quality stocks. And what is the more satisfying, there is a broad demand ready to absorb such emissions.

Substantial pieces of bonds naturally originate principally with banks, insurance companies and corporations. But estates are active too and there is reported a growing tendency on the part of the latter to attempt what amounts to an effort at "hedging" against the future.

This is done through the sale of important blocks of stock and the placing of the resultant funds into a broad list of other securities, indicating the application of the "eggs and basket theory," it appears.

N. Y. Excess Reserves

Excess reserves, as such, of member banks in the New York area have virtually disappeared in recent months, but without evidence of creating any undue strain on the general banking picture in the area.

The banks' ability to go along practically without excess funds becomes clear if one happens to have run across the explanation of the situation as set forth in the July letter of the National City Bank of New York.

As the bank points out, the institutions in the area are substantial holders of highly liquid short-

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Tomorrow's Markets Walter Whyte Says—

Market action, in face of good war news is poor. Many stocks now in selling area or close to it. If news market construes as good does not occur soon, watch out for reaction.

By WALTER WHYTE

The entire market, with rare exceptions, gave a poor performance last week. Its indifference to the war news resulting from the invasion of Sicily is amazing. One reason is that the market is not concerned with isolated battles—and an invasion is just another battle in a war—unless the battle itself is decisive, that is, decisive to the extent that it points to a crisis that may mean the imminent end of hostilities. The invasion of Sicily, while important, does not, according to the market, mean a turning point in our European war no more than the successful invasion of Guadalcanal meant an end in that theatre of war.

* * *

At the beginning of this column I said the market acted poorly, with a few exceptions. The characterization of its behavior was not so much that it didn't decline but rather because it didn't advance. Last week there were stocks all over the board which gave every indication of renewed strength. The fact that they did not live up to their indications must be regarded as evidences of failure.

* * *

The air transport stocks, which have been outstanding performers for some time, got added news fillips last week which should have added a

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President Charges Congress With 'Encroachment' In Rider To Pay Bill

President Roosevelt signed on July 12 the $143,000,000 Urgent Deficiency Bill designed to supplement appropriations of various agencies. This bill carried $89,000,000 in reappropriations of Presidential emergency funds and included a rider providing for the dropping of three Federal workers unless they have been nominated by the President and approved by the Senate before next Nov. 15. The three employees are Robert Morss Lovett, Government Secretary to the Virgin Islands Government, and Goodwin B. Watson and William E. Dodd, Jr., of the Federal Communications Commission.

At his press conference on July 13, the President disclosed that he will send a message to Congress after it reconvenes in September objecting to this rider. He called the attachment of this rider an unwarranted encroachment on the executive and judicial branches of the Government. The President, reading parts of a message which he will later send to Congress, said that the measure was virtually a bill of attainder, in that it provides the punishment without judicial trial. He said he would have vetoed the bill except for the fact that it contained funds for essential governmental functions.

The President said the rider was unconstitutional, unwise and discriminatory, adding that, in his opinion, it was not binding on either the executive or judicial branches of the Government.

During the course of debate on the bill, the House voted several times that the three Government employees be stricken from the Federal payrolls. However, the Senate was almost as insistent that they be kept on the job, but in the end yielded to a compromise plan under which dismissal of the three would be delayed until Nov. 15, at which time Presidential appointment and Senate confirmation would be required to permit them to continue. The funds appropriated in the bill were chiefly for overtime pay due to Federal workers.

Have You Host Or Parasite?

The address—"Have You Host or Parasite?"—delivered by Arthur C. Knies before the Massachusetts Savings Banks Association is now ready for general distribution and copies may be had upon request from Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock Exchange.

Allan M. Pope Heads N. Y. Welfare Council

Col. Allan Melvill Pope, President of the First Boston Corp., at a special meeting of the directors, was elected President of the Welfare Council of New York City, succeeding the late Alfred H. Schoellkopf. The Welfare Council is a federation of 700 New York health and welfare agencies, both public and private.

Colonel Pope is a governor of the Investment Bankers Association of America and was President from 1933 to 1935 of the American Acceptance Council.

Maynard Murch & Co. Admits Six Partners

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Frank E. Baker, W. Yost Fulton, Wilson C. Handyside, Frank B. Reid, Jack R. Staples and D. J. Wilkinson have been admitted to partnership with Maynard H. Murch, member of the Cleveland Stock Exchange, in Maynard H. Murch & Co., 925 Euclid Avenue. All new partners were formerly associated with the firm for some time.

Senator Wiley Warns U. S. To Be Cautious Of World Food Planners

The Interim Commission of the United Nations Conference on Food and Agriculture is scheduled to begin its formal sessions in Washington today (July 15) in response to a call from Secretary of State Hull.

Senator Wiley (Rep., Wis.) pointed out on July 12 that this international food-planning group begins its sessions in a country whose food situation has been brought to an almost hopeless crisis by administration bungling, at least some of which he called "deliberate."

This was reported in a Washington dispatch of July 13 to the New York "Journal-American" by its correspondent David Camelon, who in his advices added:

"And in that fact, Sen. Wiley warned, there is matter of grave concern for the American people. He said:

"It will be well for all America to be on the alert and see what this international organization is about.

"When we see how, on the home front, the planners have 'missed the boat,' we must make sure now that America is not precipitated into a world-planning scheme that will do to us in a world sense what the planners have done to us on the home front."

The program before the Interim Commission will be, it is charged, a projection into the realm of international socialism, just the type of planning which the Senator assailed on the home front.

In America itself, the Senator said, if next Winter the people are short of vital vegetables and fruits, they must realize that "it is due entirely to the inadequacy of government agencies."

The Interim Commission is made up of 44 members, one representing each of the Nations which participated in the recent conference at Hot Springs, Va., detailed reference to which appeared in our issue of July 5, page 50.

L. M. Marks Admits Lovell And Perdun

Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, announced that David W. Lovell and Winfield H. Perdun have been admitted to general partnership in their firm. Mr. Lovell has been associated with the firm for ten years, previously having been with Graham, Parsons & Co. Mr. Perdun, who has been with the firm for eight years, formerly was associated with Young & Ottley.

Admission of Mr. Lovell and Mr. Perdun to partnership in the firm was previously reported in the "Financial Chronicle" of July 1st.

Reorganization Rail Outlook Interesting

The post-war outlook for rail reorganization bonds offers interesting possibilities according to a special factual and statistical comparison of the present and postwar prospects for 18 leading railroad systems prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this report may be had from the firm upon request.

Railroad Securities

One of the most consistently strong spots in the railroad stock group has been Atchison, Topeka & Santa Fe common, hitting new highs consistently regardless of intermittent periods of uncertainty in the general list. The recent price above 61 is a far cry from the experience of the stock a few years ago when British holdings were being liquidated and it was difficult to find any broad buying interest at prices under 20. Despite the very substantial recovery, rail men still view the shares as possessing attraction for further price enhancement and for liberal yield.

It is considered that the recent dividend rate of $1.50 is safe at least for the duration of the war period of swollen railroad business, and that developments in the intervening years preclude the likelihood of a later repetition of the uncertainties of 1938 when payment of one semi-annual coupon on the Adjustment bonds was postponed. That action on the part of the management (considered by most people as unnecessarily cautious) was the major factor in the road's fall from investment favor and the subsequent slow recovery of confidence. In fact it is only in recent months that this one temporary lapse of the company has faded into the background, overshadowed by the long term record of prosperity, the high current earnings of the property, and the excellent financial job being done by the management.

Despite the fact that Atchison's debt structure had always been considered as eminently sound, the management has been following the same program as the marginal carriers whose very salvation depends on debt retirement. The latest step has been the call for redemption, on September 1, of the California-Arizona Lines 4½s, 1962, outstanding in the hands of the public in the amount of approximately $28,300,000. This will eliminate the last of the road's debt outstanding carrying a coupon higher than 4%. The company will then have only two other callable bond issues outstanding, $22,545,000 of Transcontinental Short Line 4s, 1958 and $8,501,000 of Debenture 4s maturing in 1955 and 1960. There is a general feeling, supported by the management's policies to date, that both of these issues will probably be called for redemption some time in 1944, leaving the company with only two bonds outstanding, the $151,934,500 General 4s 1995 and the $51,346,000 of Adjustment 4s, 1995, in addition to the regular serial equipments. Both of these issues are non-callable.

With the call for redemption of the California-Arizona Lines 4½s the total of fixed and contingent charges will be reduced to roundly $10,100,000. Retirement of the balance of the callable bonds, considered likely next year, would reduce the total annual requirements to below $8,000,000. Of these amounts $2,053,840 would represent interest on the Adjustment 4s, payment of which is not a fixed requirement but contingent on earnings. Three years ago the total of fixed and contingent charges amounted to more than $13,250,000. With the reduced charges it is difficult to conceive of conditions under which Atchison's credit standing could be questioned in the future.

That the further debt retirement mentioned above is entirely feasible is obvious from the present earnings and financial status of the company. The April 30 balance sheet showed cash items and receivables (most of the latter believed due from the U. S. Government) of more than $180,000,000. Net working capital after allowing for the large tax liability, amounted to $78,868,826, up more than $30,000,000 from a year earlier. The road continues to show year-to-year gains in net operating income and while taxes will undoubtedly take a heavier toll in the last half of the year, net income for all of 1943 should run between $70,000,000 and $75,000,000. This would leave a balance of at least $49,000,000 available for capital expenditures and debt retirement after a $6.00 dividend on the common.

With this background it certainly seems that an even more liberal evaluation of current earning power would be fully justified. Earnings last year amounted to $27.79 a share of common and should run between $26.00 and $29.00 a share this year.

Situation Looks Good

Peltason, Tenenbaum, Inc., Landreth Building, St. Louis, Mo., have prepared recent analyses on York Ice preferred and York Corporation common w. i., which they believe offer interesting possibilities. Copies of these circulars may be had from the firm upon request.

Mader With B. C. Christopher

(Special to The Financial Chronicle)

KANSAS CITY, MO.—Edward G. Mader has become associated with B. C. Christopher & Company, Board of Trade Building.

Missouri Brevities

The past several weeks have witnessed one of the dullest periods in **municipal** financing in Missouri for many years. No issues of importance have been sold and little increase in activity is expected over the near term. While trading volume has been small, transactions have been at increasingly higher prices.

The Executive Committee of the Mississippi Valley Group has nominated **Roy A. Dickie, Vice-President of Whitaker & Company, St. Louis,** for a three-year term on the **Board of Governors** of the **Investment Bankers Association of America.** Nomination of the Regular Ticket is tantamount to election.

James F. Quigg, manager of the bond department of the **Mississippi Valley Trust Company, St. Louis,** will become associated with **Paine, Webber, Jackson and Curtis** in their **Chicago** office effective August 1. A graduate of Northwestern University, Mr. Quigg joined the bond department of the Mississippi Valley Trust in the Chicago office 21 years ago, later moving to Kansas City. In 1924 he entered the municipal buying department in St. Louis and since then has held various positions until his appointment as manager of the bond department in 1936. He has been very active in the Investment Bankers Association, having served in some official capacity each year since 1927, and at present is a member of the Board of Governors. His work with Paine, Webber, Jackson and Curtis will be co-ordinating municipal bond sales among the company's midwestern offices.

Considerable interest is being shown in the announcement by the Kansas City press that the **Long-Bell Lumber Company** will shortly replace all its $50 par common stock, represented by certificates of interest, through issuance of $5.00 par capital stock, resulting in a 10 for 1 split-up. This will eliminate fractional interests and will increase the floating supply of stock to about a million shares, the control being held by the Maryland Corporation, whose stock is listed on the New York Stock Exchange. The company has done a remarkable job since emerging from bankruptcy in 1935, having paid off $4,500,000 owed to banks, and through purchase or redemption has completely retired $20,158,800 of preferred stock.

While the bulk of **Missouri war contracts** covering 1942 operations are still to be **renegotiated,** announcement regarding the results of two such programs are of particular interest to Missouri dealers.

Curtis Manufacturing Company, under date of Jan. 22, 1943, advised stockholders that after provision for all taxes and setting up a reserve for post-war contingencies, earnings in the fiscal year ended Nov. 30, 1942, were $484,397, equal to $2.50 per share of common stock. The report stated that the earnings were subject to renegotiation but that "in view of the impossibility of making even an approximate estimate of the effect, if any, of contract renegotiation . . . . your company has set up no reserve against this specific contingency." Upon conclusion of renegotiations the company recently issued a "revised" statement showing that the Price Adjustment Board had determined that $1,053,000 (before deduction of income and excess profits taxes) must be refunded. After giving effect to these changes, earnings were reduced to $192,748, or $1.00 per share.

In contrast, the earnings of the **McQuay - Norris Manufacturing Company** were reported to stockholders under date of March 12, 1943, as amounting, after taxes, etc., to $610,437, equal to $5.34 per share of common stock in the year ended Dec. 31, 1942, as compared with $541,817, equal to $4.74 per share in 1941. The report stated that although preliminary conversations had been held with the Price Adjustment Board no conclusions had been reached, but that readjustment of earnings was not expected to be necessary. The company has recently been notified by Washington that its last year's profits are not subject to any refund.

These cases illustrate the difficulty of appraising stock values of companies holding large war contracts until renegotiation has been completed, which in all probability will be many months after the reports have been released. A speeding up of the process would be welcomed by the corporations concerned, investment dealers and their clients.

National Candy continues to dominate trading activity in St. Louis, with a further wide gain in price to a recent high of 30½. Rumors link the company and General Foods in a possible deal for the Clinton Company, corn products division. Usually well-informed sources indicate that National Candy received a proposal for the subsidiary company's stock some time ago but that the offer was rejected as unsatisfactory. Company officials have denied the existence of any pending deal.

Chicago and Southern Air Lines, Inc., common, common v.t.c. and option warrants have moved up sharply on increased trading activity. Missouri dealers familiar with the progress of the company since formation, are optimistic regarding the post-war outlook for expansion of air traffic and believe that Chicago and Southern occupies a strategic position both from a domestic position as well as a foreign point of view. Among the many applications which the Company has made to the Civil Aeronautics Board for additional routes, the one which kindles the imagination of the post-war picture is the proposed Trans-Alaskan air route between Chicago and Singapore. Common and common v. t. c. are quoted 16-17½; option warrants 8¼-9¼.

Comparison of the **downtown St. Louis Bank** statements issued as of June 30, with the figures as of December 31, 1942, reveals that earnings are about the same as in the first half of 1942 with small gains predominating. Prices are steady to a little higher. Dealers report a good retail interest.

KANSAS CITY PERSONALS

Several of the Kansas City bond firms have been badly hit by the war: **Soden & Company** have announced that they have closed for the duration due to loss of personnel. Word has been received that **Lieutenant Hoyt Purcell,** of **Martin, Holloway & Purcell,** has landed in England. **Major W. W. Holloway** is at the national headquarters of Selective Service System at Washington, D. C., while **Lieutenant Donald D. Belcher** of the same firm is at Laurinburg-Maxton Airfield, Maxton, North Carolina.

William F. Rothwell, who has been associated for 25 years with the Bond Department of the Harris Trust & Savings Bank, Chicago, will be identified after August 1 with the investment department of the Bruce Dodson Insurance Company.

Mixter & Company Is Formed In Boston

BOSTON, MASS. — Announcement is made of the formation of Mixter & Company, members of the New York and Boston Stock Exchanges. The new firm, successors to Chandler Hovey & Co., will occupy the same offices at 82 Devonshire Street, Boston, where the predecessor firm was located.

Samuel Mixter, George H. Lyman, Jr., C. Terry Collens and Wellington Wells, Jr. are the partners in the new firm. Messrs. Mixter, Collens and Wells were former partners in Chandler Hovey & Co. Mr. Lyman, the new partner in the firm, has been in the investment business in Boston for over 24 years. Messrs. Collens and Wells are now serving in the United States Navy. Mr. Mixter holds memberships in the New York and Boston Stock Exchanges and is an associate member of the New York Curb Exchange.

Formation of Mixter & Company was previously reported in the "Financial Chronicle" of July 8th.

Interesting Situations

Scherck, Richter Company, Landreth Building, St. Louis, Mo., have prepared interesting descriptive circulars on Berkshire Fine Spinning Association, Boston & Albany Railroad, Chicago and Southern Air Lines, Chicago, Wilmington & Franklin Coal, Consolidated Dearborn, Inc., Kansas City Public Service, Lowell Bleachery, Marathon Paper Mills, National Oats Co., St. Louis Public Service, Steel Products Engineering Co. and U. S. Print & Lithograph. Copies of the circulars on these issues, which the firm feels offer attractive possibilities at present levels, may be had from them upon request.

Puget Sound Power & Lt. Interesting Speculation

Puget Sound Power & Light Company offers interesting speculative possibilities under the Recapitalization Plan, which is expected to be operative on Sept. 13, 1943, according to a detailed study prepared by H. L. Federman of Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

Attractive Situations

Blair F. Claybaugh & Co., 72 Wall Street, New York City, members of the Philadelphia Stock Exchange, have prepared interesting circulars on Ft. Dodge, Des Moines & Southern Railway (4s of 1991 and common), Utica & Mohawk Valley Railway (4½s of 1941), and Consolidated Dearborn (common), which the firm believes offer attractive possibilities at current levels. Copies of these circulars may be had upon request from Blair F. Claybaugh & Co.

N. Y. Title and Mtge. Ctfs. Series C-2 Interesting

Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City, have prepared an analysis of series C-2 first mortgage certificates originally issued and guaranteed by New York Title & Mortgage Co.

Copies of this analysis may be had from Seligman, Lubetkin & Co. upon request.

Municipal News And Notes

(Continued from page 218)

of the Commission. Cash has already been deposited with the fiscal agent of the Commission to meet the maturity and semi-annual interest payment due September 1, 1943. The Commission has no floating debt.

Montreal Offered Refunding Plan By New York Bankers

F. S. Moseley & Co., New York City, have submitted a plan to the City of Montreal, Quebec, for the general refinancing of the city's outstanding funded debt of approximately $231,000,000, it was announced July 9 by J. O. Asselin, Chairman of the Municipal Executive Committee.

The above-mentioned total includes a relatively large amount of debt on which the city has been in default for several years. The plan covers 15 pages and, according to Mr. Asselin, "it takes into full consideration the whole picture" of the city's debt. Details of the proposal, he said, would not be made public until it had been given further study by the Executive Committee.

Similar proposals are anticipated from other sources, it was said, although the plan by Moseley & Co. is reported to have held to specifications which a member of the Executive Committee had outlined in granting the investment house a 30-day guarantee that the city would accept no plan until the firm's proposal had been studied.

The company, according to report, agreed to provide for the refinancing of the city's debt at an average interest rate lower than 3½% and not to insist upon a budget-control bureau. About one-third of the outstanding debt is callable in United States funds, city officials pointed out.

Omaha Expected To Acquire Utility Soon

The City of Omaha, Neb., is expected to act soon toward acquiring properties of the Nebraska Power Company, virtually all of the outstanding common stock of which is held by the parent company, the American Power & Light Co., according to a report in the New York "Journal of Commerce" of July 12. The bill authorizing the city to take over the utility properties was signed by Governor Dwight Griswold on May 29. However, it was approved by the Legislature by less than a two-thirds majority, and for this reason a waiting period of 90 days was necessary under Nebraska laws before the measure could be effective. A provision in the bill specifically removes the present authority of the Metropolitan Utilities District of Omaha (gas and water) to take over and operate any electric utility the city might acquire.

Situation Interesting

The current situation in Standard Silica Corporation offers interesting possibilities, according to a memorandum issued by Faroll Brothers, 206 South La Salle Street, Chicago, Ill., members of the New York Stock Exchange and other principal exchanges. Favorable points, the company feels, are the fact that it is an excellent inflation hedge and has a very small post-war change over or renegotiation. Copies of this memorandum may be had by interested dealers upon request.

Congress Adjourns Until September 14

Congress adjourned on July 8 until Sept. 14—this representing the first extended recess it has taken since the outbreak of the war in September 1939.

The adjournment resolution, adopted by the Senate and the House went into effect at 6:33 p.m. EWT. Congress could be called back from its two-month recess at any time by President Roosevelt, by the President of the Senate and the Speaker of the House, or by joint action of the majority or minority leaders if in their opinion legislative expediency should warrant it.

It was noted in Associated Press accounts from Washington July 8 that:

"The subsidy fight and struggles over appropriations for the Office of Price Administration and the Office of War Administration had marked the pre-recess period as one of the bitterest sessions in years.

"Speaker Rayburn addressed the House before the final gavel.

"'I'm glad you're going to have a holiday,' he said. 'After more than 30 years here, I can say there has never been a more faithful Congress assembled than the one in which you serve.'"

Federal Court Denies SEC Motion To Enjoin Investors Syndicate

A motion by the Securities and Exchange Commission for a temporary restraining order to prevent Investors Syndicate, Investors Mutual, Inc., and Investors Syndicate of America from making cash surrender and loan payments to certificate holders was denied by Judge Gunnar H. Nordbye in Federal Court in Minneapolis, who said in his ruling that the showing did not seem to justify such drastic measures and moreover had been insufficient to warrant the court assuming that the defendants would not faithfully account for all moneys paid for such purposes. The order had been sought by the SEC as a preliminary to a complaint instituted by the Commission charging "gross misconduct and gross abuse of trust" in the sale of securities and certificates to investors over a period of fifteen years. Edward H. Cashion, SEC attorney, declared that the denial would not stop continuance of the action.

E. E. Crabb, President of Investors Syndicate made the following statement:

"The decision by Judge Nordbye against the Securities and Exchange Commission in its suit for a restraining order against our company is naturally gratifying to us. The companies will proceed in all respects to carry on their business as usual, keeping intact a record of nearly 50 years of meeting all obligations promptly when due.

"The confidence shown by our certificate holders during the progress of this suit has been exceedingly gratifying."

Five Selected Portfolios

Putnam & Co., 6 Central Row, Hartford, Conn., members of the New York Stock Exchange, have prepared five selected portfolios representative of America's five major fields of business, covering enterprises which can convert quickly to peacetime pursuits with little or no delay and which are at present engaged in activities essential to the nation. Copies of a most interesting circular describing these five portfolios in detail may be had from the firm upon request.

Michigan Brevities

Detroit's bank deposits passed the two billion mark for the first time in the city's history, reflecting the tremendous job being done by war industries here.

There is no question but that the millions upon millions of dollars expended for war materials are primarily responsible for the sensational increases in bank deposits and also that the banks are doing a tremendous job handling vastly swollen financial transactions with staffs hard hit by draft and other war manpower diversions.

Despite the most of extra services and issuing of thousands of war bonds, the Detroit banks have managed to maintain earnings and in most cases have shown good gains in this respect also.

The National Bank of Detroit in its June 30 statement reported deposits of $1,028,809,000, passing the billion mark for the first time. A year previously, the total was only $773,000,000. Earnings of the bank in the first six months amounted to $1,520,294, equal to $1.52 a share. This compares with earnings of $2,762,376 or $2.76 a share for the entire year of 1942.

The Manufacturers National Bank of Detroit showed deposits of $392,631,358, as of June 30, a gain of over 63 millions for the six months' period. The bank's earnings for the half year amounted to $494,805 or $8.23 a share as compared with $674,991 or $11.25 a share in the entire previous year.

The Detroit Bank reported a six month increase in deposits of $44,000,000 to $356,127,395 and earnings during that period amounted to $532,000 or $4.69 a share. This would compare with $9.17 a share earned in the previous full year.

The Commonwealth Bank had a $19,000,000 increase in deposits during the six months to $138,980,058 and earned $489,379 or $9.78 a share. Earnings in the previous full year were $849,285 or $16.27 a share.

Despite this improvement in bank earnings, the stocks of these institutions have shown little improvement in the last 30 days. The National Bank of Detroit is quoted 36¼-36¾, only a fraction higher in four weeks. The Manufacturers National is 135-145 with little or no stock available. Death of Edsel Ford, largest single stockholder, had virtually no effect on the price. The Detroit Bank is quoted 67-68½ for a fractional gain and the Commonwealth Bank is 120-125 with sales reported at the latter figures.

* * *

In the news was the capital stock readjustment plan of **Crowley, Milner & Company**, one of the large Detroit department stores.

The company filed a registration statement with the SEC covering $1,245,600 of 4% debentures dated July 1, 1943, to be offered only to prior preference stockholders.

A similar statement was filed covering $996,500 in 5½% sinking fund debentures, dated May 1, 1933, and due May 1, 1946, as extended and modified to Oct. 31, 1952, under a plan of debenture adjustment and agreement dated April 1, 1933.

Under the plan, the company will offer in exchange for each share of prior preference stock and accumulated unpaid dividends, $40 of the 4% debentures and $10 cash. There are $31,140 shares of the stock now outstanding.

The debenture adjustment and deposit agreement calls for the deposit of debentures by those who agree to go along with the plan, at either the Detroit Trust Company or the Bankers Trust of New York and accept as receipt certificates of deposit for which a registration statement was also filed.

* * *

The Defense Plants Corporation announced that it had increased its contract commitment to the Packard Motor Car Company by $16,500,000. This brings the total overall commitment to $45,000,000.

At the same time the RFC subsidiary revealed that the Chrysler contract was also increased to allow for purchase of additional equipment, although the amount was not made public.

* * *

Incorporation of the Interlake Chemical Corporation for the purpose of processing chemicals recovered from the distillation in by-product coke ovens was announced by **George R. Fink, President of National Steel Corporation** and its subsidiary, Great Lakes Steel.

The new corporation will have an authorized capital of $5,000,000 and will be jointly owned by Interlake Iron Corporation of Chicago and the Great Lakes Steel Corporation of Detroit.

Interlake's Chicago tar distillation plant has been in operation for three years and its tar acid and naphthalene plant, now under construction at the same location, have been sold to the new corporation.

Stoetzer, Carr Co. Formed In Detroit

DETROIT, MICH. — Stoetzer, Carr & Co. has announced the formation of a new partnership at 2056 Penobscot Building to deal in listed and unlisted securities with a membership on the Detroit Stock Exchange.

The general partners, Robert R. Stoetzer and Howard F. Carr and their associates, C. S. Dorst, George L. Faulkner, Russell D. Hudson, Jerome E. J. Keane, and Percy P. Newman, were all affiliated with Keane and Co., which was dissolved June 30; Helen L. Faulkner, Seward N. Lawson, E. H. Fletcher, and W. C. Martin are special partners in the firm.

Robert R. Stoetzer will be in charge of the Trading Department and George L. Faulkner will manage the Bond Department.

Well known in the securities business here, Mr. Stoetzer's experience also covers a period of years with New York Stock Exchange houses. Mr. Carr was formerly Manager of the Investment Department of the Monongahela West Penn Public Service Co. in West Virginia, also with Underwriters in New York and later District Sales Manager of Hearst Consolidated Publications, Inc., in charge of the sale of Hearst "A" stock in Michigan.

Detroit Tax Collections Reach All Time Peak

As of the end of the fiscal year, June 30, 1943, the City Treasurer of Detroit, Mich., reports the current tax collection of 93.97% is an all-time peak, the previous record having been made in 1923 when 96.31% was collected. 1941-42 collections were 95.07%. It is also announced that the $4,600,000 carry-over deficit has been entirely eliminated. Four years ago this amounted to $14,000,000. For the first time in a decade it was not necessary for the city to do any short term borrowing prior to collection of new taxes during the summer.

Connecticut Brevities

The Connecticut municipal bond market is probably now at an all-time high level—with a minimum of offerings in the market. Near the close of the first half of this year, a small block of State of Connecticut 1½% bonds due in 1967 were sold on a 1% basis, the highest price on record in this country for a tax-exempt security of this maturity. So far this year, new financing totals $620,000, and the only additional issue in prospect is a $100,000 issue of the City of New Britain sewer bonds which will probably be offered for sale soon.

Dividend payments made by 49 Connecticut concerns during the first six months of 1943 totalled about $19,550,316 against $20,565,204 paid in the corresponding period in 1942. Bank and insurance dividends continued at the same rate, decreases being recorded in the industrial and utility groups. Principal reductions were in amounts paid by Colt's, North & Judd, Peck Stow & Wilcox and Torrington Company in the industrial field, and by Southern New England Telephone and Connecticut Light and Power in the utility category.

Among those to increase dividend payments were Niles-Bement & Pond and Greenwich Water, Pfd.

At current prices, the aggregate market value of locally traded issues is the highest since September 1941. Six fire insurance stocks have advanced 14% since a year ago, while six life insurance companies have gained 37% in the same period. During the past month, there has been no drastic change in the local market. **Hartford Fire Insurance** was among those showing the greatest advance.

* * *

Landers, Frary & Clark presents another outstanding example of switching to wartime production. The manufacturers of household electrical appliances faced a more drastic conversion problem than any other type of industry.

In 1940, even before curtailment orders were actually issued, first preparations for war production were made when the company opened a Washington office to secure government orders for products to supplement their normal line. Owing to the widely diversified nature of the plant's equipment, no one type of government work could utilize all their facilities, thus necessitating the obtaining of contracts for a variety of products. Tremendous tooling and engineering tasks delayed the program, but contracts were gradually taken on. By late 1942, after the addition of new machinery, production of a new gun mount was commenced in the range and washer plants, which had presented one of the most difficult conversion problems. While Landers is now primarily engaged in government work turning out countless items varying in cost from ten cents to several thousand dollars, the company's research department is engaged in intensive planning for the post-war era.

* * *

On June 14, the stockholders approved a plan to liquidate the **Industrial Bank of Hartford, Inc.**

* * *

The Electric Boat Company is now operating 24 hours a day, three shifts, and has recently launched its ninth submarine in 17 weeks.

* * *

After conferences with Federal war contract negotiators in Washington, the Gray Manufacturing Company has been allowed a profit equal to 10.60% of total sales which aggregated $2,754,000 for the year ended December 31, 1942. This represents slightly more than $2 a share which compares with 14 cents a share for the preceding year.

* * *

The Torrington Company has filed an application with the Securities and Exchange Commission to withdraw its common stock from listing and registration on the Boston Stock Exchange.

* * *

American Hardware Corp. of New Britain has elected five new directors:

Richard L. White, President of Landers, Frary & Clark; Mortimer H. Camp, Attorney; Noah Lucas, President of Savings Bank of New Britain; Joseph O. Andrews, Vice-President in charge of purchasing; and Harry I. Lewis, Vice-President and General Manager of Corbin Screw division.

Royal M. Bassett, General Manager Corbin Cabinet Lock division has been elected Vice-President; and Elmer G. E. Johnson has been elected Comptroller.

* * *

The following changes in the list of legal investments for Connecticut were announced by the Office of the Bank Commissioner as of June 25, 1943; Additions include: Butler, Pa.; Dubuque, Iowa; Richmond, Cal.; Tacoma, Wash.; Woonsocket, R. I.; Chesapeake & Ohio Railway Co., equipment trust 1¾s due serially to May 1, 1953.

Withdrawals for failure to furnish Bank Commissioner with up-to-date financial information include: Alameda, Cal.; Alton, Ill.; Clarksburg, West Va.; Fitchburg, Mass.; Joliet, Ill.; Kokomo, Ind.; Lakewood, Ohio; Mansfield, Ohio; Marion, Ohio; Ogden, Utah; Peabody, Mass.; Peoria, Ill.; Rockford, Ill.; Springfield, Ohio; Steubenville, Ohio; Wilmington, Delaware; Zanesville, Ohio.

Other withdrawals include:

Central Falls, R. I.; Sioux City, Iowa; Chicago Heights, Ill.; Wyandotte, Mich.; Oregon Short Line Railroad Company, unstamped first & consolidated 5s due July 1, 1946; First & Consolidated 4s of December 1, 1960; and Income Series A 5s due July 1, 1946. Reading Company general & Ref., Series A 4½s due January 2, 1997, Gen. & Ref. Series B 4½s due Jan. 2, 1997, and Philadelphia & Reading R. R. Imp. 4s due April 1, 1947.

Connecticut Industries Prospects Look Good

Connecticut industrial companies have repeatedly demonstrated their ability to participate fully in general industrial activity, whether generated by war requirements or peacetime needs, according to a booklet which surveys nine Connecticut industrial companies, prepared by Chas. W. Scranton & Co., 209 Church St., New Haven, Conn., members of the New York Stock Exchange.

The booklet gives thumb-nail sketches of the nine companies showing their activities, resourcefulness and adaptability, post-war prospects and other facts of significance to investors today. Copies of this interesting booklet may be had from the firm upon request.

Wadden & Co. Formed in Chicago

(Special to The Financial Chronicle)

CHICAGO, ILL.—William M. Wadden, Jr. and Dayton H. Mudd have formed Wadden & Company with offices at 209 South La Salle Street to engage in a general securities business. Mr. Wadden was recently with Cruttenden & Co. In the past he was an officer of Medway, Wadden & Williams and was with Straus Securities Co.

Managing A Business For Stockholders Through The Vicissitudes Of Inflation

(Continued from first page)

C. A. HIGGINS
President, Hercules Powder Company

While there has been much talk about this subject in the last few years, there has been little said that, to my way of thinking, analyzes the problem so clearly from the point of view of industry.

Charles A. Higgins

Certainly, it has been the experience in the past century that wars have caused a substantial increase in the level of prices, with rapid acceleration in the period immediately following the wars and subsequent collapse in later years. I see no valid reason to suppose that the same pattern will not be repeated during and following this war.

The maintenance of a strong liquid working capital position in the period ahead, upon which Dr. Wright insists, cannot, in my opinion, be overemphasized.

W. H. WOOD
Chairman of the Board, American Trust Company, Charlotte, N. C.

I have read with interest the article by Dr. Ivan Wright entitled "Managing a Business For Stockholders Through the Vicissitudes of Inflation."

Word H. Wood

This is an interesting article, and the subject of inflation has been in my mind constantly for quite a while. My guess is that a serious inflation is inevitable, and to quote Dr. Wright, my opinion is as he states: "It would seem to be best and safest to take the road of least guessing and speculation and thoroughly prepare for it." A great many businesses will not do this and, therefore, a bank is exposed to heavy risks and losses.

As to all the "ins" and "outs" of how this inflation will come about, I cannot foresee and no one else can. The thing I am thinking about is how can a bank best meet it. Of course, I realize the best course for a bank to pursue is to be exceedingly careful in its credits, and keep in a strong position all the time. It is true that we now own a large amount of Government bonds. At least half of our resources are in Government bonds of short average maturity between three and four years. In the near future we expect to have our average maturity in Government bonds down to about three years.

It would be very interesting to know what Dr. Wright would say about the operation of a bank from the standpoint of preserving, if possible, the stockholders' money. In any event, we feel sure that we can always pay off the depositors in full in money much faster than they could ever draw it out, but the thing I am uncertain about and interested in is the stockholders' money or equity. Do you think it would be possible to get his views on this subject?

P. S. I have been the active head of this bank for 42 years, and have been working in a bank every day for 50 years, and have always come through successfully with this bank. How can we best steer this bank through what will probably come after this war is over?—W. H. W.

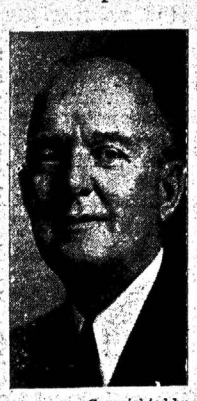
WILLIAM P. LOUGH
President, Staten Island Savings Bank

The article by Dr. Wright is a sane presentation and is provocative of thought, which is about all it is intended to be. No one, in a brief article, can cover all contingencies and, as always, the manager of the business must know his job and if gifted with sound judgment and foresight will come through.

W. P. Lough

HENRY BRUERE
President, The Bowery Savings Bank, New York

Of course I am in favor of proceeding with the greatest scruple and integrity in the post-war handling of our national debt. The country could not possibly gain by a policy of inflation or any other scheme of impoverishment.



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Henry Bruere

Dr. Wright's article in your July 8 issue is a useful ventiliation of certain fallacies on the subject of inflation. I shall keep it on file for future reference because it covers the subject, I think, extremely well.

Attractive Situation

Kansas City, Fort Scott 4s of 1936 offer interesting possibilities according to a circular being distributed by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had from the firm upon request.

Situation Looks Good

The current situation in Pittsburgh Terminal Warehouse & Transfer first 5s of 1936 offers interesting possibilities, according to a memorandum issued by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this memorandum may be had from the firm upon request.

Seaboard Reorganization Plan Summarized

Van Tuyl & Abbe, 72 Wall St., New York City, have prepared a condensation of the Draft Report by Tazewell Taylor, special master, of the plan of reorganization of Seaboard Air Line Railway Co. Copies of this interesting summary may be had from Van Tuyl & Abbe upon request.

Six Months' Rayon Shipments Up 5%

Shipments of rayon filament yarn by American producers to domestic consumers totaled 242,600,000 pounds for the first half of 1943, an increase of 5%, as compared with shipments of 231,400,000 pounds reported for the corresponding 1942 period, states the "Rayon Organon," published by the Textile Economics Bureau, Inc., New York. June shipments alone aggregated 39,600,000 pounds, adds the publication, which compares with shipments of 41,800,000 pounds reported for May and 39,000,000 pounds shipped in June, 1942.

The Bureau's announcement July 9, further said:

"Filament rayon stocks in producers' hands totaled 6,400,000 pounds as of June 30, 1943 compared with 6,700,000 pounds on May 31, and 7,000,000 pounds on June 30, 1942.

"For the first half of 1943, rayon staple fibre shipments totaled 78,700,000 pounds as compared with 75,800,000 pounds shipped in the first half of 1942, an increase of 4%. June deliveries aggregated 13,300,000 pounds as compared with 12,900,000 pounds in May and 13,700,000 pounds in June 1942. Stocks of staple fiber held on June 30, 1943 amounted to 2,900,000 pounds against 2,800,000 pounds held on May 31, 1943 and 2,300,000 pounds held on June 30, 1942."

SEC On Redeeming Preferred Stock

The Securities and Exchange Commission has made public an opinion in its Accounting Series regarding the treatment of premiums paid upon the redemption of preferred stock. The opinion indicates that if the redemption price exceeds the amount paid in on such shares, the excess should ordinarily be charged to earned surplus. The opinion, prepared by William W. Werntz, Chief Accountant, was made public as follows by the Commission:

"Inquiry has frequently been made as to whether a premium paid on the redemption of preferred stock in excess of the amounts paid in thereon may properly be charged against capital contributed by another class of shareholders or whether, when earned surplus is present, the excess premium should be charged thereagainst. The following case is typical. The A Corporation has outstanding 10,000 shares of $100 par value 6% cumulative preferred stock which was sold at 105 and is redeemable at the option of the company on any dividend date at 110. There are also outstanding 40,000 shares of $50 par value common stock which were sold at $60 per share. At the time the corporation proposes to call the preferred shares for redemption, the balance sheet reflects earned surplus of $300,000 and capital surplus of $450,000. The capital surplus consists of $50,000 paid in by preferred shareholders and $400,000 paid in by common shareholders.

"The case presented involves a fundamental principle of accounting, maintenance of the distinction between capital and income. In recognition of this principle, it has long been agreed that paid-in capital may not be used to absorb expenses or charges that should be deducted from gross income or revenue to determine net income.* While the charge involved in the instant case is not relevant to a determination of the amount of net income, it does raise the cognate question of whether payment of redemption premiums in excess of the amount paid in on the shares being retired should first be considered to be distributions of available earned surplus, rather than of amounts paid in on shares still outstanding.

"In order to maintain a proper distinction between capital and income, it is my opinion that it is necessary to consider the entire amount contributed by shareholders as capital regardless of whether reflected in the accounts as capital stock or as capital or paid-in surplus. When a corporation by appropriate legal action classifies its share capital, with resulting distinctions in dividend rights, asset priorities, voting powers, and other matters, adherence to the principles mentioned, in my opinion, requires appropriate accounting recognition of the classification of shares not only in respect of the legal or stated capital but also in respect of the related contributions in excess of legal or stated capital. In my opinion, reflection of a redemption premium paid to one class of shareholders as a diminution or utilization of amounts contributed by another class, or by shares of the same class still outstanding, would ordinarily be inconsistent with recognition of these principles in that the capital contribution shown for the outstanding shares would thenceforth be less than the amount actually paid in on such shares although (1) no amounts were in fact repaid in respect of the outstanding shares; (2) at the time of the disbursement there existed accumulated earned surplus; and (3) such earned surplus would therefore be available for distribution as apparently earned dividends, although in fact capital contributed in respect of the outstanding shares had not been maintained intact.

"It is, therefore, my opinion that in the case cited the amount paid preferred shareholders in excess of the amounts contributed by them should be charged to earned surplus. Also, if at the time of redemption any amounts are paid on account of accumulated unpaid dividends such amounts should likewise be charged to earned surplus."

*In the course of a formal reorganization, or a quasi-reorganization, a deficit in earned surplus may be charged to capital surplus.

Canada Proposes Plan For International Exchange Union

(Continued from first page)

through the international monetary organization should be adequate to deal with that portion of current account surpluses and deficits which is not met by relief and other concerted international action in the years immediately after the war; it should be sufficient to provide a firm basis on which multilateral world trade can be re-established after the war; and it should provide time to countries which find their international accounts unbalanced to take the necessary corrective measures to adjust their position.

(d) The extension of credit is not a cure-all; it merely provides time for adjustments; and unless positions (except those accompanying long-term capital movements) are brought into equilibrium, any arrangements made will break down.

(e) No country participating in the arrangements loses control over the size of its international commitments, since it can determine their size by its own action, if it wishes to do so.

(f) No country participating in the arrangements loses control over its domestic economic policies.

As to the International Currency proposed in the several plans, the official Canadian announcement points out that "in the British plan transactions with the union are carried out through accounts established in a new international currency, the "bancor." In the American plan the accounts of the union are established in terms of "unitas" and member countries may establish unitas deposits by depositing gold with the fund; exchange transactions are, however, effected in national currency. The Canadian proposals are similar in this respect to the American; no new name has been suggested in place of "bancor" and "unitas"; the currency is merely referred to as "an international unit" or "the unit."

In Associated Press accounts from Ottawa, July 12, it was noted as to the Canadian plan:

"It proposes an international lending agency with a capital of $8,000,000,000 originally and a possible $12,000,000,000 eventually, which will be designed not merely to take care of immediate post-war currency problems but to provide permanently better money machinery to facilitate trade between nations.

"The clearing union, which proposes to create a new currency which so far is called merely the unit, and will be equal in value to 137 1-7 grains of gold—about $10 United States currency—will be primarily an international foreign exchange control fund, like those now operated independently by the United States, Great Britain, Canada, and the Axis countries.

"Chief difference in the Canadian proposal and the earlier plans of Britain and the United States are the capital up to $12,000,000,000, compared with the $5,000,000,000 in the American plan and as much as $25,000,000,000 in the British suggestion, and the stronger voting power of small debtor nations.

"The two provisions are intertwined, since the voting power of the participating nations and their contribution to the capital of the union are to be based, under the Canadian plan, on an agreed "quota."

The same advices said "it [the Canadian plan] is designed, as were the British and American plans, as an international pool of foreign means of payment for the participating countries, a method of providing British and Peruvians, for instance, with dollars to pay for American machinery exports, and of making pounds or pesos available for Americans who want to buy British or Peruvian products.

The following official explanatory notes on the Canadian plan for an International Exchange Union have been made available:

The proposals put forward by the Canadian experts are in certain important respects a compromise between the American and the British plans. The main provisions of the Canadian plan may be compared with those of the other two plans under the following headings:

1. Form of organization. The Canadian proposals provide for an international exchange fund whose principal resources will be provided through capital subscriptions by member countries. In this respect the Canadian plan is similar to the American and unlike the British plan under which the new organization would not be endowed with any initial capital funds of its own but would be enabled to meet the exchange requirements of member countries through the willingness of creditor countries to provide their national currencies in exchange for balances in the newly-created international currency, Bancor, which would accumulate to their credit in the books of the clearing union.

2. Size of resources of the new institution. The Canadian proposals provide the new institution with assured resources of $12,000 million. Each member country is to be assigned a quota based on such factors as international trade, national income and gold and foreign exchange holdings. The aggregate of these quotas is to be $8,000 million, and in addition each member country is to undertake to make advances to the international exchange union, as required, of amounts equivalent to half its initial quota. These advances would only be called up when the union was short of any particular currency, and in these circumstances the country concerned would be faced with the alternative of reducing its exports as other countries would lack means of payment if it were unwilling to make advances until equilibrium could be restored. The view of the Canadian experts is that there is more danger in establishing a fund with resources which are obviously too small than there is in establishing a fund whose resources turn out to be somewhat greater than needed; and that the resources should be adequate to provide a real breathing-spell during which basic readjustments can be made. The American plan provides for aggregate quotas of "at least $5,000 million" and makes no provision for mandatory loans though it gives the institution power to negotiate loans and, if possible, increase its resources in this way. In the British plan the resources of the clearing union are not fixed in amount but the amount of credit outstanding at any particular time would depend upon the state of unbalance in member countries' international payments. Theoretically, the aggregate borrowing power of member countries, as measured by their quotas which are based exclusively on international trade, would be in the neighborhood of $25,000 million, but not all countries could be borrowers at the same time.

3. Form of contribution of member countries to resources of the organization. In the Canadian plan the capital subscription would be 15% in gold and the balance in national currency; the entire capital subscription would be paid-up at once, but time would be allowed to countries with small gold reserves to complete their gold payments. In the published American proposals, only 50% of the capital subscription would be paid-up initially, the balance to be subject to call provided four-fifths of the member-votes agree. Initially 12½% would be paid-up in gold, 12½% in national currency and 25% in government securities. In the British plan, there would be no initial capital subscription but member countries would provide other members with their national currency against the transfer of "Bancor" deposits on the books of the clearing union.

4. Ability of member countries to obtain foreign exchange. In all the proposals the ability of member countries to obtain foreign exchange is measured in relation to their quotas, which aggregate "at least $5,000 million" in the American plan, $8,000 million in the Canadian plan and approximately $25,000 million in the British plan. The differences in the conditions under which these quotas may be utilized, however, make comparisons among these figures somewhat misleading. In the Canadian proposals each member country can purchase foreign exchange to the extent of twice its quota, at the rate of 50% a year, subject to the following conditions:

(a) Country which holds independent gold and free foreign exchange rserves in amounts exceeding its quota shall not have the right to be a net purchaser of foreign exchange from the union. This provision is designed to ensure that the resources of the institution are used primarily by those countries which have the greatest need of them.

(b) Within the limits indicated above currencies of member countries are to be freely inter-convertible for the purpose of settling current account transactions, but a country which has a deficit in its current account balance of payments and is in consequence a net purchaser of foreign exchange from the union may not use the resources of the union, without special permission, to finance exports of capital. The union may require a country which has used up 25% of its quota to control capital exports as to a condition of making further purchase of foreign exchange from it. The purpose of this provision is to ensure that the resources of the union are used to finance international trade and other current transactions and not to enable disturbing capital flights to take place from one country to another.

(c) When a country has used up to 50% of its quota for the purchase of foreign exchange from the union, the latter may, as a condition of making further sales of foreign exchange, request that

country to sell it appropriate amounts of its independent reserves of gold and free foreign exchange.

(d) The union has the right at any time to impose conditions on further sales of foreign exchange to countries which are making improvident use of their quotas.

Under the American plan, as published, the ability of member countries to purchase foreign exchange from the fund is apparently limited to 125% of the quota, of which 25% may be used in the first year and 75% in the first two years. Additional sales of foreign exchange beyond these limits require the approval of four-fifths of member votes. The plan provides for a special reserve to be deposited by member countries with the fund when the latter's holdings of that national currency or securities exceed the quota, and the fund is given power to impose conditions on further sales of foreign exchange to a country which is exhausting its quota more rapidly than is warranted.

Under the British plan, member countries may obtain exchange through the facilities provided by the clearing union to the extent of their quotas, subject to the following conditions:

(a) A country may not, without special approval, use more than 25% of its quota within a year.

(b) A country which uses up 50% of its quota may be required to deposit collateral in the form of gold, national currency or government securities. (c) As a condition of being allowed to use up more than 50% of its quota, a country may be required to depreciate its exchange rate, impose a control over capital exports or surrender a suitable proportion of its gold and foreign exchange reserves. (d) A country which has used up more than 75% of its quota for two years may be requested to take steps to improve its position and if it fails to do so it may be declared in default of its obligations.

5. Position of creditor countries. The British scheme provides that creditor countries shall pay interest on their "Bancor" balances while no such provision is found in the American or Canadian plans. All three schemes provide for interest payments by debtor countries. The British plan provides that the clearing union may make recommendations designed to restore equilibrium in the international balances of a persistent creditor but leaves the ultimate decision in the hands of the country concerned. The American plan provides that when any particular currency becomes scarce (in the sense that the fund's operations have resulted in net sales of that currency to the extent of 85% of the quota) a report must be rendered with recommendations designed to restore equilibrium. If the drain of that currency persists and the fund's holdings are threatened with exhaustion, the fund must apportion its remaining supplies among member countries by some equitable method of distribution.

The Canadian proposals for dealing with scarce currencies begin at the somewhat earlier stage and carry on somewhat further than the American proposals. When the union's operations have resulted in net sales of a particular currency to the extent of 75% of that country's quota, the union is to attempt to increase its supply of that currency with arranging, if possible, with the country concerned and in cooperation with such international investment agency as may be established, for a programme of foreign capital investment. When the 85% level has been reached (or earlier if deemed advisable) a report on the situation is to be rendered; and when it becomes obvious that the remaining supplies of the scarce currency may soon be exhausted, the union is to proceed to ration them. At this point the union has the duty to reconsider the exchange rate structure and there is a provision under which member countries may be permitted to restrict imports from the country whose currency has become scarce.

6. Exchange rates. In the Canadian plan the initial exchange rates are to be fixed by agreement between member countries and the union and any subsequent change requires the consent of the country concerned. Member countries undertake not to vary the initially-agreed rates without the consent of the union but there is a provision under which a country which goes behind in its current account payments by a certain amount has the right to depreciate by 5%. In a footnote to this provision the Canadian experts have indicated that it might be desirable to raise this permissive depreciation to 10% under somewhat different safeguards. In the British plan the initial exchange rates are fixed by agreement and there is a similar provision for 5% permissive depreciation. In the American plan as published the fund fixes the initial rates and changes are permitted thereafter only with the approval of four-fifths of member votes.

7. Voting power. The Canadian proposals follow the American in providing that each country should have 100 votes plus a number determined by its quota. The effect of this provision is to dilute somewhat the voting strength of the countries with the larger quotas. In the British plan the voting strength is based on the quotas which are based, in turn, on international trade. The Canadian plan, like the British, provides that in voting on proposals to increase the quota (and hence the borrowing power) of any country increased voting strength should be given to creditor countries. The Canadian plan provides that, with one exception, all decisions should be taken by majority vote. The exception is a general change in the value of gold, for which a four-fifths majority is required. In the American proposals many important decisions require a four-fifths majority which would place veto power in the hands of countries with very large quotas. ican plan two years' notice. The

8. Withdrawal from the union. The Canadian plan provides that any country which has been a creditor in the union may withdraw by giving thirty days' notice: Deficit countries must give one year's notice in the British plan on year's notice of withdrawal is required and in the American plan two years' notice. The short withdrawal provision for credit or countries in the Canadian plan would appear to be suggested as a substitute for the veto power referred to above.

9. International currency. In the British plan transactions with the union are carried out through accounts established in a new international currency, the "Bancor." In the American plan the accounts of the union are established in terms of "unitas" and member countries may establish unitas deposits by depositing gold with the fund; exchange transactions are, however, effected in national currency. The Canadian proposals are similar in this respect to the American. No new name has been suggested in place of "Bancor" and "Unitas;" the currency is merely referred to as "An international unit" or "the unit." The view of the Canadian experts would appear to be that if any limit is placed, on the willingness of creditor countries to accumulate the international currency, the differences between the procedures envisaged in the British and American plans are purely technical and of secondary importance.

10. Exchange market. None of the plans contemplate any interference with the normal operations of exchange market under such controls as any country may choose to impost consistent with the general obligation found in all three plans to refrain from discriminatory exchange practices.

The tentative draft proposals of the Canadian experts—(who, it may be noted remain anonymous) follow in full.

TENTATIVE DRAFT PROPOSALS OF CANADIAN EXPERTS FOR AN INTERNATIONAL EXCHANGE UNION

CONTENTS

1. General Observations of Canadian Experts on Plans for Post-War Monetary Organization.
2. Tentative Draft Proposals of Canadian Experts for an International Exchange Union.*

General Observations of Canadian Experts on Plans for Post-War Monetary Organization

1. Officials of the Canadian Government have had an opportunity of examining the U. S. Treasury Department Preliminary Draft Outline of a Proposal for a United and Associated Nations Stabilization Fund, and have received explanations of this proposal from American officials. A similar procedure was followed in connection with the paper containing proposals by British experts for an International Clearing Union. The discussions with both British and American officials have been entirely exploratory and the Canadian Government has not been committed to any course of action as a result of these conversations. The American and British experts, for their part, have laid stress on the fact that their proposals are tentative in character, and have made it clear to representatives of the Canadian Government (as well as to those of other governments) that they would welcome critical comment and constructive suggestions. Canadian experts who have been studying the British and the American proposals are, therefore, led to make certain observations of a general character and to submit an alternative plan. Like the British and the American plans, the proposals of the Canadian experts are provisional and tentative in character; they incorporate important features of both the American and the British plans and add to them certain new elements.

2. The main objectives of the American and the British proposals appear to be identical, namely, the establishment of an international monetary mechanism which will aid in the restoration and development of healthy international trade after the war, which will achieve a high degree of exchange stability, and which will not conflict with the desire of countries to carry out such policies as they may think appropriate to achieve, so far as possible, economic stability at a high level of employment and incomes. To aid in the achievement of these objectives, the British and American experts have proposed the establishment of a new international monetary institution. Their proposals are large in conception, but

*It might be preferable to refer to the proposed organization as the International Exchange Fund. However, to avoid any possible misunderstanding which might arise through the use of the term Fund to describe both the association of members and the resources of the institution, the term Union has been used throughout this document to describe the organization itself.

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Canada Proposes International Exchange Union

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no larger than the problem itself. There is every reason to improve the structure and operation of the monetary mechanism on the basis of experience. But there is no reason why proposals should be based exclusively on the limited and, on the whole, bad experience of the past two decades. Unless dependable exchange and credit relations between countries can be achieved before the stresses and strains of the post-war period begin, there is little likelihood that irreparable damage can be avoided.

3. If plans for international monetary organization are to be successful, other problems—by no means less difficult or less important—will also have to be faced and solved by joint international action. It would, indeed, be dangerous to attach too much importance to monetary organization of and by itself, if this resulted in neglect of other problems which may be even more important and difficult, or in a misguided faith that with a new form of monetary organization the other problems would solve themselves. In the international field alone (to say nothing of the innumerable domestic problems involved in the profound changes in the structure of production and employment which have taken place in all belligerent and many nonbelligerent countries due to the exigencies of the war) it will be necessary to attack frontally such problems as commercial policy, international investment, the instability of primary product prices—to name but a few. No international monetary organization, however, perfect in form, could long survive economic distortions resulting from bilateralist trade practices, continued refusal of creditor countries to accept imports in payment of the service on their foreign investment or to invest their current account surplus abroad, or enormous fluctuations in food and raw material prices such as characterized the years between the two wars. But the fact that there are many problems to be faced cannot be used as an excuse for facing none. A start must be made somewhere, and for the reasons given in paragraph 5, the problem of international monetary organization is a logical and fruitful starting place.

4. The establishment of an international monetary organization is no substitute for the measures of international relief and rehabilitation which will be required as the war draws to its conclusion and afterwards; and in the view of the Canadian experts any monetary organization which is set up should not be called upon to finance transactions of this nature. Some continuing and stable arrangements regarding international long-term investment are also clearly essential if equilibrium is to be achieved and maintained. Nor should it be thought that the proposed international monetary institution is merely an instrument of the transition period from war to peace. True, it has special importance in this period but it should be designed as a permanent institution and not as a stop-gap to function during a relatively short period of time.

5. An important, perhaps the most important, feature of the British and the American proposals is the provision in both plans for the extension of credit between countries. The two plans differ as regards the precise techniques to be used in extending credit and as regards the amounts which may be involved; but both plans provide that foreign credits are to be available under certain conditions to countries having need of them, and that they shall be made available through an international monetary organization rather than through bilateral arrangements between pairs of countries. The provision for credit extension is nothing more nor less than a straightforward and realistic recognition of the fact that at the end of the war a large number of countries, whose import requirements will be considerable, will not have immediately available a sufficient reserve of foreign assets to enable them to expose themselves to the risk of participation in a world economic system. An interval will be needed to give time for adjustment and reorganization. If the penury in foreign means of payment of certain important countries is to be allowed to fix the pattern of post-war trading and domestic policies, then all can look forward to penury—no country, rich or poor, will escape the impoverishment resulting from the throttling of international trade which will result.

6. It is useful to consider what would happen if no action were taken to set up international machinery of the general character suggested by the experts of the United States and the United Kingdom. Theoretically, one alternative would be immediate cash settlement for all international transactions. But how can cash be produced for purchases abroad? Only by selling goods or services abroad, or by disposing of acceptable foreign assets such as securities and gold. The facts regarding the distribution of the world's monetary gold reserves and the changes which have taken place in the course of the war in various countries' holdings of foreign securities are too well known to require elaboration. Broadly speaking, and allowing for certain exceptions and time-lags, a cash basis for the settlement of international transactions would mean that any country's capacity to export would be limited to the amount of its own currency it made available to foreign countries through its imports and other current payments abroad—in other words, trade would in effect be reduced to barter. In point of fact, however, there is no possibility that countries would for long allow themselves to be confined in such a strait jacket. Faced with the problem of an unsalable surplus of export goods and with consequent domestic unemployment, they would refuse to accept the penalty of disorganization of export trade if that penalty could be avoided, even temporarily, by the extension of credit. Countries would embark on bilateral credit arrangements, no doubt linked with deals relating to the purchase and sale of goods; and as soon as certain countries began to adopt this course others would find that they had to follow suit to protect their trade interests. It is difficult to imagine a more fruitful source of international dissension than a competitive trade and credit extension programme of this character.

The Canadian experts believe it to be true, therefore, that the Stabilization Fund or Clearing Union plans do not involve a decision as to whether foreign credits shall be extended or withheld. In some form or other, credit will in fact be extended, and the decision which has to be taken relates primarily to the method employed. For the reasons given above, international arrangements are greatly to be preferred to bilateral deals.

7. This leads to the question, how much credit should be made available through the international monetary mechanism? A vital feature of any plan of this sort is the provision it makes for the borrowing power of each participant and for the contribution to the resources of the organization by the participating countries through the provision of capital, the accumulation of balances or through loans. Some concern has been expressed in regard to the size of the commitment which may be assumed by prospective creditors. It is probable that Canada will be a creditor country on current account, and the Canadian experts have therefore given careful thought to this aspect of the arrangements.

8. There is one preliminary observation which should be made in this connection. It would be a distortion of the realities of the situation for any country, or its citizens, to regard the willingness to provide resources to an international organization of the general character proposed by the British and the American experts as an act of generosity which is performed for the sake of foreign countries. Resources are provided to the organization first, because all have a stake in recreating a functioning international economic system and, secondly, because for each individual country the realistic alternatives in the form of trade disorganization are costlier than the provision of resources. Moreover, and most important of all, the resources provided are not given away; they are fully secured by the organization's holdings of gold and national currencies. It can only lead to confusion of thought to regard participation in such plans as these as in any way similar in character to participation in international relief schemes, important and necessary though the latter may be.

9. It seems apparent that, in one way or another, substantial unregulated movements of capital between countries will be prevented. In these circumstances, countries will, by and large, lose or gain foreign exchange to the extent, but only to the extent, of the unbalance in their current account transactions with the rest of the world. If a country is building up a substantial credit position, it will know that this situation is produced because it is selling more goods and services abroad than it is buying abroad. If it is dissatisfied with this position, if it wishes to reduce its credit balance, it has through participation in the proposed organization lost no single one of the courses of action ever open to it. True, it is by no means easy for a country, acting alone, to solve problems of unbalance. But as a last resort a country can find a solution by unilateral action. It can do the only things it ever could do in these circumstances; it can buy more abroad—goods, services or investments; or it can sell less abroad. It is therefore quite wrong to assume that countries participating in the proposed institution would, because of this participation, be left without control over their international commitments. It may be, and no doubt is, useful to erect danger signals at various stations along the road followed by both debtors and creditors. Such signals are useful reminders. But there is nothing to prevent either creditor or debtor from taking remedial action at any time.

10. If the foregoing is a correct analysis of the situation—and it would appear to be a simple statement of fact—creditors need not be unduly concerned about the possible size of their investment in the Fund, knowing that the ultimate actual size of their stake can be determined by their own course of action from day to day and from year to year. Nevertheless, even the appearance of an unlimited commitment is probably undesirable and in the tenative proposals of Canadian experts, a limit is placed on the obligation of each participant to provide resources to the institution. But there is less real danger to the interests of creditor countries in the establishment of a Fund or a Union whose potential resources are unnecessarily large (and may in consequence never be entirely used) than there is in the establishment of an institution whose resources are obviously too small. The interests of all will best be served by providing a fair degree of latitude, a satisfactory breathing-space—to debtors and creditors alike. If its objectives are to be achieved, the resources must be large enough to permit time for basic readjustments to be accomplished; they must be such that the organization will command general confidence in its own stability. For if this is not the case, what will happen? It will be believed that certain currencies are likely to become "scarce" currencies—a belief which will be reinforced by the reduction in the institution's holdings of that particular currency. Countries which are likely to require a "scarce" currency will hasten to make their purchases which are payable in that currency. As the holdings of the "scarce" currency are used up, as discussions and arguments commence regarding an enlargement of the quota or some other form of extension of credit, grave misgivings in regard to the international situation will arise. The position will be very much akin to that of a bank whose cash reserves are feared to be insufficient. There will be a run on that currency in the institution; and if the currency concerned is an important one, the international effects will be very serious indeed. No form of international monetary organization can continuously compensate for chronic maladjustments in the current account balance of payment of the countries which may be concerned, but it would be most unwise to set up machinery which stood a fair chance of facing a crisis at a comparately early date.

11. To avoid misunderstanding it should be emphasized that it would be extremely dangerous to use short-term credits as a device to cover up basically unsound positions. This would be no less disastrous in the international than in the domestic field, and any monetary system which made such an attempt on a large scale would inevitably break down. A chronic unbalance in current account balances of international payments which is not matched by voluntary long-term capital movements—lending abroad by creditor countries, and borrowing abroad by debtor countries—is symptomatic of a deep-seated maladjustment which has to be dealt with if equilibrium is to be restored. No debtor country can live beyond its resources indefinitely; and no creditor country can persistently refuse to lend its surplus abroad or make other adjustments to its creditor position without ripping the international fabric. But time is required for adjustments to be made and for remedial measures to have their

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The Securities Salesman's Corner

IF YOU WANT SOMETHING ASK FOR IT!

So much has been written on the subject of salesmanship that we sometimes wonder if most salesmen who have the patience to read columns such as this one do not wonder if those who write about the subject have ever tried out their theories in actual practice.

This time we are therefore going to admit to a bit of our own experience which happened quite a few years ago when the writer first started out as a cub bond salesman.

It has always seemed to us that the toughest problem for most salesmen (no matter what their line) has been in knowing when to ask for the order **and then asking for it.** Many times beautiful sales presentations are made, desire is skillfully created by the use of suggestion—and what happens? Too often the best opportunity for doing business is muffed right at the time that **action** should take place. This is an old, old story but we doubt if there are many successful salesmen today who wouldn't honestly admit that their percentage of "call backs" and lost sales is still proportionately too large.

This brings us to our little story. If you remember, some years ago, before the advent of the "more abundant life, etc.," we used to have something in this business which was then called "new issues." In those days it was the rule for every up and going securities firm to hold sales meetings where all the highlights and pertinent selling points were covered by the sales manager, whenever we had a "new issue" to offer. There wasn't much that we didn't try to soak in during those days when the spark of industry and ambition was burning pretty high. Evenings were spent in burning the midnight oil, reading everything from statistical manuals to "How To Become A Successful Bond Salesman" in 10 easy lessons. Meanwhile our days were filled with interviews but despite the fact that some of the rough edges did wear off a bit—we didn't break any sales records.

Then one morning "came the dawn." We have a hard-boiled sales manager and at times he didn't take particular care of what he said nor how he said it. This morning he called a meeting on the subject of "Call Backs." After his usual warmup which this particular morning was about 10 degrees above his normal boiling point he let loose with this story. "Some of you fellows look like the best salesmen in the world until it comes time to ask for the order. Then something happens and you fold up like a tent. Instead of bringing in the order you come back and tell me—**he's thinking it over and will let me know.**"

"All this reminds me," he went on, "of the English sailor who was visiting some friends in America for the first time. One evening the sailor and his friends were attending a very formal dance. Every time the sailor would dance with another girl, the dignified gathering would be treated to the spectacle of seeing him receive a resounding slap in the face. Finally one of his American friends asked what was the trouble. Unabashed the English Tar replied, "Nothing much, I just ask them all for a kiss." "You can't be so forward in America," his friend replied. "American girls are not accustomed to that quick approach. That's why so many get insulted." The Englishman didn't hesitate a moment in replying, **"Sure I know that but you'd be surprised how many don't!"**

And that was the answer. **Ask for it!** That's the lesson we can all learn over and over again. **Ask for the order.** If you don't ask you can be sure you won't get it—but you'll be surprised **how often you do.**

Treasury Bans Export Of Checks, Drafts To Blocked Countries—Also Restricts Imports

The Treasury Department on July 7 issued regulations prohibiting the exportation of checks, drafts, and similar negotiable instruments to blocked countries and restricting the importation of, and dealings in, checks and drafts which have been in such countries.

The regulations, identified as General Ruling No. 5A, prohibit the sending or taking of checks, drafts, bills of exchange, promissory notes, securities, or currency from the United States to any blocked country, other than China and the blocked members of the generally licensed trade area, and prohibit, effective Aug. 25, 1943, the importation of checks, drafts, bills of exchange, or promissory notes which have been within such blocked countries. The importation provisions are implemented by a prohibition on dealings in financial instruments imported on or after Aug. 25, 1943.

Among the more important blocked countries to which the ruling applies are all enemy and enemy-occupied countries, Portugal, Spain, Sweden, Switzerland, and their territories and possessions, Tangier, Finland, French North and West Africa, and the French Antilles.

The Treasury's announcement further stated:

"Any such financial instruments which have been within any of the blocked countries affected and which are imported on or after Aug. 25, 1943, must be turned over to the Federal Reserve Bank of New York as fiscal agent of the United States. Persons arriving in the United States on or after Aug. 25, 1943, will be required to report and surrender such instruments to the collector of customs at the port of entry, who will deliver them to the Federal Reserve Bank of New York. The Treasury has stated that it will not be its policy to license the exportation or importation of, or dealings in, checks or drafts which are affected by the rulings.

"The export restrictions, which are immediately operative, are a continuation and implementation of existing prohibitions. Attention is directed to the fact that persons departing from the United States are prohibited, except under specific Treasury authorization, from taking with them any securities, currency, checks, drafts, or promissory notes which are destined for any blocked country affected by the ruling, and are required to report the possession of any such instruments or currency to the collector of customs at the port of exit. However, it was stated that any person leaving the United States for any blocked country affected by the ruling (except countries constituting enemy territory) is authorized to take out currency of an equivalent of $50 in value and travelers checks issued in his name, and that such items need not be reported to the collector of customs at the port of exit, unless such items are destined, directly or indirectly, for enemy territory. At the same time it was pointed out that since there are many restrictions on the use of United States currency outside the United States, travelers checks, letters of credit, or telegraphic transfers are the best means of satisfying financial needs while traveling abroad.

"It is to be noted that the importation prohibitions do not apply to the importation of securities or currency, since such importation is already restricted by General Ruling No. 5.

"The ruling does not apply to instruments which have been in blocked countries in the 'generally licensed trade area' as defined in General License No. 53 unless such instruments have been within any of the blocked countries to which the ruling applies. Remittances to and from these excepted areas are nevertheless subject to the provisions of Executive Order No. 8389, as amended. Treasury spokesmen also observed that the ruling imposes no new restrictions on remittances to and from China, which are already adequately controlled under existing procedures.

"Treasury officials called attention to the fact that the ruling sets forth specific exemptions for certain categories of checks, drafts, and bills of exchange, unless such instruments are destined for or have been in enemy territory. There are thus left open certain channels through which travel may be financed and legitimate trade and financial transactions effected between countries in this hemisphere and neutral blocked European countries. The exceptions include non-negotiable bank payment orders; incoming travelers checks; outgoing travelers checks carried by and issued in the name of persons departing from the United States for blocked countries; outgoing Treasurer's checks carried by and Treasurer's checks carried by and issued in the name of a person in the service of the United States Government; outgoing currency valued at $50 or less carried for traveling expenses; incoming drafts or bills of exchange drawn under letters of credit; incoming drafts or bills of exchange drawn on importers in the Western Hemisphere in connection with the importation of merchandise into the Western Hemisphere; and incoming checks, drafts, bills of exchange, or warrants drawn on the Secretary of State, the Secretary of the Navy, or the Treasurer of the United States. The exceptions, it was emphasized, do not obviate the necessity of a Treasury license with respect to transactions within the scope of Executive Order No. 8389, as amended, but merely exempt the instruments referred to from the special restrictions of the ruling. It was stressed, moreover, that transactions involving trade or communication with enemy nationals require a license specifically referring to General Ruling No. 11."

Price Control Facing Most Critical Period With Inflation Danger Becoming Real, Says Zelomek

The conclusion that "price control still faces its most critical period" was emphasized on July 7 by A. W. Zelomek, Economist of the International Statistical Bureau, Inc., and Fairchild Publications, who at the same time stated that "with inventories reduced, production for civilians below the unit volume of sales, and the desire of consumers to spend more dollars for the same amount of goods limited by OPA regulations, the inflation danger that has been over-estimated in the past is now becoming real." He further declared that "it would be most unfortunate if the bad publicity the inflationary gap has been receiving as a result of these earlier mistakes should blind businessmen and the public to the real danger of the next twelve months."

According to Mr. Zelomek "the danger that war-time price advances will be accelerated has been exaggerated by faulty estimates of the inflationary gap." He states that failure to explain this term so that businessmen and the public could understand it has also contributed to the present feeling that the importance of the inflationary gap has been greatly overestimated. "As a result," he says, "this secret weapon of the economist is now bedeviling its original exponents and providing false assurance for the public. The originators of this war-time invention, having cried wolf, are now discredited at a time when their direct predictions may soon be realized."

In his comments Mr. Zelomek went on to say:

"Why has the inflationary gap been so grossly over-estimated in the past? The answer to this question will be plainer if it is related to some of the earlier calculations.

"More than a year ago, OPA issued its general order freezing prices. In the Statement of Considerations that accompanied the Regulation, a description of the inflationary gap for 1942 was included. Since this statement was issued April 28, it must be assumed that the partial information available then should have greatly increased the accuracy of OPA's estimates. However, here is what actually happened:

"'During 1942 . . . . individual income will total $117,000,000,000.'" Income to individuals was actually reported at $116 billion, so this estimate was good. "'Of this amount, it is estimated that $31,000,000,000 will be saved or paid to the Government in taxes. . . .'" The actual results are reported at $34 billion, so that this estimate was not bad. "'During 1942, the supply (of available goods and services) . . . will total $69,000,000,000.'" This supply has since been reported at $82 billion, which shows plainly where the main error was made.

"OPA concluded that 'demand in 1942, unless limited, will exceed supply by $17,000,000,000.' Goods and services, however, turned out to be $13 billion greater than expected; this alone accounted for an error of 76% in this April estimate of the inflationary gap for 1942.

"There are two reasons for OPA's mistake. One was failure to allow sufficiently for the large inventories that still existed, on which consumers could draw in meeting their demands. The more important one was failure to allow for the extent to which consumers were 'trading up', purchasing higher price and better quality merchandise. For example, in one year consumers may buy one $10 dress for every three $5 dresses they purchase. If because of rising income they buy these items in the proportions of two and two in the following year, this shows up as a 20% increase in dollar sales. However, price indexes show no gain, and the unwary economist jumps to the conclusions that unit sales to the consumer have fully kept pace with the rise in the dollar totals, thus liquidating inventories at a rapid rate.

"This is a situation in which OPA and the other exponents of the inflationary gap have been right in principle and wrong in detail. To date, two of the most effective anti-inflationary forces have been the large volume of inventories accumulated in 1941, when production for civilians was at an all time high, and the trading up tendency of consumers, which has kept changes in unit sales at a minimum despite the rapid increase in dollar totals. Now, however, stocks have been greatly reduced; by the end of the year they will be well below normal. Futhermore, although consumers still demand a better quality of merchandise, OPA limitations on the highest price lines that can be produced and sold are having a restraining effect. This policy of price line limitations is a basically unsound principle, tending to weaken one of the most important anti-inflationary weapons."

"Our Reporter On Governments"

By S. F. PORTER

And now that the June financing is just a pleasant memory to all investors who obtained the securities, to all dealers who got in on the deal and to all representatives of the Treasury, the endless topic of conversation in the bond crowd of Wall Street is "why?" . . . Why did the Treasury throw the issue open to all subscriptions, publicly remove the usual limitations on orders and plainly invite people with information to subscribe to the limit? . . . Why did Secretary Morgenthau, in short, "ask" for it? . . .

This observer intends to avoid the subject of free riding by institutions or individuals from now on—unless a change occurs in the situation that demands attention. . . . But since free riding is a main topic of talk among traders still, maybe the answer to the removal of restrictions is that Morgenthau wanted this issue to be terrifically oversubscribed. . . . He wanted the "color" of tremendous buying, minor allotments. . . . He wanted the "excitement" that accompanies an operation of this kind. . . . He wanted the big boys to know they were not forgotten and the small ones to discover again the joys of making a quick profit. . . .

To put it succinctly, he wanted an all-out success on this relatively insignificant $2,500,000,000 offering. . . .

For the simple reason that he wanted to make an impression on all who had lost track of the advantages of being active in Governments. . . .

And you need no elaboration on the elementary rules of psychology to know that nothing succeeds like success. . . . Nothing brings a little banker into the market or a wealthy individual into the list quicker than the knowledge that there's money to be made —and fun to be had. . . .

If you think this is snatching an idea out of the air, wait a minute and then figure, "how did I and my fellow investors react?" . . .

There's your answer. . . .

SHARP REVERSAL

Another thing this financing did was bring into the open the contrast between this issue and the one last October. . . . When Morgenthau offered an identical note issue carrying a 1½% rate, due in slightly more than four years and some 2% bonds due in 10 years, callable in eight. . . .

The 1½s sold this time were the same type of security. . . .

But in October, Morgenthau shocked us all by giving us a 2% bond when he had let nearly all investors expect a 2¼. . . . He made a bad mistake in timing and psychology by announcing that 2% was to be the maximum rate on 10-year obligations from October on. . . . He permitted himself to be placed in the position of needing desperately the support of the Federal Reserve System and of having to promise bankers who subscribed that he would take whatever excess they had off their hands. . . . The Federal Reserve owned $535,000,000 of the 1½s (an issue which suffered along with the 2s during that deal) at the end of 1942—a perfect indication of how much support was needed. . . .

But this time, Morgenthau gave the banks what they wanted—the first note to be sold in months. . . .

He didn't let any information out on the financing until the last minute but when he did announce the deal, he also revealed the removal of subscription restrictions. . . .

And the market was strong. . . . Money is plentiful. . . . The "money curve" has been accepted now and investors are willing to take the coupons. . . .

And the oversubscription plus the ½ point premium now quoted on the 1½s tell the tale. . . .

As for that so-called "money curve," here it is. . . .
(1) ⅜% on discount bills, due in 90 days. . . .
(2) ⅞% on one-year certificates of indebtedness. . . .
(3) 1½% on four to five-year money. . . .
(4) 2% on bonds due in 10 years. . . .
(5) 2½% on bonds due in 25 to 30 years. . . .

There's some gossip around about a shaving of these rates on the coming financings but that's definitely in the gossip class. . . . And it doesn't make too much sense at this time. . . . Admittedly, Morgenthau is getting the cash he needs for the war with extreme ease now. . . . But there's no reason to believe the situation always will remain so beautiful and comfortable. . . . "Complacency" still is a great danger on anyone's side. . . . And the money curve has just been established. . . Shifting it—except in a minor way—would probably be most unwise now. . . .

REDISTRIBUTION

Analysis of Government bond holdings of banks throughout the United States this past week reveals some highly intriguing points. . . . For instance:

(1) Due to the fact that excess reserves now are virtually concentrated in banks in the interior, banks outside of New York City have been increasing their holdings of Governments at a much faster rate than banks inside the financial center. . . .

This is considered an excellent trend and is being sponsored by the Treasury. . . . It should—and no doubt will—continue. . . .

(2) New York City banks substituting holdings of bills for excess reserves. . . . Surplus funds held by New York institutions are down to zero, below zero at times. . . . But banks are continuing to be fully invested and to buy heavily through manipulation of their bill accounts. . . . Bills are equivalent of cash, except that they return interest. . . . Under Federal Reserve ruling, they may be turned into Federal Reserve at any time. . . . Or, of course, may be sold in the market. . . . Result is bills constitute a fund of secondary reserves and banks in New York are operating smoothly despite decline in their primary reserve funds. . . .

(3) Banks throughout the country are constantly increasing their percentage holdings of intermediates and longs. . . . In comparison to shorts, longs are way up. . . . Although gains in holdings are reported right down the line, the percentage figures show this preference clearly. . . . A most important point. . . .

(4) Comparison of issue totals available to banks and gains in holdings shows banks have been heavy buyers in the open market in addition to heavy subscribers to all types of offerings at new issue dates. . . .

INSIDE THE MARKET

Fairly large-scale selling has been going on in the new 1½s recently. . . . Offset by buying originating among bankers eager to round out portfolios of notes and to raise totals obtained on allotment date. . . . Issue holding well at ½ point mark with high of 100.20 reported at one time immediately after offering day. . . .

Consistent buying of tax-exempts going on. . . . Coming from commercial banks now getting into excess profits bracket and needing exemption from partially-free bonds. . . . The 2¾s of 1965-60 still a favored bond, still being bought by investors knowing market trends. . . . Issue at 112.24 against a low in 1943 of 108.24. . . . Market range is terrific. . . .

Talk around that list will be under pressure over coming weeks with "approval" of authorities. . . . A reaction, or correction of any nature would do this market good. . . .

Switches from tax-exempts into taxables and vice versa going on with savings banks and insurance companies supplying the exempts and commercial banks supplying the taxables. . . .

One dealer forecasts next regular market issue will be restricted to banks and banks will be limited in subscriptions to a percentage of their capital and surplus. . . . As customary in the past. . . . Individual subscriptions in future to be restricted by deposit requirement of 10 or 50% on order, says same dealer. . . . Would curb free riding, not eliminate it. . . . Elimination being considered undesirable. . . .

American Car & Foundry Co. Reports Net Of $5,055,719 For Year

President Hardy Comments On Post-War Period

The 44th annual report of American Car and Foundry Co. and subsidiaries for the fiscal year ended April 30, 1943, made public July 13 by Charles J. Hardy, president, shows net earnings of $5,055,719, after all charges including interest, depreciation, amortization, and provision for estimated income and excess profits taxes. This compares with net earnings of $9,275,377 reported for the previous fiscal year and is equal to $5.05 per share of common stock outstanding against $12.09 per common share for the year ended April 30, 1942, but this latter figure because of "renegotiation" of Government contracts has been adjusted to $7.28.

Charles J. Hardy

In his letter to stockholders accompanying the report Mr. Hardy said:

"It is probable that immediately following the peace and possibly even before then, there will come from the roads of our own country a demand, so insistent that compliance with it will be imperative, for new equipment by way of rolling stock to replace that destroyed or worn out beyond repair by reason of the heavy and continuous service given by the roads during these years of national emergency. It is probable also that, with the coming of peace, there will devolve upon our Government the major part of the task of rehabilitating those countries whose industrial and economic life has been disrupted and shattered by the impact of these years of unparalleled warfare. Of first importance in that process of rehabilitation will be the restoration of the systems of transportation — and this undoubtedly will require the making here for use abroad of the necessary equipment, both rolling stock and motive power, until such time as the foreign industries are sufficiently re-established to care for their own domestic needs. Your Management feels justified, therefore, in looking forward to a period of intensified activity in the industry—the manufacture and sale of railroad equipment and rolling stock —in which for many years your company has held a commanding position."

Sales and Financial Position

Gross sales, less discounts and allowances aggregated $289,275,689 for the year and compare with sales of $216,336,568 in the preceding year. Company entered the new fiscal year with a back log of business of $350,000,000, the largest in its history.

The consolidated balance sheet of the company and its subsidiaries as of April 30, 1943 shows total current assets of $169,235,788 and total current liabilities of $144,362,272. For the year ended April 30, 1942, total current assets were $95,923,736 and current liabilities, $56,553,484.

The report shows cash in banks and on hand amounting to $24,612,257; U. S. Government bonds, treasury bills and treasury tax notes, at cost, $73,619,110; accounts receivable, less reserve, $18,553,785; notes receivable, less reserve, $2,447,204; inventories at cost or less, and not in excess of present market prices, $48,078,272; advance payments to vendors for materials contracted for, $281,656; and marketable securities, at cost or less, $1,643,504.

Mr. Hardy in his remarks to stockholders further stated:

War Output Intensified

"During the year the activities of your company and its subsidiaries as prime producers of materials of warfare for our Government—combat tanks, armor plate, shells, bombs, fuses, valves, metal containers for the transportation of chemicals, minesweepers, lighters and other vessels for naval use besides an almost infinite variety of miscellaneous supplies —have continued at an intensified rate. Additionally, your company has been called upon to produce, for Army use both here and abroad, a very considerable number of cars of different kinds, comprising flat, tank, kitchen and gondola cars as well as cars designed to be used as hospitals on wheels.

"The vast amount of work your company has done and is doing—greater by far than at any previous time in its history, naturally has required a very considerable increase of facilities and personnel. While recognizing the necessity of this, your management has been careful to see to it that in neither facilities nor personnel has the expansion been beyond the limits dictated by prudence and sound business judgment. While the problems arising, and which are of practically daily occurrence, have been many and complex, yet we have found within the limits of our own organization the ability needed for their successful solution.

Unable to Fill Domestic Business

"In the field of purely domestic business, that having to do with the building of equipment for the railroads of our country, the conditions have been and still are difficult. Your company has on its books orders for a very considerable number of new cars, which orders it has been unable to fill because of lack of the necessary governmental clearances to permit of their construction—this because of the urgent need for war purposes of the materials, steel and other, which must enter into their construction. There is no question that these cars are needed by the roads, and undoubtedly the necessary clearances to permit of their building will be forthcoming just as soon as the exigencies of the military effort will permit. Meanwhile, as above indicated, your company's facilities for the manufacture of railroad equipment are, and in all probability will for some time to come continue to be, largely engaged in supplying the demand of the Army for rolling stock for its use here and abroad.

"Fortunately your company, because of the size, location and equipment of its various plants, is in position to respond efficiently and promptly to such demands as may be made upon it, whether that demand be for the production of materials of war, offensive and defensive, or for vehicles of transportation for military and other use."

NAM Booklet On War Production Posters

The National Association of Manufacturers on July 6 issued to its 9,000 members a "Posters-For-Production" booklet containing reproductions of 70 morale-building posters chosen as "truly representative of our war effort." The posters were chosen from approximately 1,000 submitted by 700 companies in the nation and were judged by a committee of three, non-members of the NAM.

They were Frederick C. Kendall, Editor "Advertising & Selling"; Dr. Robert Leslie, an executive of The Composing Room, Inc., and Tudor H. A. Tiedemann of Industrial Relations Counsellors, Inc. Five other posters chosen as representative, were not reproduced in the booklet.

The booklet was accompanied by a letter from Malcolm Muir, Chairman of NAM's War Committee and publisher of "Newsweek," who said that "interest in the exhibit was so widespread that it was decided these posters should be reproduced in this convenient booklet form, with more complete data—including the availability of these poster ideas to other companies."

"The willing response of the originating companies to offer to others either the design, artwork, or the posters themselves has been a most encouraging expression of industry's cooperative attitude," Mr. Muir wrote.

In a foreword of the booklet, the NAM stated that "every man and woman in every plant and factory must be inspired with the will to win—and with the desire to produce to the utmost of his or her ability. Under the American way of life they cannot be commanded to work that extra hour or turn out that extra part—they must want to do it voluntarily and harmoninously."

The reproduced posters were submitted by companies from 12 States.

Mme Chiang Back Home

Mme. Chiang Kai-shek, wife of China's Generalissimo, who had been on an extended tour of the United States and Canada, returned to China on July 4 aboard an American transport plane. The trip back to Chungking, it was reported, took less than a week.

Mme. Chiang had been in the United States since last November when she arrived for medical treatment. Early this year she was the guest of the President and Mrs. Roosevelt at the White House and later toured the country making addresses in the principal cities. She also visited Canada.

Canadian Securities

By BRUCE WILLIAMS

It is gratifying to see the more conservative elements in our financial community take note of Canada's effective contribution to the war effort of the United Nations. Such recognition is bound to lead to closer harmony and greater cooperation in working out post-war problems, particularly those involving Canada's capital needs in opening up the vast North West Territories.

The following well-deserved tribute to the Canadian war effort appeared in the latest issue of the **Guaranty Survey:**

"Continuing expansion of Canadian business activity is indicated. The official index of the physical volume of business, seasonally adjusted, stands for April at 236.9% of the 1935-39 average, marking an interrupted advance from 195.5 in May, 1942. The index of industrial production has risen correspondingly from 217.3 to 274.4.

"The coupon rationing of meat that became effective May 27 has unusual significance. Having assumed a major task of supplying food—besides vast quantities of weapons, ammunition and related war materials—to Britain and other associated nations, the Dominion, by thus limiting domestic consumption of its abundant supplies, manifests the national purpose to ensure, with evident sacrifice, the meeting of all its commitments. The rationing, it is estimated, will effect a reduction of 20% in the home consumption of meat."

* * *

Of perhaps even greater significance than the steady rise in market prices of Canadian Government and provincial bonds as a measure of the basic improvement in the Dominion's internal economy, is the recent ending of Quebec's moratorium on real estate mortgages, in effect since 1933. The law was abolished on July 1, 1943.

No legislative intervention now exists between the mortgage holder and the owner of real estate on which the mortgage is held. Failure to meet interest or capital payments on mortgages in Quebec province now means foreclosure by judicial sale.

As might have been expected, proprietors of mortgaged property made every effort to have the moratorium continued until after the war. They cited as ground for this request the Dominion Government's action in freezing of all rents as of October 1941. They took their case to both Ottawa and Quebec but failed to carry their point in either instance.

In answer, the Dominion Government contended that sacrifices had to be made in wartime and that the freezing of rents came within the scope of this principle. The Quebec Government simply contended that in view of present economic conditions, now was the time to bring the moratorium to an end.

The whole situation strikes a welcome but unfamiliar note to American ears, long accustomed to the paternalistic strains of New Deal practice and propaganda.

Canadian Crops Are Generally Progressing

The Bank of Montreal, in its current crop report, dated July 8, states that "in the Prairie Provinces, crops generally continue to make good progress, with the best prospects in Manitoba. The bank's report further said:

"While the season is about 10 days later than average, higher temperatures during the past two weeks have promoted rapid growth. Wheat is coming into shot blade and in some districts early-sown crops are heading. Coarse grain shows healthy, even growth. Moisture conditions are satisfactory in Manitoba, but good rains are required in many parts of Saskatchewan and Alberta, in some districts of which deterioration has already set in. Losses from hail and pests have been small. Sugar beets in Alberta and Manitoba are progressing favorably. In the Province of Quebec, the season continues to be backward and frequent rains during the past fortnight have caused further delay in operations, as well as considerable damage in many districts. The yield of grains will probably be below average. Cutting of a good crop of hay has commenced in most districts. Pastures are in very good condition."

N. Y. Community Trust Disbursements Rise

The New York Community Trust, whose operations began 20 years ago, made larger charitable appropriations in the first six months of 1943 than in the initial half of any prior year, it is announced by Ralph Hayes, Director. Disbursements to 98 organizations totaled $223,624, compared with $221,285 in the corresponding portion of 1942. In its first six months of existence in 1924, the Trust made philanthropic outpayments totaling $20. The aggregate of grants subsequently made is now $3,728,552.

During the second quarter of this year the Trust paid out $147,988, compared with $106,016 in the same period a year ago.

Foreign Dollar Bonds Serviced In Full In 1942 Were Only 50.07% Of Total

In 1942 debt service had been paid in full on $2,789,563,473, or on 50.07% of the total of $5,571,578,318 of publicly offered foreign dollar bonds outstanding on Dec. 31, 1942, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds," issued July 6 by Dean John T. Madden, Director of the Institute of International Finance of New York University.

The Institute's announcement further states:

"The default of the Japanese issues and the suspension of sinking fund payments and failure to pay matured bonds by some obligors are responsible for the reduction in the proportion of bonds serviced in full from 56.38% in 1941.

"Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1941 and 1942 are summarized in the following table:

	Dec. 31, 1941 (000,000)	Dec. 31, 1941 Per Cent	Dec. 31, 1942 (000,000)	Dec. 31, 1942 Per Cent
Debt service paid in full	$3,190.2	56.38	$2,789.6	50.07
In default as to interest	2,427.2	42.90	2.664.0	47.81
In default as to sinking fund	40.6	.72	118.0	2.12
Total	$5,658.0	100.00	$5,571.6	100.00

"At the end of 1942 Latin America and Europe accounted for 41.8% and 43.8% respectively of total defaulted bonds, as compared with 47.7% and 47.8% on Dec. 31, 1941. On the other hand, the Far East accounted at the end of 1942 for 10.9% of total defaulted bonds as against only 2.1% on Dec. 31, 1941. Of the total Latin-American bonds in default, Brazil and Mexico account for 27.1% and 31.0%, respectively, while German issues represent 52.3% of total European defaulted bonds. On Dec. 31, 1942, 80.6% of the European, 70.8% of the Latin American and 55.4% of the Far Eastern bonds were in default.

"The geographical distribution of foreign dollar bonds in default as to interest on Dec. 31, 1942, is shown in the following table:

	Amount Outstanding (000,000)	Amount in Default (000,000)	Per Cent of Total Defaulted Bonds
Latin America	$1,572.5	$1,112.9	41.8
Europe	1,446.9	1,166.0	43.8
Far East	522.7	289.3	10.9
North America	2,029.5	95.8	3.5
Total	$5,571.6	$2,664.0	100.0

"An analysis of interest defaults by types of obligors shows that 48.5% of the national government issues, 31.8% of the issues of the States, provinces and departments, 52.2% of the municipal bonds and 53.8% of the issues of corporate borrowers were in default at the end of 1942.

"The actual rate of interest return in 1942, representing the amount of cash interest received for 1942 coupons on the nominal amount of publicly offered foreign dollar bonds outstanding at the end of the year, was 2.37% as compared with the average contractual rate of 5.25%. In 1941, the amount of cash interest received constituted 2.78% as against the average contractual rate of 5.26%. The amount received in cash for 1942 coupons was 45.2% of the contractual amount due, as against 52.7% in 1941. While interest was paid at the contractual rate on all Australian issues and practically all Canadian bonds, Europe paid at the rate of 1.01% and Latin America 1.24% against the average contractual rate of 6.10% and 5.43% respectively.

"The contractual amount of interest due and the amount received for 1942 coupons of bonds outstanding on Dec. 31, 1942, are shown in the following table:

	Nominal Amount Outstanding (000)	Contractual Amount of Interest Due (000)	Average Contractual Rate of Interest Due %	Actual Amount Received (000)	Average Rate of Return %
Latin America	$1,572,469	$85,420	5.43	$19.452	1.24
Europe	1,446,933	88,284	6.10	14,577	1.01
Far East	522,651	28,981	5.55	11,596	2.22
North America	2,029,525	89.872	4.43	86,496	4.26
Total	$5,571,578	$292,557	5.25	$132.121	2.37

"The Institute has obtained information on repatriation or purchases by foreigners of issues of 22 countries out of a total of 39 countries still having dollar bonds outstanding in the United States. At the end of 1942 these 22 countries had outstanding $2,720,536,668 principal amount of dollar bonds, of which bonds with a face value of $704,407,035, or 25.89% of the outstanding amount were held abroad. Only $52,931,800 or 7.51% of the total repatriated amount represent bonds of countries which are paying interest in accordance with the loan contract.

"Germany and Japan, which are in complete default of debt service, account for over 62% of total principal amount of bonds repatriated. These two countries have repurchased $243,020,400 and $195,181,080 of face amount of bonds, or 36.57% and 68.77% respectively, of their dollar issues publicly offered in the United States. In contrast, however, to the German repatriation, which was carried out mainly during the period the country was in partial or total default on interest and sinking-fund payments, the repatriation by Japan took place while service of the bonds was fully maintained."

The Institute also notes that the bulletin also discusses recent developments of importance to holders of foreign dollar bonds, including an analysis of the offer of servicing the defaulted eleven bond issues of the four Colombian Banks, made by the Agricultural Mortgage Bank, and the Mexican Government offer to resume debt service on its external loans.

National War Fund's Appeal For $125,000,000 Seen Benefiting Estimated Sixty Millions

More than 60,000,000 people in this and others of the United Nations will be beneficiaries of this Fall's National War Fund campaign, according to figures compiled by the New York Committee of which Emil Schram is Chairman.

This estimate of potential beneficiaries is contained in a statement made available July 12 by the New York Committee under the title "New York Gets Together for Our Men and Our Allies." It explains that a total of $125,000,000 is needed to provide "support for the far-flung USO—the home away from home for our own fighting men; comforts for the 'barbed wire legion' of prisoners of war; food for starving Greece; medical supplies for gallant Russia; aid for the scorched earth of stricken China and the bombed homes of indomitable Britain; assistance for hundreds of thousands of homeless refugees; timely aid for our own armed forces and merchant marine and for our Allies overseas."

All these and other similar causes are included in the National War Fund's appeal for support of 16 major war-related agencies united for the first time in the history of this war, in a single coordinated campaign "to meet the human needs of our fighting forces and our allies."

"In terms of human salvage and morale," the statement declares, "the amount of good done will far outweigh the dollars we give. By strengthening our friends everywhere, we weaken our enemies everywhere, and thereby contribute toward winning and shortening the war."

New York's five boroughs will be called upon to contribute almost $17,000,000, including $14,875,000, or 11.9%, as this city's share of the national goal. More than $1,000,000 of the local goal is for support of the New York City Defense Recreation Committee, now serving upwards of 1,000,000 service men each month. The balance of the New York goal is to finance the work of certain other local war-related agencies whose applications for membership are now before the New York Admissions Committee.

The fund-raising campaign is scheduled to start Oct. 1, and will terminate Dec. 7, 1943, the second anniversary of Pearl Harbor. The money raised will be used to finance the programs of the War Fund agencies through October, 1944. Besides the USO and the New York City Defense Recreation Committee, the agencies include: United Seamen's Service; War Prisioners' Aid; Belgian War Relief Society, Inc.; British War Relief Society, Inc.; French Relief Fund, Inc.; Greek War Relief Association, Inc.; Norwegian Relief, Inc.; Polish War Relief, Inc.; Queen Wilhelmina Fund, Inc.; Russian War Relief, Inc.; United China Relief, Inc.; United Czechoslovak Relief Fund; United Yugoslav Relief Fund; Refugee Relief Trustees and U. S. Committee for the Care of European Children.

Newspaper Editors To Advise OWI On Policy

Palmer Hoyt, Director of the Office of War Information's domestic branch, announced on July 6 the appointment of an advisory committee of nine newspaper editors. Mr. Hoyt also disclosed that the OWI would "work entirely through the accepted media of information," and had suspended issuance of all pamphlets and posters, and had scrapped its field service entirely.

"OWI will not issue any printed matter directly to the public," Mr. Hoyt said.

The advisory committee, according to the Associated Press, is made up of the following:

Roy Roberts, managing editor, Kansas City "Star;" Lawrence L. Winship, managing editor, Boston "Globe;" George W. Healy, Jr., managing editor, New Orleans "Times-Picayune;" Paul Bellamy, editor, Cleveland "Plain Dealer;" Mark Ethridge, publisher, Louisville "Courier-Journal;" Gardner Cowles, Jr., editor and publisher, Des Moines "Register and Tribune;" Fred Gaertner, Jr., managing editor, Detroit "News;" Wilbur Forrest, assistant editor of the New York "Herald-Tribune," and H. D. Paulson, editor, Fargo (N. D.) "Forum."

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a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

FORTY-FOURTH ANNUAL REPORT—YEAR ENDED APRIL 30, 1943

CONSOLIDATED BALANCE SHEET APRIL 30, 1943

ASSETS

*PLANT AND PROPERTY ACCOUNT			$ 65,208,073.60
Land and Improvements		$ 7,674,901.04	
Buildings, Machinery and Equipment	$77,232,059.38		
Less: Amortization and Reserve for Depreciation	38,740,012.71	38,492,046.67	
Intangibles		19,041,125.89	
CURRENT ASSETS			169,235,787.92
Cash in banks and on hand		$24,612,256.53	
U. S. Government Bonds, Treasury Bills and Treasury Tax Notes at cost.. (Quoted market value $73,620,376.50)		73,619,110.25	
Accounts Receivable, less reserve		18,553,784.91	
**Notes Receivable, less reserve		2,447,203.78	
Inventories at cost or less, and not in excess of present market prices		48,078,272.48	
Advance payments to Vendors for materials contracted for		281,655.94	
Marketable Securities, at cost or less (Quoted market value $1,757,345.82)		1,643,504.03	
SPECIAL RESTRICTED DEPOSITS (U. S. GOVERNMENT CONTRACTS)			21,679,088.44
PREPAID TAXES, INSURANCE, ETC.			430,915.14
MISCELLANEOUS SECURITIES, less reserve			173,771.91
SECURITIES OF AFFILIATED COMPANIES, less reserve			274,563.50
POST WAR CREDITS ON EXCESS PROFITS TAXES (estimated)			2,500,000.00
NOTES AND ACCOUNTS RECEIVABLE OF AFFILIATED COMPANIES, less reserve			4,729,736.10
TREASURY STOCK AT COST			533,399.75
10,550 shares of Preferred Capital Stock			
600 shares of Common Capital Stock			$264,765,366.36

*Plant and Property of parent Company included in above valuations were inventoried and valued by Coverdale & Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of Subsidiary Companies are included at cost. Plant and Property includes $13,010,249.07 represented by expenditures for extension of plant facilities under the National Defense and War Programs; aggregate amortization thereon has been taken in the amount of $7,897,384.38 to April 30, 1943. **Includes $1,948,081.82 maturing subsequent to one year.

LIABILITIES

CAPITAL STOCK			
Preferred, authorized and outstanding (300,000 shares—par value $100.00 per share)			$ 30,000,000.00
Common, authorized and outstanding (600,000 shares—no par value)			30,000,000.00
CURRENT LIABILITIES			144,362,272.45
Accounts Payable and Pay Rolls		$ 8,933,849.99	
Provision for Federal, State and Local Taxes, including (estimated) amount due on Renegotiation of U. S. Contracts through April 30, 1943		135,344,109.24	
Advance payments received on sales contracts		84,313.22	
ADVANCES ON GOVERNMENT CONTRACTS			22,016,000.13
RESERVE ACCOUNTS			7,251,811.07
For Insurance and Contingencies including possible tax and other adjustments		$ 5,317,266.33	
For Dividends on Common Capital Stock, to be paid when and as declared by Board of Directors		1,934,544.74	
EARNED SURPLUS ACCOUNT			31,135,282.71
			$264,765,366.36

Contingent Liabilities: Secured notes purchased by American Car and Foundry Securities Corporation, a wholly-owned subsidiary, and by it resold under agreement to repurchase in event of default, and secured obligation of Shippers' Car Line Corporation sold with guarantee; aggregate amount $671,153.36.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Consolidated Earned Surplus, April 30, 1942		$ 33,390,871.59
Add: Net Earnings for year		5,055,718.69
		$ 38,446,590.28
Less: Renegotiation Refund (estimated) fiscal year ended April 30, 1942	$ 8,385,617.07	
Less: Reserve for Contingencies	5,500,000.00	2,885,617.07
		$ 35,560,973.21
Less: Dividends on Preferred Capital Stock publicly held, $15.29 per share, paid during year (See Note #1)	$ 4,425,690.50	
Dividend on Common Capital Stock publicly held, $1.00 per share	599,400.00	
	$ 5,025,090.50	
Deduct—Common Stock Dividend charged to Reserve available for that purpose	599,400.00	4,425,690.50
Consolidated Earned Surplus, April 30, 1943		$ 31,135,282.71

NOTE #1: Dividends on Preferred Capital Stock paid during the year:
$7.00 per share out of earnings for year ended April 30, 1936; $3.50 per share out of earnings for year ended April 30, 1942;
$1.29 per share out of earnings for year ended April 30, 1938; $3.50 per share out of earnings for year ended April 30, 1943.

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross Sales, less discounts and allowances			$289,275,689.04
Cost of goods sold, including Administrative, Selling and General Expense, but before Depreciation and Amortization			250,736,879.07
			$ 38,538,809.97
Depreciation and Amortization			6,021,000.44
Earnings from Operations			$ 32,517,809.53
Other Income:			
Dividends		$ 19,715.21	
Interest		1,531,014.53	
Royalties		7,976.60	
Miscellaneous		242,312.76	1,801,019.10
			$ 34,318,828.63
Other Charges:			
Interest	$ 87,971.40		
Royalties	780,814.98		
Miscellaneous	100,328.70		
Loss on Property Retirements	919,092.86		1,888,207.94
Net Earnings before Provision for (estimated) Federal Income Taxes, Contingencies and Adjustments			$ 32,430,620.69
Deduct—Provision for (estimated) Federal Income and Excess Profits Taxes:			
Normal income tax	$ 2,168,892.13		
Excess profits tax	25,706,009.87		
	$27,874,902.00		
Less: Post War Credits (estimated) on Excess Profits Taxes	2,500,000.00		25,374,902.00
Net Earnings for year before Provision for Contingencies, including possible tax and other adjustments			$ 7,055,718.69
Deduct—Provision for Contingencies, including possible tax and other adjustments			2,000,000.00
Net Earnings Carried to Surplus			$ 5,055,718.69

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

TO THE STOCKHOLDERS OF
AMERICAN CAR AND FOUNDRY COMPANY,
30 CHURCH STREET, NEW YORK CITY.

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its wholly-owned subsidiaries as of April 30, 1943, and the Consolidated Statements of Income and Surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We were unable to confirm by direct correspondence amounts due from the United States Government, but have satisfied ourselves as to their correctness by extending our tests of the accounting records pertaining to such receivables.

In order to avoid any slowing down of the war effort, inventories of work in process applicable to certain United States Government war contracts were not taken. These inventories are reflected in the financial statements at their book values, and represent approximately 42% of the total inventories. We have reviewed the cost records supporting such book values and are satisfied that they are conservatively stated.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated position of the American Car and Foundry Company and its wholly-owned subsidiaries at April 30, 1943, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Yours very truly,

Ernest W. Bell and Company

New York, June 25, 1943.

To the Stockholders:

The annexed Consolidated Balance Sheet, Income Account and Statement of Earned Surplus—which as usual have been prepared and certified by independent auditors and are accompanied by their Certificate of Audit—show as the result of the year's operations of your Company and its wholly-owned subsidiaries a net profit carried to Surplus of slightly more than Five Million Dollars,—this after all charges including necessary reserves, depreciation, tax charges, Federal, State and Local, the amortization of facilities acquired and installed to meet the demands upon the productive capacity of your Company and its subsidiaries as prime contributors to the nation's war effort and (more importantly) the amount, estimated, to be returned to the Government under the operation of the Sixth Supplemental National Defense Appropriation Act of 1942 as amended by the Revenue Act of that year.

In the letter accompanying the report of your Company for the fiscal year ended April 30, 1942 reference was made to the then recently-enacted Federal legislation authorizing the "renegotiation" of contracts having to do, generally, with the country's war programme, and the consequent uncertainty as to what of the profits normally resulting from operations would ultimately be available for distribution by way of dividends.

During the year just closed the war-work contracts of your Company and its wholly-owned subsidiaries for the two years ended respectively April 30, 1942 and April 30, 1943 have been under review in the process of the "renegotiation" directed by the legislation referred to—this involving a revision of the sales prices as fixed by the contracts and the allowance of a profit based on the sales prices as so revised. While that process had not been completed at the close (April 30, 1943) of the fiscal year covered by the annexed Balance Sheet and Statements, and is not completed at the time of this writing, nevertheless it is sufficiently far advanced towards completion to justify at least an estimate as to the final effect upon the profits resulting from operations for the two years noted. In the preparation, therefore, of the figures shown by the statements now submitted to the Stockholders, effect has been given—necessarily retroactive to the close of the fiscal year—to such estimate in the belief that the result of the renegotiation when finally arrived at will not materially differ from the estimate made and effect to which is given in the statements now submitted.

In this situation, while the "uncertainty" referred to above has now been measurably lessened, it still persists—and will persist until the renegotiation proceedings, still pending, are brought to a definitive conclusion.

Out of the earnings of the year, and before its close, there had been declared and paid two quarterly dividends of one and three-quarters per cent each on the Preferred Stock outstanding. Since the close of the year, and out of such earnings, another like quarterly dividend on such stock has been declared, payable July first. It is the expectation of the Management that there will shortly be declared, also out of the earnings of the year, another like quarterly dividend—and with such payment the way will be open for the declaration and payment of a dividend on the Common shares. It is the earnest wish of your Management to put the shares of your Company, both Preferred and Common, on a regular dividend basis—and the Stockholders may be assured that will be done as soon as conditions permit.

During the year the activities of your Company and its subsidiaries as prime producers of materials of warfare for our Government—combat tanks, armor plate, shells, bombs, fuses, valves, metal containers for the transportation of chemicals, mine sweepers, lighters and other vessels for naval use besides an almost infinite variety of miscellaneous supplies—have continued at an intensified rate. Additionally, your Company has been called upon to produce, for Army use both here and abroad, a very considerable number of cars of different kinds, comprising flat, tank, kitchen and gondola cars as well as cars designed to be used as hospitals on wheels.

The vast amount of work your Company has done and is doing—greater by far than at any previous time in its history as evidenced by the fact that your Company entered upon its fiscal year now current with a back-log of business on its books having a money value of approximately Three Hundred and Fifty Million Dollars,—naturally has required a very considerable increase of facilities and personnel. While recognizing the necessity of this, your Management has been careful to see to it that in neither facilities nor personnel has the expansion been beyond the limits dictated by prudence and sound business judgment. While the problems arising, and which are of practically daily occurrence, have been many and complex, yet we have found within the limits of our own organization the ability needed for their successful solution.

In the field of purely domestic business, that having to do with the building of equipment for the railroads of our country, the conditions have been and still are difficult. Your Company has on its books orders for a very considerable number of new cars, which orders it has been unable to fill because of lack of the necessary governmental clearances to permit of their construction—this because of the urgent need for war purposes of the materials, steel and other, which must enter into their construction. There is no question that these cars are needed by the roads, and undoubtedly the necessary clearances to permit of their building will be forthcoming just as soon as the exigencies of the military effort will permit. Meanwhile, as above indicated, your Company's facilities for the manufacture of railroad equipment are, and in all probability will for some time to come continue to be, largely engaged in supplying the demand of the Army for rolling stock for its use here and abroad.

Fortunately your Company, because of the size, location and equipment of its various plants, is in position to respond efficiently and promptly to such demands as may be made upon it, whether that demand be for the production of materials of war, offensive and defensive, or for vehicles of transportation for military and other use.

While, naturally, the attention of your Management is and, until the world war in which our country is now engaged comes to its inevitable victorious end, will continue to be centered upon the obligation of your Company to support to the utmost extent of its ability and resources the war effort of our Government, yet full measure of consideration is being given to the problems that will confront us following the peace. Those problems undoubtedly will be many and perplexing and the approach to their successful solution entails the most thorough research and careful study of conditions, probabilities and possibilities. The transfer of our activities from a war-time to a peace-time basis will present many difficulties of adjustment, financial and other—but your Management is confident that such difficulties will be met and overcome successfully, just as our organization has met and successfully overcome the difficulties attendant upon our change-over from peace-time pursuits to activities so largely and importantly of a military nature.

It is probable that immediately following the peace and possibly even before then, there will come from the roads of our own country a demand, so insistent that compliance with it will be imperative, for new equipment by way of rolling stock to replace that destroyed or worn out beyond repair by reason of the heavy and continuous service given by the roads during these years of national emergency. It is probable also that, with the coming of peace, there will devolve upon our Government the major part of the task of rehabilitating those countries whose industrial and economic life has been disrupted and shattered by the impact of these years of unparalleled warfare. Of first importance in that process of rehabilitation will be the restoration of the systems of transportation—and this undoubtedly will require the making here for use abroad of the necessary equipment, both rolling stock and motive power, until such time as the foreign industries are sufficiently re-established to care for their own domestic needs. Your Management feels justified, therefore, in looking forward to a period of intensified activity in the industry—the manufacture and sale of railroad equipment and rolling stock—in which for many years your Company has held a commanding position.

It will be noted from the statements submitted that your Company is in a strong, healthy and liquid position, and is amply able to take care of all its obligations. It has no fixed debt and no bank or other loans outstanding. The item of Advance on Government Contracts shown on the liability side of the Balance Sheet is a self-liquidating item, representing advances made by the Government to cover, in part, the cost of materials entering into the product in course of manufacture and to be repaid by proportionate deductions from invoices for the completed product as delivered. Inventories have, as usual, been taken at cost or less and not in excess of market prices, were all verified at or near the close of the year under the supervision of responsible employees of your Company and have been conservatively valued—and while large in amount are not out of line with the vast volume of business on our books.

With sorrow there is recorded the death, on February 7, 1943, of William J. Harris after fifty-four years of faithful and efficient service rendered and who at the time of his death was your Company's Vice-President in charge of Purchases.

Your Management is glad to express to each and every member of our organization its thanks and appreciation for the loyal, intelligent and efficient cooperation and aid given it in the working out to a successful conclusion of the many and difficult problems presented in the course of the year's operations—a cooperation and aid that have been of incalculable value in enabling your Company fully to perform its duties and obligations to our Government and our Stockholders in these trying times.

For the Board of Directors:

Respectfully submitted,

CHARLES J. HARDY, *President.*

June 29, 1943.

Municipal News & Notes

Halsey, Stuart & Co. Inc. and an associated group of dealers are offering today $22,111,000 State of Arkansas 3¼% and 3% Highway Refunding Bonds of 1941. The bonds are a part of a total issue of $136,330,557 authorized by the General Assembly of 1941 to refund the outstanding obligations of the State issued under the refunding program authorized in 1934 and designed to remedy the 1933 default in payment of principal and interest on the State's highway obligations. The bonds constitute, in the opinion of counsel, valid obligations of the State for the payment of which, both principal and interest, the full faith and credit of the State and all its resources are irrevocably pledged. The Act under which the bonds are issued provides among other things that the first $10,250,000 of highway revenues going into the State Highway Fund in each fiscal year shall be set aside in the ratio of 70% exclusively for highway debt service and 30% for highway maintenance.

The present offering consists of $14,315,000 3¼% Serial Bonds, due in varying amounts, April 1, 1946-1969, priced to yield 1.20% to 2.80%; $2,571,000 3% Serial Bonds, due in varying amounts April 1, 1969-1972, priced at 104.50%, to yield 2.75% to 2.77%; $5,225,000 3¼% Term Bonds, due April 1, 1972, optional in various amounts each April 1, 1944-1971. The optional bonds are priced to yield 0.75% to 2.85% to the first optional dates, and 3¼% thereafter to maturity. The 1972 maturity is priced to yield 2.85%.

Other leading participants in the offering includes: Lazard Freres & Co., The Northern Trust Company, Otis & Co., Bank of America, A. C. Allyn and Company, Hornblower & Weeks, C. F. Childs and Company, Equitable Securities Corporation, Mullaney, Ross & Company, Commerce Union Bank of Nashville and R. S. Dickson & Company, Incorporated.

Arkansas's Industrial Progress Impressive

A comprehensive review of the industrial and agricultural progress and potentialities of the State of Arkansas, illustrated by some 100 photographs, is being published by Halsey, Stuart & Co., Inc., Chicago and New York, it was announced July 9.

The publication is in the form of a 24-page brochure entitled "Re-Appraising Arkansas." Text and illustrations were prepared in cooperation with State officials and with the approval of Governor Homer M. Adkins. A comparable brochure, titled "Appraising Arkansas," was published by Halsey, Stuart & Co., Inc., in April, 1941.

"The greatest recent gain in Arkansas," the brochure states, "has been in its mineral production; likewise one of its greatest potentialities for future gains lies in this field and in the processing of its mineral products. Thirty-five minerals are found in Arkansas, of which 25 are being produced commercially. Those of greatest present economic importance are bauxite (from which aluminum is made), petroleum, natural gas and coal.

"Arkansas now accounts for 95% of all domestic bauxite production. Though under existing enormously increased demands (to offset reduced imports resulting from war-time shipping difficulties) its reserves of presently known higher-grade ores are being rapidly consumed, recently improved reduction facilities make possible the profitable utilization of its lower-grade ores, which exist in quantities adequate, according to well-informed sources, for many years. Whereas previously all bauxite mined in Arkansas was shipped elsewhere for reduction and manufacture into aluminum pigs, both processes are now carried on at two recently completed mills of the most modern type. These were financed by Defense Plant Corporation and are operated under lease by Aluminum Company of America. The two plants represent an investment of about $70,000,000."

Under the heading of Agriculture, the brochure points out that the Arkansas cotton yield in 1942 was 1,485,000 bales (third among the Southern States). The per acre yield of 362 pounds was the highest the State has attained. Production of soy beans and peanuts more than doubled.

Arkansas is also reported third among the Southern States in the production of timber, and the State in 1941 (latest available figures) produced approximately two billion feet of lumber and 683,300 cords of pulpwood, the manufactured value of which was more than $96,000,000.

The electric situation, both hydro and steam-generated, is reported as favorable, with 57 generating plants exclusive of private industrial units, in operation and two large generating plants in process of installation. One of the latter, a 30,000-kw. unit, will be fueled with purified sour gas, extensive fields of which are located in the State.

The brochure concludes by stating: "Specifically, the State's further industrial expansion will take two courses, small manufactures for local demand and larger establishments for both local and outside consumption. Such operations as canning, abattoirs, poultry plants, creameries, furniture manufacturing and low-cost apparel for local consumption may be expected to expand as the economic status of the population continues on its present upward trend. . . . Given the capital and the managerial skill which the State's resources invite and appear to warrant, Arkansas stands on the threshold of important further industrial development."

Delaware River Commission Bonds Offered To Investors

Harriman Ripley & Co., Inc., Drexel & Co., Smith, Barney & Co., and Lehman Brothers, head a nation-wide investment banking group including 95 firms and houses which is offering today at 102% and accrued interest a new issue of $37,000,000 The Delaware River Joint Commission 2.70% refunding bridge bonds (Philadelphia-Camden Bridge) due Aug. 1, 1973. The purpose of this financing is to provide funds for the redemption on September 1, next, at 105% and accrued interest of $35,238,000, 4¼% bonds of the Commission due 1944-73.

As of June 30, 1943, the bonds to be redeemed from the proceeds of this financing together with $465,000 principal amount of 4¼& bonds maturing September 1, 1943 constituted the entire outstanding funded debt

(Continued on page 207)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 203)

few more points to their prices. But what I warned against in last week's column—to watch out for reversal—occurred. Eastern Air Lines, which was at 42 and which this column said indicated a rise to 45-46, managed to just shave the 45 figure and then sold off to 42 again. TWA, at 24, showed signs of a rally to 26-27. It got to 25⅝ and backed off to 24.

* * *

The same thing happened in the farm equipments. Oliver Farm, the outstanding stock of the group, had everything in its favor. I warned, however, that if it turned down it would mean the end of the move for the whole group. You know what happened.

* * *

The over-all answer to all these actions is the sober conclusions that stock after stock and group after group has made its objective, or is close enough to it to warrant the professional trader to be extremely cautious.

* * *

It is reasonably certain that war news does not affect the market as much as the average man in the customers' rooms thinks it does. Therefore, to get a new impetus for another move the news on which it can feed must come from home.

* * *

For an example of how news affects stock prices before it becomes public knowledge take a look at the airplane issues. Everybody knows that the airplane stocks have been going down for some time. Last week I felt they were low enough to warrant a speculation with close stops. In suggesting the purchase of two stocks in this category I warned, however, that if they did not hold their critical levels, "you can be reasonably certain there is something radically wrong with the industry." Over the week-end it happened. The Truman Committee came out with a report. There is no point in discussing this report. You have already read it in your daily paper.

What is important is that Sperry—an airplane accessory—which you bought at 30, with a stop at 29, broke through with a bang. But United Aircraft, which you bought at 38, has so far stayed above its stop price. But if it doesn't hold 36 don't hold it.

* * *

So far as the rest of the stocks you have are concerned current advice is as follows.

* * *

Reynolds Tobacco B, which you got at 31½, is now about 32. Raise your stop to 30.

* * *

Electric Auto-Lite, bought at 38, keeps its old stop at 37 But if it gets to 39 and runs into dullness don't wait for the 37 figure to be broken Get out then.

* * *

Fairbanks Morse bought at 39; keep stop at 37.

* * *

Flintkote, bought at 20½, with a stop at 19½, may run into trouble at 21 this week. If at 21 it hems and haws and no volume, step out of this one, too.

* * *

You still hold two old stocks, National Distillers at 31 and Newport Industries at 16. The former is now at 34 and the latter is still at 16. Raise your stop in Distillers to 32. In Newport keep the old stop at 14.

* * *

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.]

Seaboard Reorganization Possibilities Interesting

L. H. Rothchild & Co., 120 Broadway, New York City, have prepared an interesting study of the significance of the Special Master's plan for the reorganization of Seaboard Air Line which will be presented to the Court prior to July 20th. Copies of this interesting study may be had upon request from L. H. Rothchild & Co.

Situations of Interest

Stromberg - Carlson, Federal Screw Works, Bartgis Brothers and Segal Lock & Hardware offer attractive situations, according to memoranda prepared by Herzog & Co., 170 Broadway, New York City. Copies of these interesting memoranda may be obtained upon request from Herzog & Co.

A Bank of International Cooperat'n—World RFC

(Continued from first page)

tional trade balances. The Keynes and Morgenthau proposals, in Mr. Dewey's opinion, represent nothing more than a means of supporting the unfavorable foreign trade of some weaker country on the favorable trade of a stronger one, inevitably pulling the stronger to the level of the weaker.

Since publication of the article, the "Chronicle" has received various comments regarding the program suggested by Mr. Dewey, and several of them were given in last week's issue. In the interim, the following expression has come to hand:

A. M. SAKOLSKI
Professor of Business Administration, The College of the City of New York

I have read with much interest Congressman Charles S. Dewey's article on the proposal of the establishment of an international "Bank of Cooperation." This proposal would not eliminate the international exchange problem, nor would it stabilize domestic currencies. It amounts to nothing more than a commodity purchasing corporation. Inasmuch as it is to be limited to the acquisition of strategic materials, or to such commodities as may be in demand in specific countries beyond the domestic production, it would accomplish nothing more than that which could be done by private speculation and enterprise. It is my belief that the plan would lead the "bank" into commodity speculation on a large scale, and commodity speculation is the most dangerous and obnoxious of all forms of speculation. I doubt very much whether the investing public would buy the "debentures" of such an institution unless there was a Government guarantee behind them.

IBA Nominees Are Announced

(Continued from page 202)

Victory Fund Committee of the Fifth Federal Reserve District.

Long prominent in civic activities in the Capital, he served in 1940 as general chairman of the Community Chest Drive, is at the present a member of the executive committee of the Community War Fund and since 1942 has been chairman of the Red Cross Chapter of the District of Columbia. In addition, he is a member of the Ways and Means Committee of the Washington Cathedral and is on the executive committee of Garfield Hospital.

With the IBA, besides having been elected as vice-president twice, he has served on numerous important committees including the Federal Legislation Committee, of which he is currently chairman, the Education Committee, Public Information Committee and Securities Acts Committee.

Mr. Folger was born in Sheldon, Iowa, May 28, 1896, lived for many years in the State of Washington, and was graduated from the State College of Washington, class of 1917, receiving the degrees of B.S. and M.S.

Nomination of Mr. Folger to head the IBA was previously reported in the Financial "Chronicle" of July 8th.

Interesting Possibilities

Straus Securities Company, 135 So. La Salle St., Chicago, Illinois have prepared individual studies and reports on seventy-three issues which they believe offer attractive possibilities. Copies of these studies, which are listed in their advertisement on page 204, may be obtained from Straus Securities Company on request.

Real Estate Securities

(Partial reprint of article in our Sept. 17, 1942 issue)

"An Inflation Hedge Hotel Securities Show Market Strength"

"A decided trend of capital being invested in selected real estate securities as a hedge against the inflation threat is noted by brokers who specialize in that type of security.

"Investors are seeking a tangible investment for their money and feel that these securities backed by real property provide such a medium as real estate values traditionally increase when prices become inflated. For many years before the depression, real estate mortgage bonds occupied a preferred position as investments. Today they still are looked upon favorably by insurance companies who have about 19% of their assets so invested.

"Many investors, needing and depending on income and seeing the effect of high taxes in reducing stock dividends, have turned to fixed interest bonds in order to maintain a return on their invested capital.

"These factors have already had the effect of increasing market values of many issues in the real estate field. Several bonds secured by hotel properties have shown a gradual but steady increase due to the marked increase in business and earnings of the properties. Sizable amounts of cash available from earnings after payment of interest on the bonds, used as a sinking fund for purchase and retirement of bonds to reduce the outstanding mortgages, have the natural tendency of stabilizing and increasing market prices. At current levels, many of these bonds offer a yield considerably in excess of 6% with more than usual appreciation possibilities."

(end of reprint)

Market Action

We give below a table showing the market action of several hotel securities, comparing bid prices today with a year ago.

	—Bid Prices— July 12, 1943	July 12, 1942
Albany Metrop. 5½s, 1949	86	81
Allerton New York 3-6s	31½	12¾
Ambassador Hotel 5s, 1950	69	29½
Beacon Hotel 2-4s, 1958	16¾	7
Benjamin Franklin 3-5s	89¾	62
Berkeley Carteret 1st 5½s	51	48
Hotel Drake 5s, 1953	44	28
Hotel Lexington Units	72	39½
Hotel St. George 4s, 1950	52¼	37½
Hotel Taft 5s, 1947	92	78
Hotel Waldorf 1953-54	19¼	2¾

Hotel business today is near its peak for all times and we believe this condition will exist for several years. Increased earnings, in our opinion, must be reflected in higher market prices for the outstanding securities.

Our Reporter's Report

(Continued from page 203)

term investments which can be quickly converted into cash at the Federal Reserve Bank or sold in the open market.

Giving effect to such bill holdings, the bank calculates that New York institutions have, to all intents and purposes, some $2,000,000,000 in excess reserves, about half the total at their peak, and if holdings of $2,500,000,000 of certificates maturing in less than a year are added, the total would exceed that of free reserves shown at the peak.

Three Issues This Week

The investment fraternity was able to bring about three corporate financing undertakings this week, two of which were slated to reach the market today.

These consisted of a secondary offering of $2,744,000 of 5% sinking fund debentures, due July 1950, of Jacob Ruppert, being marketed by bankers for the account of a group of large stockholders, and blocks of preferred and common stock of United States Plywood Corp. The latter was made up of 4,050 shares of preferred and 13,500 shares of common.

Tomorrow, unless something happens to change the situation, investors will have opportunity of subscribing for $7,000,000 of ten-year 3¼% sinking fund debentures of the Consolidated Cigar Corp.

NY Bank Stocks Compared

An interesting tabulation of comparative figures for leading New York banks and trust companies as of June 30th, 1943, have 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.

Active Markets

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

In accord with expectations, mid-year statements of New York City banks show second quarter indicated earnings to be substantially above those of the first quarter, and also above those of the second quarter of 1942. The reason for such a favorable showing obviously lies in the strong growth in the volume of earning assets which these institutions have experienced over the past year, as a result of the Government's war financing program. In this connection it is of interest to examine the accompanying table which shows the changes that have taken place in the reported assets of the Federal Reserve member banks, New York City, since January, 1942.

(Millions of Dollars)

Date 1942—	Comm. Loans	Total Loans	U. S. Govt's.	Total Invst's.	Total Loans & Invst's.
January 7	$2,578	$3,778	$6,983	$8,447	$12,225
February 4	2,645	3,755	6,932	8,382	12,137
March 4	2,734	3,876	7,157	8,595	12,471
April 2	2,793	3,895	7,033	8,507	12,402
May 6	2,614	3,738	7,447	8,830	12,568
June 3	2,588	3,771	7,630	8,963	12,734
July 1	2,576	3,738	7,878	9,127	12,864
August 5	2,595	3,793	8,212	9,473	13,266
September 2	2,541	3,646	8,547	9,860	13,506
October 7	2,600	3,626	8,990	10,322	13,959
November 4	2,605	3,862	9,936	11,128	14,990
December 2	2,538	3,815	10,286	11,438	15,253
1943—					
January 6	2,392	3,669	11,666	12,831	16,500
February 3	2,402	3,599	11,674	12,823	16,422
March 3	2,324	3,448	11,374	12,546	15,994
April 7	2,255	3,443	11,632	12,753	16,196
May 5	2,225	4,422	12,727	13,722	18,144
June 2	2,213	3,850	13,416	14,390	18,240

It will be observed that although commercial loans have declined, total loans are moderately higher. This is because of increased activity in brokers' loans. Holdings of Government bonds and notes have advanced sharply from $6,983,000,000 on Jan. 7, 1942, to $13,416,000,000 on June 2, 1943, an increase of $6,433,000,000, equivalent to approximately 92%. Total loans and investments have advanced 50%.

During the first six months of 1942 total loans and investments averaged $12,920,000,000; during the first six months of 1943 they averaged $16,912,000,000. In other words, earning assets of these banks have averaged some $4,000,000,000 or 31% greater in volume, during the first half of this year compared with the first half of last year. This situation has naturally been reflected in better earnings, as shown in the accompanying tabulation, which gives the indicated earnings per share of 18 New York City banks for the first and second quarters and the first six months of 1943 vs. the same periods in 1942.

After eliminating the special non-recurring profits cited in footnotes (1) and (2) under the tabulation, indicated earnings of these 18 banks averaged approximately 18.5% higher for the first half of this year over the first half of 1942. It will also be observed that, in most cases, current dividend rates are being comfortably covered, and in some instances, generously covered.

Of unusual interest is a mid-year operating report by Bankers Trust, on the standard form adopted by most of the banks in New York City last year. This report shows net operating earnings for the first six months of 1943 to be $4,711,938, equivalent to $1.88 per share. This compares with indicated earnings shown above of $3.64. This latter figure, however, includes $7,500,000 transferred from reserves to undivided profits and also reflects $2,000,000 charged against undivided profits in connection with writing down the book value of the banking premises. After allowance for these items indicated six months' earnings become $1.64 compared with $1.88 reported net operating earnings.

INDICATED EARNINGS PER SHARE

New York City	1942 First Quarter	1942 Second Quarter	1942 Six Months	1943 First Quarter	1943 Second Quarter	1943 Six Months	Half Year Dividend
Bank of Manhattan	$0.30	$0.33	$0.63	$0.30	$0.36	$0.66	$0.45
Bank of New York	3.97	4.61	8.58	5.58	6.47	12.05	7.00
Bankers Trust	0.61	0.65	1.26	0.76	*2.88	3.64	0.70
Brooklyn Trust	1.05	1.32	2.37	1.02	1.63	2.65	2.00
Central Hanover	1.11	1.15	2.26	1.25	1.30	2.55	2.00
Chase National	0.36	0.40	0.76	0.58	0.77	1.35	0.70
Chemical	0.55	0.60	1.15	0.62	0.69	1.31	0.90
Commercial National	2.84	3.27	6.11	3.45	4.61	8.06	4.00
Cont. B. & T.	0.25	0.25	0.50	0.40	0.44	0.84	0.40
Corn Exchange	0.73	0.80	1.53	0.72	0.91	1.63	1.20
First National	17.69	27.39	45.08	17.14	32.69	49.83	40.00
Guaranty	3.00	3.00	6.00	4.00	5.23	9.23	6.00
Irving	0.16	0.16	0.32	0.18	0.20	0.38	0.30
Manufacturers	0.91	0.95	1.86	0.92	1.25	2.17	1.00
¶National City	0.37	0.48	0.85	0.46	†1.74	2.20	0.50
New York Trust	1.26	1.23	‡2.49	‡1.38	§1.41	2.79	1.75
Public National	0.67	0.74	1.41	0.69	0.82	1.51	0.75
U. S. Trust	15.26	13.25	28.51	16.05	16.47	32.52	35.00

*Reflects transfer of $2.80 from reserves and $0.80 write-down of building; adjusting for these, indicated earnings are $0.88. †Includes $1.00 distribution by City Co. and $0.21 recoveries credited to surplus; after adjustment, indicated earnings are $0.53. ‡On 500,000 shares. §On 600,000 shares. ¶Includes City Bank Farmers Trust.

National City Bank also issued six-month operating figures, which show net operating profits to have been $1.08 per share, including City Bank Farmers Trust. These earnings are exclusive of recoveries and security profits which have been credited to reserves, except for $1,250,000 of recoveries which, together with a $6,250,000 distribution by the City Company of New York, were added to surplus. Indicated six-month earnings shown in the tabulation include the above $7,500,000; when this is allowed for, indicated earnings become $0.99 per share compared with $1.08 reported.

The earnings outlook for leading New York City banks over the balance of 1943, and longer, appears both interesting and favorable.

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effects, and the contention of this paper is that the time allowed must be adequate. More time may be purchased at a smaller real cost than less time.

12. There is one final observation of a general character which should be made. The new international monetary institution which it is proposed to establish will be neither omniscient nor omnipotent. Its aim will be to promote conditions in which member countries are free to carry out sound economic policies for the welfare of their own people and in which they will not be induced or forced, for lack of organized cooperation, to pursue policies which impoverish themselves and contribute to the impoverishment of the world. The organization should be international and not supernational. Nations should enter into the proposed agreement for common purposes and advantages, realizing that without such agreement the common purposes cannot be achieved. In their national policies, countries should be limited only by their own will in entering and remaining in the organization. If the proposed institution functions well, it will have at its disposal more information regarding the currents of international financial transactions and the causes of disequilibrium than has ever been available before. It will be in a position to offer informed and disinterested advice to its members. It may be hoped that the quality of the advice offered will be such that it will carry great weight. But no member state should be asked to bind itself in all circumstances to follow the advice given by the organization. Moreover, if a country feels at any time that its national interests are being jeopardized by the actions of the organization, and is willing to sacrifice the advantages of continued membership, it should be free to withdraw after making provision to liquidate its obligations to the organization or, if the country is a creditor, it should have returned to it its original contribution to the resources of the organization. The proposals here advanced are put forward in the belief that a soundly conceived international agreement can give greater scope for national policies than can exist outside it.

13. To sum up these general observations, it is suggested that:

(a) An international agreement for the establishment of an international monetary organization which involves the extension of credit is essential if international cooperation in the post-war world is to be achieved.

(b) Such machinery will deal with only one of the numerous problems which must be faced, but it is a logical and convenient starting place for joint international action.

(c) The credit made available through the international monetary organization should be adequate to deal with that portion of current account surpluses and deficits which is not met by relief and other concerted international action in the years immediately after the war; it should be sufficient to provide a firm basis on which multilateral world trade can be re-established after the war; and it should provide time to countries which find their international accounts unbalanced to take the necessary corrective measures to adjust their position.

(d) The extension of credit is not a cure-all; it merely provides time for adjustments; and unless unbalanced positions (except those accompanying long-term capital movements) are brought into equilibrium, any arrangements made will break down.

(e) No country participating in the arrangements loses control over the size of its international commitments, since it can determine their size by its own action, if it wishes to do so.

(f) No country participating in the arrangements loses control over its domestic economic policies.

Tentative Draft Proposals of Canadian Experts for An International Exchange Union

I. Purposes of the Union

1. To provide for stability of exchange rates and to provide an orderly method for their determination.

2. To provide a convenient clearing mechanism to settle balances in international payments.

3. To provide to all countries access to foreign exchange resources in order to reduce the danger that economic and commercial policies in the period immediately after the war will be largely determined by a shortage of foreign exchange and to enable countries thereafter to be guided in their economic and commercial policies by long-run considerations when faced with a temporary reduction of foreign markets.

4. To aid in the achievment of international equilibrium by

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Plastics—An Industry Of Tomorrow

The future prospects for the plastics industry are most promising according to an interesting study prepared by C. B. Richard & Co., 60 Beaver St., New York City, members of the New York Stock Exchange. Copies of this interesting study may be had from the firm upon request—ask for "Industries of Tomorrow—No. 3—Plastics."

Lawrence Lindsay Joins Harriman Ripley & Co.

CHICAGO, ILL.—Lawrence J. Lindsay has become associated with Harriman Ripley & Co., Inc., 135 South La Salle Street. For the past twenty-two years Mr. Lindsay has been with C. W. McNear & Co.

DIVIDEND NOTICES

JOHN MORRELL & CO.

Morrell PRIDE meats

DIVIDEND NO. 56

A dividend of Twenty-five Cents ($0.25) per share on the capital stock of John Morrell & Co., will be paid July 31, 1943, to stockholders of record July 17, 1943, as shown on the books of the Company.

Ottumwa, Iowa. Geo. A. Morrell, Treas.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the Company's capital stock, payable September 15, 1943, to stockholders of record at the close of business September 1, 1943.

H. F. J. KNOBLOCH, *Treasurer.*

THE FIRST BOSTON CORPORATION

Boston, Mass., July 14, 1943

At a regular meeting of the Board of Directors of **The First Boston Corporation** held on July 14, 1943, a dividend of $1.00 per share was declared on the capital stock of the Corporation payable July 30, 1943 to stockholders of record as of the close of business on July 23, 1943.

JOHN C. MONTGOMERY,
Vice President & Treasurer

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measures designed to prevent excessive short-term borrowing through the Union or the excessive accumulation of uninvested foreign surpluses.

5. To contribute to the re-establishment and development of a multilateral trading system and to the elimination of discriminatory trading and currency practices.

II. Resources of the Union

Member countries shall agree to make the following resources available to the Union:

1. A capital subscription to the amount of the quota assigned to each member country, the aggregate of such quotas to be $8,000 million.

Detailed provisions regarding 1—Quotas and Capital Subscription.

(a) **Determination of Quotas**—The quota for each member country shall be determined by a formula which will give due regard to factors such as international trade, national income, and holdings of gold and foreign exchange convertible into gold. A special assessment may be levied in any case where this formula would be inappropriate.

(b) **Payment of Capital Subscriptions**—The capital subscription of each member country shall be paid up in full on or before the date set by the Governing Board of the Union on which the Union's operations are to begin. Each member country shall pay in at least 15% of its quota in gold and the balance in national currency; a country may substitute gold for national currency in meeting its quota requirements. The Union may make such arrangements as it deems appropriate to provide a period of time within which countries having less than $300 million in gold or foreign exchange convertible into gold in official exchange reserves may pay up their gold contribution in full, the equivalent in national currency to be paid in the interval. Notwithstanding the provisions of subsequent paragraphs, the Union shall sell foreign exchange to such member countries for the purpose of acquiring gold to pay their capital subscriptions.

(c) **Change in Quotas** — The Board may from time to time change the quotas of particular member countries, provided, however, that in voting on proposals to increase quotas the voting strength of each member shall be increased or decreased to take account of the Union's net sales or purchases of the currency of each member country in accordance with the weighted voting formula set out in IX.3 below. No increase shall, however, be made in the quota of any country without the consent of the representative of the country concerned.

2. Loans to the Union, as required, in amounts not exceeding 50% of the quota of each member country.

Detailed provisions regarding 2—Loans to the Union:

(a) **Conditions of Borrowing**—The terms and conditions of loans made by member countries to the Union under the provisions of Paragraph II.2 shall be set out in the rules and regulations of the Union. The Union's authority to borrow domestic currency from member countries in amounts up to 50% of their quotas shall be a revolving authority. The Union shall not exercise its right to borrow until it has used its available gold resources to acquire additional supplies of the currency in question. Subject to the provisions of the preceding sentence, the Union must exercise its right to borrow when its holdings of the currency of any member country have been reduced to 10% of the quota of that member country. When the Union exercises its right under the provisions of paragraph II.2 to borrow additional supplies of the currency of any member country it shall have the duty to attempt to improve its position in the currency concerned by acquiring the currency or gold from the holdings of other member countries for payment in their national currencies or in other foreign exchange they need.

(b) **Conditions of Repayment**—The Union shall have the right to repay loans contracted under the provisions of paragraph II.2 at any time. The member country making the loan shall have the right to demand repayment in gold to the extent of the Union's gold holdings at any time and shall also have the right to demand repayment in its national currency, provided that such repayment does not reduce the Union's holdings of that currency below 50% of the quota of the member country. Member countries shall agree to give 30 days' notice of demand for repayment of loans made to the Union under the provisions of the present article.

III. Monetary Unit of the Union

1. The monetary unit of the Union shall be an international unit of such name as may be agreed (hereafter referred to as the Unit) and it shall consist of 137 1/7 grains of fine gold. The accounts of the Union shall be kept and published in terms of the Unit.

2. The value of the Unit in terms of gold shall not be changed without the approval of four-fifths of member votes.

3. Member countries shall agree with the Union the initial values of their currencies in terms of gold or the Unit and, except as provided in paragraph IV.2 below, shall undertake not to alter these values without the approval of the Union.

4. Deposits in terms of the Unit may be accepted by the Union from member countries upon the delivery of gold to the Union. Such Unit deposits shall be transferable to other member countries. They shall be redeemable in gold and the Union shall maintain at all times a 100% reserve in gold against all Unit deposits.

IV. Exchange Rates

1. The Union shall fix, on the basis of exchange rates initially agreed between it and each member country, the rates at which it will buy and sell one member's currency for another's and the rates in local currencies at which it will buy and sell gold. The spread between the Union's buying and selling rates for member currencies and for gold shall not exceed 1%. Except as provided in paragraph IV.2 below, member countries shall agree not to change the initially agreed exchange rates without the approval of the Union and any country which alters the value of its currency without the consent of the Union shall be declared in default of its obligations and become subject to the penalties provided in XI.1 below.

2. Notwithstanding the provisions of paragraph IV.1 above, any member country which is a net purchaser of foreign exchange from the Union (arising from other than capital account transactions) to the extent of at least 50% of its quota and has so been on the average of the preceding 12 months shall be entitled to depreciate its exchange to the maximum extent of 5%; provided, however, that the provisions of this paragraph shall not apply to any country which holds independent official reserves of gold and foreign currencies freely convertible into gold in amounts exceeding 50% of its quota. No country shall be entitled to repeat the exchange depreciation provided for in this paragraph without the specific approval of the Union.

In the course of conversation in Washington the Canadian experts expressed the view that it might be desirable to provide for a somewhat greater permissive range of depreciation in exchange rates with somewhat different safeguards than those incorporated in paragraph IV.2. The following is a draft of a paragraph which might be substituted for paragraph IV.2 of the text:

"Notwithstanding the provisions of paragraph IV.1 above, any member country which has had an adverse balance of payments on current account during a two-year period of such magnitude that it has utilized, to cover this deficit, 50% of its independent gold and foreign exchange reserves and is, in addition, a net purchaser of foreign exchange from the Union to the extent of 50% of its quota shall be entitled to depreciate its exchange rate to the maximum extent of 10%. The provisions of this paragraph shall only be applicable once in respect of each member country unless the specific approval of the Union has been obtained. Any member country intending to depreciate its exchange rate under the provisions of this paragraph shall inform the management of the Union in advance and shall afford it an opportunity to make such observations as it deems appropriate before taking such action."

3. No change in the value of currencies of member countries shall be permitted to alter the value of the assets of the Union in terms of gold or the Unit. Thus, if the Union approves a reduction in the value of the currency of a member country,

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Investment Trusts

Falling squarely in the category of "things investors like to hear" is the following excerpt from Manhattan Bond Fund's latest monthly report to shareholders.

"During June the Pere Marquette Railway Company asked for tenders on its first mortgage 5s due 1956. The entire block of these bonds owned by Manhattan Bond Fund, Inc. was tendered and accepted by the road at 91¾, the transaction resulting in a profit to the Fund. The price range of bonds so accepted was from 88 to 92. A substantial portion of the funds realized from the tender were reinvested in Pere Marquette 4½s due 1980, which are secured by the same mortgage and return a higher current yield."

Since early June 1940, Manhattan Bond Fund has experienced a price advance of 44.7%. This compares with gains of 24.4% for the Dow-Jones Industrial Stock Average and 25.3 for Standard & Poor's Medium and Lower-Grade Bond Average. Fundamental Investors in the same period rose 66.1%, or nearly three times as much as the 24.4% gain scored by the Dow-Jones Industrial Average.

"Oil—A Study of a Growing Giant" is the title of a handsome new four-page, two-color folder on the Oil Series of New York Stocks, Inc. From a general discussion of the prospects for the industry, the folder leads into a summary of the advantages of the group method of investing in individual oil stocks.

* * *

"What are dealers' post-war plans?" asks the current issue of Hugh W. Long & Co.'s **New York Letter.** This sponsor is conducting a nation-wide poll among dealers to get a cross-section of investment thinking on this subject. The results are to be made public through the **Letter.**

* * *

The current issue of National Securities & Research Corp.'s **Investment Timing** service contains an interesting analysis of "Corporate Earnings Trends and Stock Prices." The steady rise in corporate earnings **after taxes** is revealed in the following table:

Corporate Earnings

Year—	Before Taxes	After Taxes
1939	$5,320,000,000	$4,088,000,000
1940	7,390,000,000	4,847,000,000
1941	13,938,000,000	6,857,000,000
1942	18,784,000,000	6,884,000,000
1st Quar.—		
1942	4,223,000,000	1,549,000,000
1943	5,015,000,000	1,821,000,000

Another feature of the service is its weekly forecast of the intermediate trend of stock prices. Here is last week's forecast:

"The Industrial Average has been marking time for a week. But it has been marking time at a high. The action of the market gives no great assurance that the next move will not be another advance, but the probabilities seem against it. We must, therefore, assume that lower prices will be seen before the major upward movement is resumed."

A "vacation cash bonus contest" has been announced by National Securities & Research Corp. to run from July 12 to August 31. A cash bonus of ½ of 1% of total sales made at regular offering price will be paid to all salesmen who qualify.: To qualify, a salesman must sell $2,000 or more during the period of the contest. Sales of any of the seven funds sponsored by National will count.

* * *

On June 30, 1943 the assets of Dividend Shares had a market value in excess of $46,000,000. These funds are diversified among the securities of 99 corporations, with largest investments in the petroleum, non-ferrous metal, steel and chemical groups. Since incorporation in 1932, Dividend Shares has paid out over $21,000,000 in dividends.

* * *

Several months ago MIT's **Brevits** published a chart showing the length of past bull markets in relation to the present one. The shortest of the six previous bull markets since 1900 lasted 23 months as compared with a dura-

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or if a country depreciates its exchange under the provisions of the preceding paragraph, or if a significant depreciation in the value of the currency of a member, as determined by quotations on the exchange markets of other member countries, has in fact occurred, that country must on request deliver to the Union an amount of its local currency equal to the decrease in the value of that currency held by the Union. Likewise, if the currency of a particular country should appreciate, the Union must return to that country an amount in the currency of that country or in gold equal to the resulting increase in the value of the Union's holdings.

V. Operations of the Union—Provisions of Special Applicability to Deficit Countries

1. The Union shall have the power to sell to the Treasury of any member country (or exchange fund or central bank acting as its agent for the purpose) at the rate of exchange established by the Union, currency of any country which the Union holds, subject to the following provisions:

(a) Without special permission, no country shall be a net purchaser of foreign exchange from the Union except for the purpose of meeting an adverse balance of payments on current account and the Union may at any time limit the amounts of foreign exchange to be sold to any member country which is permitting significant exports of capital while having an adverse balance of payments on current account.

Detailed provisions regarding (a)—Restriction of Right of Deficit Countries to Purchase Foreign Exchange to Amounts Required to Meet an Adverse Balance of Payments on Current Account.

(i) A country shall be regarded as a net purchaser of foreign exchange if as a result of the Union's purchases and sales of currencies the Union's holdings of its currency rise above the amount originally provided to the Union by way of capital subscription

(ii) The Union may require any member country to furnish at periodic intervals statistics of its balance of international payments on current account and on capital account and statistics of gold and foreign exchange holdings, public and private. Each such member country shall agree to furnish officers of the Union with detailed explanations of the basis on which such statistics are computed. If at any time the Governing Board has reason to believe that an outflow of capital from any member country is resulting directly or indirectly in net purchases of foreign exchange by that country from the Union, it shall have the right to require a control of outward capital movements as a condition of making additional sales of foreign exchange to such country. Without limiting the generality of the foregoing, the Union shall normally require any member country which has been a net purchaser of foreign exchange to the extent of 25% of its quota to impose restrictions on outward capital movements, if none exist.

(iii) In considering applications from countries which have been net purchasers of foreign exchange from the Union for the special permission referred to in paragraph V.1 (a) to purchase foreign exchange for purposes other than the meeting of an adverse balance of payments on current account, the Governing Board shall give careful attention to applications for foreign exchange to facilitate the adjustment of foreign debts where this is deemed to be desirable from the point of view of the general economic situation and shall also give special attention to applications for foreign exchange by member countries not in default on their foreign obligations for the purpose of maintaining contractual principal payments on foreign debt.

(b) In order to promote the most effective utilization of existing stocks of gold and foreign exchange, no member country shall have the right to be a net purchaser of foreign exchange from the Union so long as that country's holdings of gold and foreign currencies freely convertible into gold (including private as well as official holdings) exceed its quota.

Detailed provision regarding (b)—Restriction of Right of Countries holding large Independent Gold and Foreign Exchange Reserves to Purchase Foreign Exchange from the Union.

In interpreting this provision, the Governing Board shall give special consideration to the position of certain Asiatic countries where gold has long been used as private treasure.

(c) In general, the Union shall have the power to sell foreign exchange for domestic currency to member countries up to 200% of the quota of each such member country. Net sales of foreign exchange shall not exceed 50% of the quota of each member country during the first year and the cumulative net sales shall not exceed 100%, 150% or 200% during the first two, three and four years of the operation of the Union.

Detailed provisions regarding (c)—Restriction of Sales of Foreign Exchange to Specified Limits.

On special vote of the Governing Board, in which voting strength shall be weighted to allow for the Union's net purchases and sales of each member country's currency in accordance with the provisions described in paragraph IX.3 below, the Union may purchase any currency in excess of these limits provided that (a) the country whose currency is being acquired by the Union agrees to adopt and carry out measures recommended by the Union to correct the disequilibrium in its balance of payments, or (b) it is the view of the Governing Board that the country's prospective balance of payments is such as to warrant the expectation that the excess currency holdings of the Union can be disposed of in a reasonable time.

(d) In order to promote the most effective utilization of existing stocks of gold and foreign exchange the Union may, as a condition of making further sales of foreign exchange to any member country which would bring its net purchases to an amount in excess of 50% of its quota, require such country to sell the Union, for domestic currency, appropriate amounts of any reserves it (or its residents) may hold of gold or foreign exchange acceptable to the Union.

(e) Notwithstanding the provisions of paragraph (c) above, whenever a member country is exhausting its quota more rapidly than is warranted in the judgment of the Governing Board, the Board may make such recommendations to that country as it thinks appropriate with a view to correcting the equilibrium, and may place such conditions upon additional sales of foreign exchange to that country as it deems to be in the general interest of the Union.

2. A charge of 1% per annum payable in gold shall be levied against member countries on the amount of their currency held by the Union in excess of the quotas of such countries.

VI. Operations of the Union—Provisions of Special Applicability to Surplus Countries

1. In order to promote the most effective utilization of the available and accumulating supply of gold and foreign exchange resources of member countries, each member country shall, on request of the Union, sell to the Union, for its local currency or for foreign currencies which it needs, all gold and foreign exchange it acquires in excess of the amounts held immediately after joining the Union.

Detailed provision regarding 1—Accumulating Supplies of Gold and Foreign Exchange.

For the purpose of this provision, only free foreign exchange and gold are considered. Each member country shall agree to furnish the Union with periodic reports of gold and foreign exchange holdings, public and private.

2. When the Union's operations have resulted in excess sale of the currency of any member country to the extent of 75% of the quota of that country the Union may, in order to increase its resources of the currency in question, attempt to arrange, in cooperation with such agencies as may be established to promote international investment, with the member country a program of foreign capital investment (or repatriation) and may sell foreign exchange to facilitate such capital movements.

3. When the Union's holdings of the currency of a member country are being exhausted more rapidly than is warranted in the judgment of the Governing Board, the Board may make a report on the situation. Without restricting the generality of the foregoing, whenever the Union's operations have resulted in excess sales of the currency of any member country to the extent of 85% of the quota of that country, the Union has the authority and the duty to render to the country a report embodying an analysis of the causes of the depletion of its holdings of the currency and recommendations appropriate to restore the equilibrium of the international balances of the country concerned. Such recommendations may relate to monetary and fiscal policies, exchange rate, commercial policy and international investment.

Detailed provision regarding 3—Report on Countries Whose Currency Is Becoming Scarce.

The Board member of the country in question shall be a member of the Union Committee appointed to draft the report. The report shall be sent to all member countries and, if deemed desirable, made public.

4. The Union shall have the right at any time to enter into arrangements with any member country to borrow additional supplies of its currency on such terms and conditions as may be mutually satisfactory.

5. The Union shall have the right at any time to enter into special arrangements with any member country for the purpose of providing an emergency supply of the currency of any other member country on such terms and conditions as may be mutually satisfactory.

6. Whenever it becomes apparent to the Governing Board that the anticipated demand for any currency may soon exhaust the Union's holdings, the Governing Board shall inform the member countries of the probable supply of this currency and of a proposed method for its equitable distribution together with suggestions for helping to equate the anticipated demand and supply.

Detailed provisions regarding 6— Rationing of Scarce Currencies.

(a) The provisions of paragraph VI. 6 shall come into force only after the Union has exercised in full its right under paragraph II.2 to borrow additional supplies of the currency of the member country and after the Union has taken such further steps to increase its supply of this currency as it has deemed appropriate and found possible.

(b) The provisions of paragraph V.1 (c) shall, if necessary, be restricted by the duty of the Union to assure an appropriate distribution among various members of any currency the Union's supply of which is being exhausted.

(c) In rationing its sales of any scarce currency the Union shall be guided by the pdinciple of satisfying the most urgent needs from the point of view of the general international economic situation. It shall also consider the special needs and resources of the various countries making the request for the scarce currency.

(d) Member countries shall agree that restrictions imposed by other member countries on the importations of goods from a country whose currency is being rationed by the Union shall, for the duration of such rationing, not be regarded as constituting an infraction of the most favored nation obligations of commercial treaties except in the case of countries holding official reserves of gold and the currencies of member countries in amounts exceeding 50% of their quotas.*

7. Whenever the Governing Board has, under the provisions of the preceding paragraph, taken steps to ration the Union's supply of the currency of any member country, it may require the remaining member countries to prevent the sale by their residents of each other's currencies, including bills of exchange, in the country whose currency is being rationed and to prevent the purchase by their residents of the rationed currency through the exchange markets of non-member countries. In addition, whenever the Board has taken steps to ration the Union's supply of the currency of any member country, it shall have the duty to re-examing the prevailing exchange rates and to recommend such changes as it may regard as appropriate to changed circumstances.

VII. Powers of the Union —General.

1. The Union shall have the powers to take such actions as are required to carry out the operations enumerated in the preceding paragraphs. For greater clarity, the Union shall have the power to buy, sell and hold gold, currencies and government securities of member countries; to accept deposits and to earmark gold, to issue its own obligations and to discount or offer them for sale in member countries; and to act as a clearing house for the settling of international movements of funds and gold.

Detailed provision regarding 1—General Powers of the Union.

Member countries agree that all of the Union's local currency holdings shall be free from any restrictions as to their use for payments within the country concerned.

2. When the Union's holdings of the local currency of a member country exceed the quota of that country the Union shall have the power to resell to the member country, upon its request the Union's excess holdings of its currency for gold or acceptable foreign exchange.

3. The Union shall have the power to invest any of its currency holdings in government securities of the country of that currency, provided that the Board representative of the country concerned approves.

4. The Union shall have the power to buy and sell currencies of non-member countries, but shall not normally hold the currencies of non-member countries beyond 60 days after the date of purchase.

5. The Union shall have the power to levy upon member countries a pro rata share of the expenses of operating the Union, such levy to be made, however, only to the extent that the earnings of the Union are inadequate to meet its current expenses.

*This proposal will clearly have to be reviewed in the light of such general arrangements as may be made regarding international commercial policy and coordinated with those arrangements.

6. The Union shall make a service charge of one-quarter per cent on all gold transactions.

7. In conducting its own operations the Union shall have the power to deal only with or through (a) the Treasuries, exchange funds or fiscal agents of governments, (b) central banks with the consent of the member of the Board representing the country in question, and (c) any international banks owned predominantly by member countries. The Union may, nevertheless, with the approval of the member of the Board representing the country concerned, sell its own securities directly to the public or to institutions of member countries.

8. The Union shall have the power and the duty to co-operate with such other institutions of an international character as may exist or be established to deal with matters of international concern, including but not restricted to international investment and commercial policy.

VIII. Abnormal Wartime Balances

During the first two years of operation the Union shall have the right to purchase abnormal wartime balances held by member countries in other member countries for the national currency of the country selling such balances or for foreign exchange needed to meet current account deficits in such country's balance of international payments, in amounts not exceeding in the aggregate 5% of the quotas of all member countries. At the end of two years of operation the Governing Board shall propose a plan for the gradual further liquidation, in whole or in part, through the Union, of abnormal wartime balances lying to the credit of member countries in other member countries and other financial indebtedness of a similar character. If the Governing Board feels unable to recommend that the Union's resources be used for this purpose it shall have the duty to propose some other method by which the problem can be considered.

IX. Voting Power.

1. Each member country shall have 100 votes plus one vote for the equivalent of each 100,000 Units of its quota.

2. All decisions, except where specifically provided otherwise, shall be made by majority of the member votes.

3. Notwithstanding the provisions of paragraph 1 above, in any vote on a proposal to increase the quota of any member country, member countries shall acquire one additional vote for each 100,000 Units of its contribution to the resources of the Fund (by way of original capital subscription or by way of loans made under the provisions of paragraph II.2) which has been utilized, net, on the average of the preceding year by the Union for sale to other member countries; and member countries shall lose one vote for each 100,000 Units of their net utilization of the resources of the Union on the average of the preceding year.

X. Management

1. The administration of the Union shall be vested in a Governing Board. Each government shall appoint a representative and an alternate who shall serve on the Board for a period of three years subject to the pleasure of their government. Representatives and alternates may be reappointed.

2. The Governing Board shall select a Governor of the Union and one or more assistants. The Governor shall become an ex-officio member of the Board and shall be chief of the operating staff of the Board. The Governor and his assistants shall hold office for five years and shall be eligible for reelection and may be re-

(Continued on page 223)

Calendar of New Security Flotations

OFFERINGS

UNITED STATES PLYWOOD CORPORATION

United States Plywood Corporation has filed a registration statement for 15,000 shares of cumulative preferred stock Series A $100 par value, and 50,000 shares common stock, $1 par value. The dividend rate on the preferred is 4¾%.

Address—616 West 46th Street, New York City.

Business—Engaged in the manufacture and sale of Douglas fir plywood, hardwood plywood and molded plywood, under its trade-name "Weldwood," and of fabricated airplane parts and other laminated and related products, and is also engaged in the purchase and sale of hardwood plywood, Douglas fir and other plywood, related sheet and laminated products and glue.

Underwriting—Eastman, Dillon & Co., New York, head the group of underwriters. Others will be named by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Of the net proceeds $554,840 will be used to redeem 20,176 shares of preferred stock now outstanding at the redemption price of $27.50 per share. Balance of net proceeds will be used to meet the requirements of the corporation either during the present war emergency or thereafter.

Registration Statement No. 2-5177. Form S-1. (7-1-43).

Offered July 14, 1943, the preferred at 102 and div. and the common at $41.75 per share by Eastman, Dillon & Co. and associates.

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

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

Offerings will rarely be made before the day following.

SATURDAY, JULY 17

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 40,716 shares in First Mutual Trust Fund.

Address—120 Broadway, New York City.

Business—Investment trust.

Underwriter—National Securities & Research Corporation, sponsor.

Offering—Will be continuous and the offering price will vary with the value of a share, which value in turn will vary with the value of the underlying securities in the trust fund.

Proceeds—For investment.

Registration Statement No. 2-5163. Form C-1. (6-28-43).

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 16,631 shares of National Securities Series.

Address—120 Broadway, New York City.

Business—Investment trust.

Offering—Effective date of registration statement.

Proceeds—For investment.

Registration Statement No. 2-5164. Form C-1. (6-28-43).

RIVERSIDE MILLS

Riverside Mills has registered $639,000 5½% first mortgage bonds, dated Feb. 15, 1943, due Feb. 15, 1963.

Address—Augusta, Ga.

Business—Company devotes its activity almost entirely to cotton textile by-products or waste.

Underwriting—No formal underwriting agreement has been entered into covering the exchange offered.

Offering—Under a plan of reorganization Riverside Mills offers to the holders of its preferred stock in exchange therefor $120 par value in first mortgage 5½% bonds, plus $2.625 in cash for each share of its preferred stock, provided that 75% in amount of the issued and outstanding preferred stock accept the same and tender their stock in exchange on or before Sept. 1, 1943, but time may be extended by the board. The bonds of this issue shall only be exchanged for preferred stock or sold to raise money to purchase and retire preferred stock or to reimburse the company for preferred stock which it may purchase before plan becomes effective, and which it does not retire and shall not be disposed of for any other purpose. Should company acquire an amount of bonds not exceeding $120,000 through the exchange of preferred stock purchased by it, Johnson, Lane, Space & Co., Inc. has agreed to buy any such bonds which Riverside Mills desires to sell at net less than $83.50 per $100 par value and accrued interest.

Purpose—For reorganizaztion.

Registration Statement No. 2-5165. Form S-1. (6-28-43).

SUNDAY, JULY 18

ARDEN FARMS CO.

Arden Farms Co. has filed a registration statement for 26,000 shares of preferred stock, without par value.

Address—1900 West Slauson Avenue, Los Angeles, Cal.

buying and selling of ice cream, the processing of milk, and the general business of buying and selling milk, butter, cottage cheese, eggs and various related products at wholesale and retail in the States of Washington, Oregon and California.

Underwriting—There are no underwriters. Company proposes through certain of its employees and through security dealers to solicit the exercise of option warrants, and the company proposes to pay the expenses of such employees in connection with such solicitation. If all such shares are not sold company will reimburse security dealers for their out-of-pocket expenses. If all such shares are sold the company will instead pay such dealers $1 for each share sold through the exercise of warrants procured by such dealer.

Offering—Company has granted to holders of its preferred stock, rights to subscribe for shares of preferred stock now being registered at the rate of one share for each 2½ shares held. Subscription price will be filed by amendment. After the expiration of the warrants the company proposes to sell such of the shares of preferred as are not subscribed through the exercise of warrants, to the public at such price as may be fixed by the board of directors of the company.

Proceeds—Net proceeds will be applied to the prepayment, so far as they suffice, of the company's notes outstanding in the principal amount of $1,050,000.

Registration Statement No. 2-5166. Form S-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares of full certificates of participation, Keystone Custodian Fund, Series "B-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5167. Form C-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares full certificates of participation, Keystone Custodian Fund, Series "K-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5168. Form C-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 25,000 shares, full certificates of participation, Keystone Custodian Fund, Series "S-1".

Address—50 Congress Street, Boston.

Business—Investment trusst.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5169. Form C-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 500,000 shares of full certificates of participation, Keystone Custodian Fund, Series "S-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5170. Form C-1. (6-29-43).

CONSOLIDATED CIGAR CORPORATION

Consolidated Cigar Corporation has filed a registration statement for $7,000,000 ten year 3¼% sinking fund debentures to be dated July 1, 1943.

Address—444 Madison Avenue, New York City.

Business—Corporation and its subsidiaries are engaged in the business of manufacturing and selling cigars.

Underwriting—Eastman, Dillon & Co., New York is named principal underwriter. Others will be supplied by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Net proceeds will be used to the payment of $1,000,000 face amount of notes payable to Bank of The Manhattan Company; $938,130 to redemption on or before Sept. 1, 1943, of outstanding 10-year 4% notes due July 1, 1950; $3,150,000 to redemption on or before Sept. 1, 1943, of 30,000 shares of its outstanding 6½% cumulative prior preferred stock at $105 per share, and $2,303,290 to redemption on or before Sept. 1, 1943, of its 20,939 outstanding shares of 7% cumulative preferred stock at $110 per share. Figures are exclusive of accrued interest and accrued dividends which will be paid out of corporation's general funds.

Registration Statement No. 2-5171. Form S-1. (6-29-43).

CALIFORNIA ELECTRIC POWER CO.

California Electric Power Co. has registered $16,000,000 first mortgage bonds, 3¾% Series due 1968, and 40,000 shares 5¼% convertible prior preferred stock, par value $100 per share.

Address—3771 Eighth Street, Riverside, Cal.

Business—Engaged in the generation, transmission, distribution and sale of electric energy.

Underwriting—Principal underwriter for the bonds is Dillon, Read & Co., New York, and for the preferred stock Stone & Webster and Blodget, Inc., and Bosworth, Chanute, Loughridge & Co., Denver. Other underwriters will be named by amendment.

Offering—Price of both bonds and prior preferred stock will be supplied by amendment.

Proceeds—Proceeds, together with funds received by the company from the sale of certain of its electric properties, will be used to redeeem all of the first trust mortgage gold bonds, 5% series of 1956 to be outstanding after giving effect to the surrender of certain bonds in the face amount of $641,300. Balance of proceeds will be used to pay the balance then due on the 3% installment note held by Bank of America National Trust & Savings Association. Upon the payment of such note, $641,000 face amount of the company's first mortgage trust gold bonds pledged by the company as security for such note will be surrended for cancellation.

Registration Statement No. 2-5172. Form S-1. (6-29-43).

MONDAY, JULY 19

STATE BOND & MORTGAGE CO.

State Bond & Mortgage Co. has filed a registration statement for investment certificates, Series 1203, in the amount of $500,000.

Address—26½ North Minnesota Street, New Ulm, Minn.

Business—Investment company.

Offering—At 100.

Underwriting—No underwriter named.

Proceeds—For investment.

Registration Statement No. 2-5174. Form A-2. (6-30-1943).

(This list is incomplete this week.)

Investment Trusts

(Continued from page 221)

tion thus far of only 14 months for the present bull market. A recent issue of **Brevits** supplements this information with the following highly significant data.

Bull Market—	% Change* from Bear Market Low to Bull Market High
Nov. 9, 1903	+144.4
Jan. 19, 1906	
Nov. 15, 1907	+ 89.7
Dec. 19, 1903	
Dec. 24, 1914	+107.2
Nov. 21, 1916	
Dec. 19, 1917	+ 81.4
Nov. 3, 1919	
July 31, 1923	+338.6
Sept. 3, 1929	
July 8, 1932	+371.6
Mar. 10, 1937	
Apr. 28, 1942	+ 54.5
July 1, 1943	

*As measured by the Dow-Jones Industrial Average.

"It will be noted that the smallest previous percentage gain for a bull market occurred during the 1917-19 period when stock prices registered an advance of 81.4%. This compares with a rise of some 55% from the beginning of the present bull market to date."

* * *

Another interesting angle to the comparative position of the present market is pointed out in the latest issue of Selected Investments Co.'s **Selections.** From a comparison showing the gain for Selected American Shares in the first half of 1943 amounting to 28.9% as against 20.1% for the Dow-Jones Industrials, the bulletin goes on to report:

"The rise which took place in stock prices in the first half of 1943 was exceptional in this respect:

"In the 47 years in which the Dow-Jones Industrial Stock Average has been computed, there have been only four other years in which that Average rose as much as 20% in the first six months.

"The other four excellent first half-years were: 1908 (up 23.6%); 1915 (28.3%); 1919 (30.2%); and 1933 (63.7%.) In each of these four preceding years the Average went on up to close higher on December 31 than on June 30. In 1908, the final rise for the year was 46.6%; in 1915. 81.7%; in 1919, 30.5%; in 1933, 66.7%."

Canada Proposes Exchange Union

(Continued from page 222)

moved for cause at any time by the Board.

3. The Governor of the Union shall select the operating staff in accordance with regulations established by the Governing Board. Members of the staff may be made available upon request of member countries or of other institutions of an international character for consultation in connection with economic problems and policies.

4. The Governing Board shall appoint from among its members an Executive Committee to consist of not fewer than 11 members. The Chairman of the Board shall be the Chairman of the Executive Committee and the Governor of the Union shall be ex-officio a member of the Executive Committee. Meetings of the Executive Committee shall be held at least once every two months and more frequently if the Executive Committee shall so decide.

5. The Governing Board shall hold an annual meeting and such other meetings as it may be desirable to convene. On request of member countries casting one-fourth of the votes the Chairman shall call a meeting of the Board for the purpose of considering any matters placed before it.

6. Net profits earned by the Union shall be distributed in the following manner:

(a) 50% to reserves until the reserves are equal to 10% of the aggregate quotas of the Union;

(b) 50% to be divided each year among the members in proportion to their quotas.

XI. Withdrawal and Expulsion from the Union

1. A country failing to meet its obligations to the Union may be suspended provided a majority of the member votes so decides. While under suspension the country shall be denied the privileges of membership but shall be subject to the same obligations as any other member of the Union. At the end of one year the country shall be automatically dropped from membership unless it has been restored to good standing by a majority of the member votes.

2. Any country which has been a net purchaser of foreign exchange from the Union may withdraw from the Union by giving notice and its withdrawal shall take effect one year from the date of such notice. During the interval between notice of withdrawal and the taking effect of the notice such country shall be subject to the same obligations as any other member of the Union.

3. Any country which has not been a net purchaser of foreign exchange from the Union may withdraw from the Union by giving notice and its withdrawal shall take effect 30 days from the date of such notice. During the interval between notice of withdrawal and the taking effect of notice such country shall be subject to the same obligations as any other member of the Union; except, however, that no country which has given notice of withdrawal shall be required to make loans to the Union under the provisions of paragraph II.2 above.

4. A country which is dropped or which withdraws from membership shall have returned to it an amount in its own currency equal to its contributed quota plus other obligations of the Union to the country and minus any sums owed by that country to the Union. The Union shall have 5 years in which to liquidate its obligation to such country.

XII. Policies of Member Countries

In addition to the obligations assumed under the preceding paragraphs, each member country shall undertake the following:

1. To maintain by appropriate action the exchange rates initially agreed with the Union on the currencies of other countries and not to alter exchange rates except under the provisions of paragraph IV.2 above, or with the consent of the Union and only to the extent and in the direction approved by the Union. Exchange rates of member countries may be permitted to fluctuate within a range not exceeding the spread fixed by the Union itself for its own purchases and sales of foreign exchange.

2. To abandon, as soon as the member country decides that conditions permit, all restrictions on foreign exchange transactions other than those required effectively to control capital movements with other member countries; and not to impose any additional restrictions, except for the purpose of controlling capital movements, without the approval of the Union.

Detailed provision regarding 2—Abandonment of Exchange Control Other Than on Capital Movements:

The Union may make representations to member countries that conditions are favorable for the abandonment or relaxation of foreign exchange restrictions other than those required effectively to control capital movements and each member country shall agree to give consideration to such representations.

3. To cooperate effectively with other member countries when such countries, with the approval of the Union, adopt or continue controls for the purpose of regulating international movements of capital.

Detailed provisions regarding 3—Cooperation in Enforcing Approved Exchange Controls on Capital Movements:

Cooperation shall include, upon recommendation by the Union, measures that can appropriately be taken:

(a) Not to accept or permit acquisitions of deposits, securities or investments by residents of any member country imposing restrictions on the export of capital except with the permission of the government of that country and the Union;

(b) To make available to the Union or to the government of any member country full information on all property in the form of deposits, securities and investments of the residents of that country; and

(c) Such other measures as the Union may recommend.

4. Not to enter into any new bilateral foreign exchange clear-arrangements nor engage in multiple currency practices except with the approval of the Union.

5. To give careful consideration to the views of the Union on existing or proposed monetary or economic policy the effect of which would be to cause a serious disequilibrium in the balance of payments of the country adopting such policy or of other countries.

6. To furnish the Union with all information it needs for its operations and to furnish such reports as it may require in the forms and at the times requested by the Union.

7. To adopt appropriate legislation or decrees to carry out its undertakings to the Union and to facilitate the activities of the Union.

Judge & Co. Formed

The firm of Smith & Judge, 2 Rector Street, New York City, has been dissolved and has been succeeded by Judge & Co. Partners in the new firm are Vincent A. Judge and Vincent W. Judge. The address and phone number will remain the same.

"The Spirit Of Enterprise"

(Continued from first page)

to live with our new and unmanageable riches, Mr. Queeny maintains that "we are rich in material things only by comparison with other nations and with the past."

The day may come, he predicts in the final chapter of "The Spirit of Enterprise," when workers will travel a hundred miles from country homes to offices and factories by helicopter bus with no greater expenditure of time and money than is required for a bus-ride through five miles of city traffic today.

"Business foresees," he says, "that the postwar horseless carriages, with light, tough, plastic bodies, powered by small engines using ultra high octane motor fuels, will continue the ceaseless progress of the automobile industry.

"Business believes that pre-fabricated houses of the future will be warmed by sunlike, healthful, penetrating radiant heat from tiny wires buried within walls. They will be air-conditioned for summer comfort, illuminated by cool, germicidal light, and equipped with built-in, low-temperature refrigeration to keep food fresh for months, even years. Housewives will buy fruits and vegetables in bulk when they are abundant and cheap. And we know that research is on the way to create new fruits and vegetables—larger without seeds—and that greatly increased yields should cheapen them. Our radios will be static-free and television in full color will be universal."

Among other possibilities he foresees are clothes of extruded fabric and molded stockings which will be waterproof, stainproof, flameproof and as easily cleaned as a pair of rubber boots. Revolutionary new tools of science, he says such as the cyclotron, which accomplishes the alchemist's dream of turning one element into another, and the electron microscope, which enables us for the first time to see a chemical reaction actually taking place, may unlock great new sources of power so that planes and helicopters powered with atomic fuel could stay aloft for months exploring our polar wastes.

Advances of equal significance in the field of medicine, he observes, make it reasonable to suppose that the man of the future will live vigorously for a century and that he will live without illness. We may even conceivably discover what glandular defects make criminals. Being healthier, less irritable, more secure, we shall certainly live together more happily, with less friction and with far greater regard for the rights and feelings of our neighbors.

"But these and many hundred other visions," he points out, "are but promises of great adventure which lure modern pioneers—our scientists and businessmen—just as the unexplored west, the dream of the juncture of the Missouri and Columbia Rivers lured Lewis and Clark into their historic voyage. That we have reached maturity is a conclusion of pessimism. In the preservation of health and the conquest of happiness, the fight has just gotten under way."

Much of "The Spirit of Enterprise" is taken up with an evaluation of the progress already achieved by our uniquely individualist American economy and a resume of the results of our recent experiments in a planned or collectivist economy. One conclusion reached is that business, operating under a truly free enterprise system, has the same ultimate goal as the collectivist planners inspired by Thorstein Veblen and the latter day prophets of the New Deal—production for use.

"Who runs American enterprise?" Mr. Queeny asks. "The ultimate consumers! You and I and 130 million other Americans. We spend our money where we think we get the best value or service. All American enterprise is competing for our favor. It is the people who run private enterprise."

It is Mr. Queeny's conclusion that the people, expressing their desires in the market place, are much more likely to stimulate further progress toward the material and spiritual gains he deems possible than any state-planned, state-controlled production system. This is not due to any fundamental flaw in the characters of New Dealers or politicians of any party, he maintains. Inevitably, under any type of bureaucracy, public officials "can't lose by delay and inaction. They operate monopolies; they are not in competition."

"Suppose planning had been in effect twenty years ago," he offers as an example. "Suppose Henry Ford had been commissar of automobiles. It would have been a popular appointment. Ford had led the industry in cutting prices—in mass production. He led in high wages. He was a pioneer, proven, honest and fearless. But with his power to veto any suggestion with which he did not agree, is there not a chance we might still be riding around in something resembling Model T's? Ford believed in them so thoroughly that he refused to change his production until it was almost too late. Indeed the Ford company never recaptured the lead it once held. Had Ford been commissar, might not his decision have been to concentrate and standardize on Model T's—a ruling which would have been made in all sincerity?"

While Mr. Queeny votes unhesitatingly for free enterprise as opposed to a state planned and directed economy, and while he marshalls an imposing array of historical and contemporary data to support his choice, he does not, by any means, find business faultless.

"Businessmen," he says, "should be willing to accept more of the classic conception of the free enterprise system. Business should recognize the justice of much well-deserved, although misdirected, criticism by New Dealers. Businessmen should correct the causes of the antipathy to their ways that has arisen in such profound and superb intellects as that of the Archbishop of Canterbury. They should be willing to have all conditions necessary to a free market restored, and to provide the people with the full advantage of competition. They should accept remedies that go all the way in destroying all obstacles to free competition and open markets."

Among the specific suggestions Mr. Queeny offers for the immediate future are a national incorporation law which would, among other provisions, strengthen existing anti-trust laws by prohibiting interlocking directorates, mergers between competitors and the ownership of stock by one business in another. Business, he suggests, must also give up "the special privileges it now enjoys in the way of excessive tariffs against nations with an equivalent standard of living and be reconciled to a reduction of those against low standard nations as fast as it can be accomplished without disrupting our economy."

To be effective, however, he points out that these progressive moves by business must be matched by an equally enlightened attitude on the part of government. By applying Hatch Act principles to pressure groups, he suggests that Congress might destroy the disproportionately swollen power of vociferous minorities. By substituting regulatory laws for government of business by capricious and unpredictable boards and commissions, Congress could free business from crippling uncertainty at the same time it continued to protect the people from business excesses.

As another necessary measure, he suggests that taxes should be reconsidered on the basis of what kind and what rates will produce over the long pull the greatest potential revenue needed for normal operating expenses of government and liquidation of the national debt, thus forestalling the inflationary threat of continued deficit financing and freeing capital markets for the tremendous job of reconstruction and new industrial expansion which lies ahead.

In the international sphere, Mr. Queeny rejects any supra-national, world state as dangerously impractical in favor of a peace supported, through a series of regional Monroe doctrines, by the three great powers likely to emerge from this war, Russia, Great Britain and the United States. But out of this peace he hopes will emerge a world council of nations which will, among other achievements, guarantee uniform property rights and apply the principles of our Sherman and Clayton anti-trust acts on an international scale to abolish cartels and open up world markets to vigorous, healthy, free competition.

Finally, far from advocating any sacrifice of the social gains of the past decade, Mr. Queeny says that "in a resurrection of a climate wherein private enterprise may again thrive, we need not abandon any of the publicly-expressed social aims of the New Deal. Because the public saw the New Deal as an idealistic movement aimed at bettering working conditions and alleviating distress, the era will leave an enduring appreciation of its moral and spiritual pronouncements."

But, he warns, it is not necessary to socialize our economy through central economic planning in order to provide adequately for the so-called lower third. On the contrary, by encouraging free enterprise, we encourage the technological progress which brought us to our present peak and which promises even greater gains for the future. By absorbing a part, or even all, of the savings of technological progress through a progressively - increasing manufacturer's excise tax, we could finance a much more ambitious and extensive social program than any redistribution of our present wealth, and we could do this without raising average prices to the public or reducing incentives to capital, labor or management.

"Thus, over a period of years," Mr. Queeny concludes, "dreams of adequate standards of diet, health and housing, and social security for all, could emerge a reality."

To this conclusion he adds a final chapter visualizing the progress which science and business together might achieve in the predictable future toward a more abundant world for all than any of the philosophers, pessimists or optimists, ever dreamed possible.

"To realize the four freedoms," he says, "we need only one freedom—Freedom!"

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Sees Excellent Prospects For Associated Electric

Associated Electric Company 4½s and 5s offer very interesting possibilities according to a circular prepared by Peltason, Tenenbaum, Inc., Landreth Building, St. Louis, Mo. Copies of this circular discussing the attractions of these issues may be had from the firm upon request.