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The Changing Function Of A Bank's Municipal Portfolio

By J. A. WHITE

Whether or not they like it, commercial banks are today principally investment institutions. For many months bankers have watched their loans decline while their deposits and investments soar to record heights. For the calendar year 1942, the Federal Deposit Insurance Corp. reports that total deposits of insured commercial banks increased 26.5%, total investments increased 69.9%, while total loans decreased 11.1%. As of Dec. 31, 1941, loans of such banks amounted to 27.7% of total assets, and investments to 36.5% of assets. As of Dec. 31, 1942, loans amounted

J. Austin White

(Continued under "Ohio Municipal Comment" on page 302)

OHIO

Corporates—Municipals

Special material and items of interest with reference to dealer activities in the State of Ohio appears on page 302.

For index see page 328.

When Inflation Comes, Deflation Cannot Be Far Behind

How Can Savings, Investments and Business Be Protected Against These Destructive Forces?

By DR. IVAN WRIGHT
Professor of Economics, Brooklyn College

Every war has brought inflation. This one is proving no exception in spite of the costly control efforts. Most countries seek to avoid as much inflation as possible because inflation and deflation are usually more costly than war.

Dr. Ivan Wright

The extent of inflation always varies with the different countries and their financial policies. Inflations resulting from World War I affected the economic and commercial condition and relationships of every country in the civilized world. The currency of Germany was destroyed. That of France was devalued 80%. Many European, Asiatic and South American countries devalued their currencies. The United States, British Empire countries, neutral European countries and a few other small countries escaped devaluation but none escaped some inflation and its effects.

Inflation arises from unbalanced budgets, excessive debts, depreciation of the currency, dislocated production, scarcity of goods, heavy taxes and the excessive buy-

(Continued on page 306)

"One-Man Parties" Decried As Inimical To Freedom

Prof. Raymond Moley Declares Importance Of Party And Congress To Freedom Should Be Recognized

A plea for the recognition of "the importance of party and Congress to "freedom" was made by Raymond Moley, who at the Tax Foundation Conference in New York City earlier this month, urged such recognition by those "who have already been reminded very sharply of the fact that business cannot sustain the burden that it should assume after this war, should it be compelled to surrender its essential freedom." In stressing the importance of both party and Congress to freedom, Prof. Moley told the conference that "both deserve your support, for their stake in the State and your stake in the State are interdependent."

The speaker in his remarks observed that "we have seen the disintegration of the Democratic party organization before our eyes." He continued: "We see a small group of personal servitors of the Executive giving orders to the leader of the party. And in the other party, we see a persistent effort under way to disrupt and destroy the Republican party organization as such." "Those forces in both parties that thus seek to weaken popular respect for party organization and for Congress" he added, "are forces that are inimical to ultimate freedom in America."

Raymond Moley

Prof. Moley told the gathering that "the effort to federalize our Nation under the stress of war has been so productive of mismanagement that it may be many a year before any other public leader will come forward with a new nationalism." He further finds that "the idea of States'

(Continued on page 308)

Over-the-Counter Trading On The National Securities Exchanges

By VERNON HUGHES

The proposal of the Securities and Exchange Commission to allow regional stock exchanges to list securities with "predominately intra-state markets," and the proposal to abolish the over-the-counter markets by Howard R. Taylor, President of the Baltimore Stock Exchange, deserve careful analysis by everyone interested in the securities business and in private corporate enterprise of any kind. The vexing problem of how to supervise the securities markets and particularly the over-the-counter markets "in the public interest," and to "protect the investor" will never end as long as private enterprise lasts. All securities exchanges are called "national securities exchanges" if they are registered with the Securities and Exchange Commission. This is stretching a name and no doubt provocative of misunderstandings. Most of these exchanges are regional or local and their primary interest is in local securities for local people. Any transactions in securities of national interest or in which there is a national market are governed by the transactions in these securities on the exchanges where there is a real national market. It is perhaps true that the stock

(Continued on page 312)

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Urges Abolition Of Over-The-Counter Markets

Baltimore Exchange Head In Letter To Congressmen Again Urges Removal Of Restrictions On Exchange Trading Privileges

Howard R. Taylor, President of the Baltimore Stock Exchange, has addressed another letter to members of Congress designed to acquaint them with "some pertinent facts" affecting the national securities exchanges. Mr. Taylor said it is his understanding that the SEC "was formed with the primary object of protecting the public and the result is that it is doing nothing of the kind." Citing the differences in trading by members of a legitimate exchange and "fly-by-night" brokers, Mr. Taylor said he believed the public "will best be served by a compulsory regulation that all transactions in securities be handled on designated properly supervised exchanges and that various issues, not already listed, should be allocated to such exchanges in accordance with the location of the issuing corporation."

Inasmuch as Congress has recessed until September, the Baltimore Exchange head sent the letter to the members at their homes, expressing the hope that they will now study the situation in their own communities.

Mr. Taylor's previous letter appeared in these columns July 1, page 2.

The text of his current letter, dated July 16, follows:

"Re: Securities and Exchange Commission and the Acts under which it operates, i. e., Securities Act of 1933 and the Securities Exchange Act of 1934.

"So that you may have some pertinent facts before you in connection with my letter of June 26, I am taking the liberty of writing you again.

"The Baltimore Stock Exchange

(Continued on page 328)

James F. Quigg With Paine, Webber Firm

James F. Quigg, for 21 years associated with the Mississippi Valley Trust Company of St. Louis, now is associated with Paine, Webber, Jackson & Curtis with headquarters in the firm's Chicago office, 209 South La Salle Street. Mr. Quigg, who until recently was a member of the board of governors of the IBA, joined the Chicago office of Mississippi Valley Trust Company immediately after graduating from Northwestern University in 1922. In 1923 he was appointed manager of the bank's Kansas City office, and later in the same year was moved to the home office as a member of the municipal buying department. In 1927 he was elected an officer of the bank, and in 1936 was appointed manager of the bond department. Mr. Quigg has been active in the work of the IBA for 15 years, having served on practically all Mississippi Valley committees and on several national committees. He was elected for a three year term to the board of governos in 1940, but recently resigned because of his removal to the Central States group of the association.

James F. Quigg

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SEC Rule Would Make Over-Counter Issues Eligible For Unlisted Trading On Exchanges

Frank Dunne, President of the New York Security Dealers Association, in response to numerous inquiries regarding the attitude of the over-the-counter industry to the tentative proposal of the Security and Exchange Commission to exempt securities publicly held from Section 12 (a) of the Securities Exchange Act, stated that the rule if adopted would make it possible for practically all securities now traded in the over-the-counter market to become eligible for unlisted trading on the exchanges, he further stated that his association would make a thorough study of the proposal from the standpoint of its effect on the public interest and the securities business, and that the result of the study would be made known to the public and the Securities and Exchange Commission.

Frank Dunne

Chicago Clearing Corp. Elects New Officers

CHICAGO, ILL.—At the annual meeting of the Board of Directors of the Chicago Stock Clearing Corp., wholly owned subsidiary of The Chicago Stock Exchange, the following officers were elected:

Kenneth L. Smith, President.

Harold I. Kramer, Vice-President and General Manager.

Martin E. Nelson, Secretary.

Walter R. Hawes, Treasurer.

Evelynne Tortorell, Assistant Treasurer & Assistant Manager.

Miss Tortorell has been in the employ of the Chicago Stock Clearing Corp., serving in various capacities since 1930.

Keith Opens In New York

Jerome Keith has opened offices at 60 East 42nd Street, New York City, to engage in a general securities business. In the past Mr. Keith was an officer of Robert E. Leyendecker, Inc.

"California and Bank of America"

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange have prepared an attractive booklet entitled "California and the Bank of America." Copies of this interesting brochure may be had upon request from Eastman, Dillon & Co.

Horner Co. Adds To Staff

R. M. Horner Co., 30 Broad Street, New York City, announces that Chester J. Ralph has joined their Albany-Schenectady sales staff. W. W. Carpenter has joined the staff in Utica and Hugo Duke has joined the Rochester sales staff. Raymond F. Ryan is representing the company in Niagara County, New York.

Chester A. Long Opens As Dealer In Chicago

(Special to The Financial Chronicle)

CHICAGO, Ill. — Chester A. Long, formerly with Doyle, O'Connor & Co., is now engaging in the securities business from offices at 141 West Jackson Boulevard. Mr. Long in the past was with the Milbank Corporation, John Wittbold & Co. and was manager of the municipal department for Hadley, Wieland & Co.

PEP Looks Attractive

Portland Electric Power Company collateral trust income 6s of 1950 offer attractive possibilities for appreciation according to a circular issued by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this circular discussing the company and the prospects for growth in some detail may be had upon request from Scherck, Richter Company.

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Interesting Speculation

T. J. Feibleman & Co., members New Orleans Stock Exchange, 41 Broad Street, New York, have just prepared an interesting circular on Nu-Enamel Corporation which shows the outlook of the company, its business and the earnings for last year and also comparative statistics for the first six months of 1943 compared with 1942. The report likewise includes the firm's dividend record for the past four years and the cash position it enjoys as of June 30, last, compared with Dec. 31, 1942. Copies will gladly be furnished any one requesting them. The firm also has available special reports on Red Rock Bottlers and General Aviation Equipment, likewise obtainable upon request.

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N. Y. Group Of IBA Elects Governors

The New York Group of the Investment Bankers Association of America, which comprises New York, New Jersey, and Connecticut, has elected the following to serve as Governors of the Association for terms beginning with the close of 1943 Annual Meeting scheduled for November 3 to 5 in New York City:


Frank M. Stanton

Walter J. Monro, who is the President of Schoellkopf, Hutton & Pomeroy, Inc. in Buffalo, New York to serve for a two-year term.

Ranald H. Macdonald, a partner of Dominick & Dominick in New York City, to serve for a three-year term.

Frank M. Stanton, Vice President of The First Boston Corporation, also in New York City, to serve for a three-year term. Mr. Stanton is now serving as the Chairman of the Executive Committee of the New York Group.

B. M. Goldsmith On War Duty

Bertram M. Goldsmith, a partner in Ira Haupt & Co., New York City, members of the New York Stock Exchange, is now serving as a captain in the U. S. Army, Military Government Branch, and is stationed for the present at Fort Custer, Battle Creek, Mich.

Before leaving on active duty, Captain Goldsmith was given a farewell party by the partners and 250 employees of Ira Haupt & Co. One other partner and 30 employees of the Haupt firm have preceded Captain Goldsmith in the military service.

Nat'l City Bank of Cleve. Situation Of Interest

The current situation in National City Bank of Cleveland offers attractive possibilities according to a circular being distributed by Otis & Co., Terminal Tower, Cleveland, Ohio. Copies of the interesting circular may be had from the firm upon request.

Gisholt Co. Interesting

Gisholt Machine Co. offers an attractive situation, according to a memorandum prepared by Herzog & Co., 170 Broadway, New York City. Copies of this interesting memorandum may be obtained upon request from Herzog & Co.

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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. Some of these comments were given in our issue of July 15 and others that can be accommodated in this issue are given herewith:

JOE H. GILL
President, Electric Power & Light Corporation, New York City

I read with great interest the article in the July 8 issue of the "Chronicle," by Dr. Ivan Wright, entitled "Managing a Business For Stockholders Through the Vicissitudes of Inflation."


Joe H. Gill

This was a very striking article and impressed me so much that I secured additional copies of the "Chronicle" and sent them under personal cover to my associates in the field, because I do not know when I have seen such a fine exposition of the effect of inflation upon corporate management as contained in this article.

JOHN SLOANE
Chairman, W. & J. Sloane, New York City

We are in general agreement with the philosophy of the article by Dr. Ivan Wright; as it so vividly points out, a retail store would do well to work on minimum inventories in times of inflation and deflation, leaving the speculative phase to those who have more knowledge and experience and can better afford (?) the possible losses. A retail store, speculating in inventories, is performing a hazardous financial function, foreign to its expressed objective.

H. V. KALTENBORN
New York City

I always become irritated when I read financial experts who discourse upon "good hedges against inflation."


H. V. Kaltenborn

There are no good hedges against inflation. There are paper profits, which turn out to be just that when the end comes. For there always is an unhappy end to the inflation spree. That is why I agree with the sound sense which Dr. Ivan Wright has has expressed in his "Chronicle" article.

Let us do our best to hold down

(Continued on page 316)

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.

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Says Profit System Not Perfect But Neither Is World

Suggests Lamont and Benet Swap Places and Report

Editor, "Commercial & Financial Chronicle":

Interesting to "listen in" on the exchange between Mr. Lamont and Mr. Benet, published in the "Chronicle" of July 15. As I understand it, the former points to the advantages of "the profit system," so called; the latter points to its defects. So, what? The same advantage and disadvantage is in pretty much everything. "Compensation" it was called by New England's Emerson. All things are said to have the defects of their qualities. "Fire burns," "water may drown," etc. Mechanisms—capitalistic or communistic—are in some aspects ruthless. That is the nature of mechanisms, systems. Would Mr. Benet do away with hammers because he banged his thumb! Our system has one great advantage. It is our way, and still evolving—it works. Let "L" and "B" swap places and report.

L. E. HENWOOD,
Glenside, Pa.

July 20, 1943.

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Canada Approves U. S. Div. Tax Convention

The Canadian House of Commons adopted on July 16 a bill ratifying a tax convention and protocol between Canada and the United States, signed at Washington March 4, 1943, agreeing on a maximum tax of 15% in the country of origin on dividends earned in one country and paid in the other. The bill was sponsored by Revenue Minister Gibson.

In Associated Press Ottawa advices it was also reported:

"The convention was debated and approved in the House of Commons by a resolution adopted June 8, 1942, but Mr. Gibson said the Justice Department had ruled that the ratification must be by an act of both houses rather than by resolution. The measure went through all stages without debate."

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Phila. RIT 4488 N. Y. DI 4-1527
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Safety Car Heating & Lighting Co., Inc.

Investors who leave the beaten path in their search for attractive securities are often well rewarded for their efforts. On its record, the capital stock of Safety Car Heating & Lighting Co., Inc., is a good case in point.

This company has no funded debt or preferred stock outstanding. It has been in existence for 55 years and has paid dividends in 52 of the last 53 years. During the past 10 years earnings have averaged $5.72 per share and annual dividends have averaged $4.10 a share. With that record and with a distinctly favorable post-war outlook, the stock is currently quoted in the over-the-counter market at a price to yield approximately 7%.

This ocmopany is the leading manufacturer of lighting and air-conditioning equipment for railway passenger cars. Axle generating equipment, electric controls, lighting fixtures, fans and electric regulators are among the items produced. Company's regulators have a wide variety of uses outside the railroad field in connection with industrial, marine and diesel engines. Through wholly or partly owned subsidiaries, the company has an important stake in the production of heating and air-conditioning equipment for railway passenger cars, buses, boats and airplanes.

Manufacturing plant is located at New Haven, Conn., and business is carried on through a nation-wide sales and service organization. An important part of the company's business is derived from servicing its installed equipment, either on contract or on call. It is understood that relatively stable demand for replacement parts, in conjunction with continuous servicing, provides an important stabilizing factor to offset the highly cyclical aspects of the business.

The earnings record of the company illustrates the presence of high earning power in good years (Continued on page 322)

New Horizons

The Pure Oil Company Geologists Meet The Increased Demand For Petroleum Products

America's Reserves of Crude Oil In The Ground Are Being Drawn Upon More Rapidly Than They Are Being Discovered

In an interesting announcement entitled **New Horizons**, published elsewhere in the "Chronicle" today, The Pure Oil Company tells how its geologists and production engineers have accepted the challenge to supply the oil we need for war and for civilian needs now and after the peace.

This the company regards as a "herculean task" because the oil reserves of our nation are diminishing but The Pure Oil Co.'s reserves below ground were greater at the end of the year than at the beginning of 1942. The Pure Oil Company employs a staff of more than 100 skilled geologists and the management generously gives its geologists full credit for the outstanding record in exploration, expansion and development of Pure Oil properties during the past 28 years.

Last year, through the efforts of these men, Pure Oil Co. was again able to show a substantial increase in oil reserves below ground.

With plane tables and stadia rods, the geologists of the Pure Oil Co. are "sherlocking" the nation, coast to coast, and from the Canadian border to the Gulf of Mexico, in search of new oil-producing areas. With magnetometers and seismographs they are injecting manmade earthquakes deep into the sub-surface strata of already active fields in quest of "New Horizons." There is no question but that the Pure Oil production men are drilling to "new horizons—deeper oil-bearing formations"—wherever that is possible today.

Norwood School Budget Includes $72,000 For Debt Service

The Norwood Board of Education has approved its 1943-44 budget, which totaled approximately $555,000. Miss Emma Jungbluth, treasurer-clerk of the board, said that the budget was slightly higher than for previous years because of additional classes in war work and similar studies added to the school curriculum. She pointed out, however, that the State of Ohio would reimburse the board with two-thirds of the cost of the schools' vocational training programs. She said also that the budget included the retirement of and interest on $72,000 worth of bonds.

N. Y. Analysts To Meet

The New York Society of Security Analysts, Inc., at their meeting on July 28th will be addressed by Wheeler McMillen, Editor-in-Chief of "Farm Journal," on the subject of Chemurgy.

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Interesting Situations In Reorganization Rails

In view of the recent Supreme Court decisions in the cases of the "St. Paul" and the Western Pacific railroads, which have drawn considerable attention to the railroad reorganization field, E. W. Clucas & Co., 70 Pine Street, members of the New York Exchange, have prepared a booklet reappraising reorganization rail bonds and listing five issues which they believe offer attractive possibilities at the present time. Copies of this interesting booklet may be had upon request from E. W. Clucas & Co.

"News & Views"

The current issue of "News & Views" being distributed by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., contains recent developments and interesting memoranda on a number of insurance companies which offer attractive possibilities, according to the firm. Copies of this release and a circular discussing the situation in American Surety Company may be had upon request from Butler-Huff & Co.

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Erie Railroad Exemplifies Fundamental Change In Financial Policies Of Railroads

First Boston Study Sees Carrier Issues Again Popular and Profitable Investment Medium

Using the Erie Railroad to exemplify the fundamental change that appears to have been made in financial policies of railroads, giving evidence that once again the carrier issues, over an extended period will be a popular and profitable investment medium, The First Boston Corporation, 100 Broadway, New York City, has prepared a study of the changing railroad picture. Noting that the final decade of the nineteenth century which was punctuated with a series of railroad receiverships, led into a period during the first three decades of the present century when earnings were generally satisfactory and rails as a class were profitable investments, the brochure draws an analogy between that pattern and that traced in the receivership period of the 1930s and what now may lie ahead.

Not attempting to disregard the presence of such future problems as smaller traffic in peacetime, revived competition from other modes of transportation and continued high taxes, the opinion is expressed that the "realistic attitude of railroad management and the ICC, the improvement in operating efficiency, and especially the modern policy of debt reduction, all are indicative of a change that permits the careful investor to find among railroad securities an investment medium suited to his individual requirements."

It is pointed out that the Erie Railroad, as reorganized, well exemplifies the new form of railroad capitalization. Having survived the first years of the depression and entered bankruptcy in 1938, not primarily because of inability to meet interest charges, but because the Reconstruction Finance Corporation refused to extend credit without guarantee of the owner, Chesapeake & Ohio, it might have appeared that the Erie upon reorganization could support a moderately large debt structure. On the contrary, the Erie affected a large decrease in capitalization and fixed charges, and operations since reorganization have produced still further improvement.

Not only were fixed interest bearing debt and charges cut in half, but all newly created issues enjoy the benefits of sinking funds or serial maturities and in addition a capital expenditures fund is provided expressly for financing improvements, acquisitions or additional debt reduction out of earnings, all of which is seen as assuring the continuation of orderly debt retirement.

Service Flag Rally Fails To Halt Work At War Plant

There has not been a single hour of idleness at the Albro Metal Products Corp., 944 Longfellow Avenue, the Bronx, since the company went all out for war production and the 100 workers kept their record clean, even though the navy itself sent officers to hold an incentive rally at the plant.

The occasion was the dedication of a service flag honoring the plant's 12 men in service, but the workers remained at their regular jobs, hearing the speeches by Lt. Comdr. J. Douglas Gessford and two seamen heroes over a loudspeaker system. The workers' families provided an official audience for the speakers.

Henry Smith, company secretary, turned over to Commander Gessford a check for $2,000 at the conclusion of the ceremony, the Corporation's contribution to the Soldiers' and Sailors' Club of New York. The workers added several hundred dollars, to this contribution.

Cliffs Corp. Looks Good

The current situation in Cliffs Corporation offers interesting possibilities, according to a circular just issued by Gillis-Russell & Co., Union Commerce Building, Cleveland, Ohio, members of the Cleveland Stock Exchange. Copies of this circular may be had on request from Gillis-Russell & Co.

Railroad Securities

The drive by railroad security holders to get their share of the accumulated cash balances during the reorganization process has finally opened with a bang. This is the major aspect of the entire reorganization picture that was not clarified by recent Supreme Court decisions, nor by any action on the part of the Interstate Commerce Commission. Inevitably it seems that the answer to this perplexing question must now be forthcoming in the reasonably near future in court or ICC decisions in one or all of the three major pending cases.

The most noteworthy result of the inflated treasury positions is that in most instances it has finally brought at least a measure of accord among the warring factions in the reorganization cases. Virtually every group is in agreement that the cash should be utilized prior to actual consummation of reorganization, and their contention is certainly supported by logic. Reorganization is not designed as a punitive process and the cash now in the treasuries, even though stemming from unusual and admittedly transitory conditions, represents earnings derived from mortgaged properties. To deny the mortgagee his right to the earnings on the property merely because an effective reorganization date has arbitrarily been set at a date in the past, before the cash was coming in so fast, does not appear equitable.

If the cash is turned over to the reorganized company for use at the discretion of the new management there could be no assurance that it would not be used largely for the benefit of old junior bond holders, possibly through dividend distributions on the new common stock. Now that the arbitrary effective dates have proven completely unrealistic there is a general feeling that the Commission should have no objection to moving them forward. This in itself allows distribution of cash as interest on the old bonds and need not involve any change in other features of the plans.

One other provision, designed also to protect the interest of old senior bond holders after reorganization is consummated, is getting popular these days. That is a provision for additional contingent sinking funds, generally providing that an amount equal to any common dividends be set aside for debt retirement. The fact that virtually all bond holders' groups are either actively or passively in accord with recent proposals for cash distributions and setting ahead of effective dates of reorganization plans appears to offer them a good chance for success in their petitions before the ICC. An important consideration is that the measure of accord that is now evident should eliminate the danger of further prolonged litigation such as is promised if the Commission turns a deaf ear to the proposals.

Three major roads have advanced plans for cash utilization in the past week or ten days—the Missouri Pacific to the District Court and the St. Paul and Rock Island to the Interstate Commerce Commission. The original Rock Island plan has already been turned back by the District Court. The new proposal would leave non-equipment debt unchanged from the level originally set by the Commission and would reduce total capitalization by some $11,000,000. It hardly seems possible that the Commission could find fault with this proposal. The St. Paul proposal would utilize cash to pay off a large amount of back interest, but would reduce the total amount of new fixed interest quite substantially due to payments of equipments and failure to reallocate bonds originally provided for new money and to meet bank loans since paid off. Unless the Commission is definitely set on the one point of leaving the effective date unchanged there could hardly be legitimate objections to this proposal.

The Missouri Pacific compromise plan is decidedly different than either of the other proposals. As in the other cases it is proposed to use cash to satisfy a portion of the old claims. The Missouri Pacific bond holders, however, are also requesting a sizable increase in debt above the level originally proposed by the Commission. The increase would amount to almost $42,000,000 of which $3,331,032 would be in fixed interest debt and $38,555,620 in income bonds. The Missouri Pacific proposal also contemplates giving the old stock holders some participation in the new company, a point not touched

(Continued on page 323)

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Ohio Brevities

Total resources and deposits in Cleveland's five largest banks exceeded the billion and a half mark for the first time in history, mid-year condition statements revealed.

Deposits for the five institutions soared to an all-time high point of $1,535,276,563, a gain of about 170 millions from last March 31 and over 375 millions from June 30 last year.

Total assets vaulted to the record total of $1,652,639,596, an increase of 166 millions in three months and over 393 millions from a year ago.

Government bond holdings in these banks climbed sharply to $898,716,755 compared with $744,789,530 on March 31 and nearly double the $462,214,721 a year ago.

Cash On Hand Turns Up

Cash on hand, sliding for the past few quarters, turned up 21 millions to $346,344,160.

Loans, however, continued lower, dropping over five millions to $313,954,364. This item was nearly 43 millions under June 30, 1942.

Deposits, total assets and Governments were at record highs in the five major banks. In seven smaller institutions, peaks were scored in the same items, excepting two which failed to set highs in assets.

Among the individual banks, Cleveland and Ohio may soon see its first billion-dollar bank.

Cleveland Trust Co., now the biggest in the State, which has advanced from 20th to 19th largest position in the nation since last March, made rapid strides in the past three months and, judging from its performance in the past year soon will reach the select billion-dollar class.

Resources Pass 700 Millions

In the last quarter, the bank's total footings attained the unequalled sum of $725,155,328, the first time it has passed the 700-million mark at a call date. This total was over 71 millions above March 31 and compared with $57,094,593 a year ago. Deposits rose 72½ millions to $682,419,985 and Governments were up over 68 millions to $418,288,386.

National City Bank, second largest in Cleveland, reported assets increased 42 millions to $399,545,357 in the quarter. Deposits made a similar gain to $365,749,988 along with Government holdings of $222,679,000.

Healthiest Sign Yet

Society for Savings announced one of the healthiest signs since the depression is that the other real estate owned classification is now carried at $96. At one time this item was over four millions.

Society registered gains in all items with best levels in its history set in resources of $133,251,674, deposits of $123,694,059, and U. S. Governments of $45,928,500.

Union Bank of Commerce, fast-

(Continued on page 303.)

Ohio Municipal Comment

THE CHANGING FUNCTION OF A BANK'S MUNICIPAL PORTFOLIO

(Continued from first page)

to only 19.8% of assets, while investments had jumped to 49.6% of total assets.

Since 1942, as every banker knows, this declining trend in loans and increase in investments has continued apace. For the first six months of 1943 the weekly reporting member banks in 101 cities show a further increase in investments of 16.7% over the total for Dec. 31, 1942, and a further decline in loans of 8.1%.

Nor is that the end of the trend, for every banker expects his deposits and his investments to increase further and, if he is frank with himself, his loans to decline further, at least in proportion to his growing assets. As is generally understood by now, this increase in deposits and investments is due principally to the purchase by the banks of U. S. Government bonds. Such purchases result simply in writing up investments on the debit side of the ledger and deposits on the credit side. That banks will continue to buy huge amounts of government bonds is now a commonplace. The expectation is quite logical, therefore, that deposits and investments will rise considerably further.

One important effect of this trend is a change in the function of a bank's investments. In the past this function was to act as secondary reserves. In those days the conservative banker made his investments in the light of the possibility of having to convert his secondary reserves into primary reserves.

Today, however, the function of a large part of a bank's investment account is to produce income. Of course, this account still serves as secondary reserves, but it has assumed vastly more importance than it formerly had as a source of revenue. Now, all secondary reserves may be investments, but all investments need not be secondary reserves.

The portion of the investment account which should be considered as secondary reserves and the portion which should be considered as a source of income, to replace the decline in revenue from loans, will depend upon the particular requirements of each individual bank. One thing seems certain, however: for the average bank its municipal bond account need not be considered as secondary reserves, and may, therefore, be considered merely in the light of a source of income to replace loans. This conclusion seems warranted because of the small percentage of total assets which the average bank has invested in municipals, and because of the vast

(Continued on page 303.)

L. L. Parish Joins Victory Fund Staff

L. L. Parish, Assistant Executive Manager of the War Finance Committee of the Fourth Federal Reserve District, has joined the consulting and administrative staff of the State Headquarters of the War Finance Committee of the State of Ohio. He will devote particular attention to the War Loan Drives.

His experience in the days of the Liberty Loan activities in World War I was extremely helpful to the Fourth District Victory Fund Committee and to the District War Finance Committee in World War II. Mr. Parish did an outstanding job in assisting these committees to attain an enviable position in the December 1942 and April 1943 drives.

Mr. Parish will work under Mr. Roy D. Moore, Chairman of the War Finance Committee for Ohio, who was appointed to this post by the Secretary of the Treasury.

Cleveland Bond Club Elects New Officers

CLEVELAND, OHIO—John D. Burge, Ball, Coons & Co., has been elected President of the Bond Club of Cleveland, succeeding Wilbur F. Kurtz of W. F. Kurtz & Co.

Other officers elected were Herman J. Sheedy, McDonald-Coolidge & Co., Vice-President; Paul J. Eakin, Hornblower & Weeks, Treasurer, and W. B. Carleton, Fahey, Clark & Co., Secretary.

Mr. Burge came to Cleveland from Massachusetts in 1927 and is well known in business and civic affairs in Cleveland.

St. Bernard Taxpayers Approve Additional Levies

St. Bernard voters overwhelmingly approved two half-mill tax levies for the 1943 and 1944 fiscal years in Hamilton County's first election under conflicting time standards at an election on July 15. Each levy amounts to an added 5 cents for each $100 of valuation.

One levy will provide funds for an increase in incomes of approximately 70 city employees to meet increased living costs. Needing a 65% favorable vote, this levy was favored by 84.94% of the voters who cast ballots. The vote was 784 for and 139 against.

The next step in actually providing for the increases will be for Council to pass an ordinance fixing the rate of increase, Mayor Joseph A. Shottelkotte said. The city can borrow in anticipation of the new revenue to meet the higher pay roll.

The other levy will make funds available to meet current school expenses in School District No. 4. This levy, needing a simple majority, received a favorable vote of 83.91%—772 for and 148 against.

Ohio elections now are held under State time, which is one hour slower than the Eastern War Time adopted by Cincinnati and Hamilton County. This meant that the polls were open from 6:30 to 6:30 o'clock state time, or 7:30 to 7:30 o'clock county time.

Harry Fischer Joins Geo. Griffiths & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Harry N. Fischer has become associated with George I. Griffiths & Co., Union Commerce Building. Mr. Fischer was previously manager of the trading department of J. E. Neubauer & Co.

Cincinnati School Budget Calls For $8,000,000

An operating and maintenance budget of $7,920,727 for the coming school year was adopted unanimously by the Cincinnati Board of Education at its meeting recently in the Board of Education Building, 216 East Ninth Street.

Lucas County Sales Tax Income Higher

Sales tax revenues in Lucas County for the six months ended June 30 totaled $1,710,630 compared with $1,691,547 in the first half of last year, a gain of 1.1%, it was disclosed in the report of Don Ebright, Ohio State Treasurer.

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Ohio Municipal Comment

THE CHANGING FUNCTION OF A BANK'S MUNICIPAL PORTFOLIO

(Continued from page 302)

increase in investments other than municipals that are better suited to the requirements of secondary reserves.

Practically every banker sees his government bond account grow like Topsy, while his municipal account has declined, at least in relation to his total assets, and in many cases, in actual amount. The FDIC report shows that during 1942 the direct and guaranteed government obligations of the insured commercial banks increased $19,663,999,000 to a total of $40,711,697,000. During the same period holdings of municipal bonds decreased $118,142,000 to a total of only $3,533,486,000. Furthermore, during the first six months of 1943, the weekly reporting member banks in 101 cities further increased their holdings of governments 19.6% over the amount held on Dec. 30, 1942, while all other securities declined 7.5%.

Should any banker find it advisable some day to convert some of his investments into cash, he will probably find it more advisable to convert his government securities than his municipals. In the government market, the spread between the bid and asked prices is usually only 1/32 or 2/32 of a point. In the municipal market, the spread is usually ½ point to a full point, or sometimes more. Moreover, the mechanics of delivering and getting payment for governments is somewhat easier and quicker than in the case of municipals. Finally, at present one can readily borrow from the Federal Reserve Bank on his government securities at par.

Under such circumstances, what banker who needed to sell investments to realize cash would not find it advisable to use his governments for that purpose? With governments making up such a large part of the total assets of banks today, the average banker who finds himself in need of more cash after he has sold all his government securities, is likely to be out of business by that time. It seems unlikely, therefore, that the average banker will be faced with the necessity of selling his municipal investments. Of course, there are many bankers whose municipal accounts still form a large part of their total assets, and in such instances at least some of these municipals must be considered in the light of secondary reserves that may have to be converted into primary reserves. However, such is not the case today with the average bank.

This reasoning could have several logical effects upon a banker's attitude toward municipals. In the first place, the banker who has been over-zealous for liquidity and who has not bought municipals because he felt they could not be sold quickly enough, can put municipals in his portfolio with little or no fear, provided he buys bonds of high quality. Since he is not likely to need to sell them, he needs only be mindful of quality and maturity.

In the second place, one need not be too concerned with the marketability of the municipals he buys. Provided again, he buys bonds of high quality, he can well afford to buy bonds of smaller and less well known subdivisions, having reasonable assurance that he will not have to convert his municipals into cash before they are paid at maturity.

In the third place, one need not hesitate to pay any premiums necessary to buy the bonds he wants. Many bankers have objected to paying high premiums for fear that such high premiums could not be realized should it become necessary to sell the bonds. Of course, if there is to be no occasion to sell the bonds, as seems to be the case with municipals, this objection has no basis at all. If the bonds are of high quality all of the premiums will be realized in the interest received over the life of the bonds, and it actually is advantageous to buy high premium bonds because more funds are put to work, with the premium earning interest the same as the principal, and usually at a better return than on low premium issues.

In the fourth place, one can purchase longer maturities of municipal bonds. A banker bases the maturity schedule of his investments on two considerations: a calculation of when he may **need** cash to **pay out**, and an opinion of when he may **want** cash to **re-invest** under more favorable circumstances. The first, of course, is the more powerful consideration, for it may mean whether or not the bank will be open tomorrow, while the latter is simply an effort to earn more income on one's investment. The former consideration will determine the maturity schedule of that portion of the bank's investments which are considered secondary reserves, but need have little or no effect upon that portion of investments which are intended to produce income not now received from loans. As already pointed out the municipal account of the average bank need not be considered as secondary reserves.

Hence the maturity schedule of the municipal portfolio of the average bank should be based upon the banker's opinion of when money rates will be more advantageous to the investor. This consideration is far less stringent than the requirements for secondary reserves, and should, therefore, permit the purchase of at least somewhat longer maturities in municipal bonds. As a hedge against changing money rates, and as a hedge against no change in rates, maturities should be diversified and spread over a range of years, with the bulk of the bonds in short, medium or long maturities, depending upon one's opinion of when money rates will rise.

Any banker is discouraged at the thought of investing funds that in the past have been in loans at relatively high rates of return, in bonds at the rates currently prevailing for high grade municipals. Unfortunately, however, he has no choice. Moreover, very many bankers are finding that the tax exempt features of income from municipals is a very attractive and useful feature.

Finally, these comments should not be construed to imply that municipal bonds do not form a good secondary reserve based upon a need for cash. Many bankers have quite properly found that well chosen maturities of high grade municipals afford an excellent reserve against eventualities including wide fluctuations in deposits. These comments are intended to emphasize that, because of the present declining loans and vastly increasing investments in government securities, and the probability that such conditions will continue for some time, the average banker can today buy high grade municipal bonds with greater freedom.

WFA Applies "Gag" To AAA Employees Under Act Limiting Talk To Farm Programs

The War Food Administration on July 20 applied a "gag" to the 200,000 State and county employees and committeemen of the Agricultural Administration Agency, strictly limiting their freedom to talk about farm programs. The order, based on a provision in the Agricultural Appropriations Act, prohibits both full and part-time AAA employees from giving information to the press or radio and from making speeches praising or criticizing the farm program or any other act of Congress. In United Press Washington advices July 20 reporting this it was further stated:

The Act forbids use of Federal funds to pay the salary or expenses of AAA information employees and restricts all AAA employees to the "answering of inquiries or supply of information to individual farmers."

Instructions to all AAA field employees outlining seven specific "don'ts" were based on an interpretation of the act by the Solicitor's office of the Agriculture Department. The Solicitor construed the intent of Congress as indicated by "expressions of Congressmen at the hearings which preceded passage" of the Act.

N. E. Dodd, chief of the AAA, in his order to employees listed these as prohibited practices:

"1. Furnishing releases, photographic prints, illustrations or mats to the press.

"2. Furnishing prepared scripts or transcriptions for radio broadcasts or appearing on radio programs.

"3. Preparing, distributing or exhibiting motion pictures.

"4. Preparing or displaying posters or exhibits.

"5. Preparing articles for periodicals, or furnishing articles, photographic prints, illustrations or mats to periodicals.

"6. Preparing or procuring the printing of popular publications of a promotional nature.

"7. Carrying on by word of mouth, in individual contracts or before groups, promotional activities for the purpose of enhancing the prestige of the AAA as an institution, or of indoctrinating a philosophy relating to the general principles of AAA programs, or of building public pressure for or against Congressional action on agricultural measures."

An AAA spokesman said that a strict interpretation of the 7th prohibition would prevent AAA employees from discussing the triple-A or farm programs before any civic group and would limit discussions before farm groups to the mechanics of a program. It would, he said, prevent a triple-A man from defending his own organization against criticism.

The demand for censorship of the AAA followed accusations in Congress and by the American Farm Bureau Federation that committeemen in the North Central States were using Government time and money to build up pressure for incentive payments.

AAA officials said the ruling would greatly limit the effectiveness of its employees in explaining and "selling" the 1944 farm program to farmers. That function has been shifted to the Extension Service, whose employees are paid by the States.

M. L. Wilson, director of extension work for the Agriculture Department, said in an accompanying letter to all State Extension directors that AAA employees were prevented by the order from "having access to the press, radio and other public communication media."

He suggested that the State Extension Service workers "keep farmers adequately informed" so as not to "curtail the extent to which the provisions of the current AAA program would be understood and acted upon by farmers."

An accompanying "suggested procedure" for dissemination of farm program information centralizes in Washington full and final authority for the preparation of press, radio, motion picture, poster and exhibition material.

The material will be mailed from Washington to State AAA officers for checking and will be turned over to the Extension Service for distribution.

Ohio Brevities

(Continued from page 302)

moving new bank, chalked up call-date tops in assets of $115,741,912, up 22 millions; deposits of $103,585,921, up over 26 millions, and U. S. holdings of $69,872,480, up over 18 millions.

Increases Are Sharp

Central National, last of the "Big Five," displayed records in assets of $278,945,325, deposits of $259,826,615 and Governments of $141,948,247. These three classifications showed gains of 23 to 25 millions.

The following smaller banks boasted tops in assets, deposits and Governments: Lorain Street Bank, Morris Plan, American Savings, Bank of Cleveland, and North American. Capital Bank and Continental Industrial scored tops in deposits and Governments.

* * *

Bonded indebtedness of Cuyahoga County (Cleveland), declined to $39,737,573 as of last August 1 from $43,890,709 on August 1, 1940. It was the biggest reduction in any two-year period in the last 15 years.

Henry Sherman Chosen

Henry S. Sherman, President of the **Society for Savings,** is the only Midwest banker chosen to a committee that will aid the Federal Deposit Insurance Corp. in supervising mutual savings banks insured by the corporation.

Mr. Sherman will be associated with prominent New York and Philadelphia bankers and the President of the New York State Mutual Savings Association.

Promoted by First Cleveland

Clarence F. Davis, who has been in the securities business in Cleveland for 25 years, has been made a Vice-President of the First Cleveland Corp. He has specialized in municipal securities for the past 12 years and came to First Cleveland in 1935. He is a member of the Bond Club.

* * *

Roger R. Clouse, attorney and formerly acting regional director of the Office of Civilian Defense, is now secretary of the board of directors of the **Federal Reserve Bank of Cleveland.**

He succeeds R. B. Hays, who replaced Frank J. Zurlinden, retired, as First Vice-President.

Boosted While In Army

Corporal George C. Litzko, who is 38 and had served in nearly all departments of the **Society for Savings** in his 22 (correct) years with the bank, came home on furlough just as the bank announced he had been promoted to Assistant Treasurer.

He is now serving in the statistical control unit of the Army Air Force Technical Training Command at Miami Beach, where he has been stationed since being inducted the first of the year.

Miss Barber Appointed Junior Officer By Penn Mutual Life Co.

Miss Mary Foster Barber, Assistant to the President, has been appointed a Junior Officer of The Penn Mutual Life Insurance Co. She is the first woman in the 96-year-old company's history to be so honored and one of the few women in the country to receive distinction as an executive in the life insurance world. Throughout her 15 years' service with the company her progress has been consistent and spectacularly rapid. For the past few years Miss Barber's work has been in the administrative department assisting John A. Stevenson, President. Previously she was manager of sales planning and was in charge of the preparation of sales promotion material. Since joining Penn Mutual in 1928, she has done much valuable research in education and insurance.

Mary Foster Barber

A native Pennsylvanian — her father, Laird H. Barber, having been a Congressman and later President Judge of the 56th Judicial District—Miss Barber was graduated from the National Cathedral School, Washington, D. C. Later she was graduated "cum laude" from Barnard College, where she was elected to Phi Beta Kappa. As an author, she had a play produced by the Provincetown Theatre in New York and has been a frequent contributor to magazines and insurance journals.

After serving as a Yeoman (F) in World War I, Miss Barber became associated with The Macmillan Company in New York as Editorial Assistant. One of her assignments was the proof-reading of the well-known "Project Method of Teaching" by Mr. Stevenson, with whom she has been associated since she started her insurance career with the Equitable in 1921.

Luncheon Group Broadens Scope Of Discussions

The Tuesday luncheon group which has been meeting weekly since Feb. 3, 1942 to receive ROTC instruction from George Chase Lewis, Col. Inf. USA, will continue to meet although Col. Lewis has been given a change in command and, unfortunately, will no longer be available.

The character of the discussions will therefore be changed. They will become broader in scope and will include topics relating to the Home Front.

Meetings are held every Tuesday, 12:30 p. m., Au Coq D'Or, 129 Maiden Lane, New York City.

Power & Light Co. Situations Attractive

The stocks of American Power & Light Company, particularly the $6 cumulative preferred and the $5 cumulative preferred, have attractive speculative appeal, according to a circular issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this circular and another interesting circular on Peoples Light and Power Co. may be had from the firm upon request.

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Mid Year Figures
Available on Request

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Members New York Stock Exchange
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(L. A. Gibbs, Manager Trading Department)

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

The investor in fire insurance stocks should comply with the principle of diversification, just as does the wise investor in other categories of common stocks. The fact that a unique degree of diversification is inherent in the stock of any one well established fire insurance company, due to the nature of the business, is not sufficient. As was pointed out in this column two weeks ago, there exists among fire insurance companies quite extreme differences of managerial policy, in regard to investment of assets, allocation of premium underwritings, etc. These differences affect their relative earning power, earning stability, volatility of liquidating value, and other factors.

For example, some companies invest more heavily in bonds, while others invest more heavily in equities. The "bond" company, other things being equal, will show less appreciation of liquidating value in a rising market than an "equity" company, and by the same token, less depreciation during a falling market. Its investment income is likely to be somewhat steadier than in the case of an "equity" company, but it loses out in times of expanding industrial activity and increasing industrial dividends. With regard to underwriting differences, it is a matter of record that companies which were heavily committed in the ocean marine field took severe losses in the early months of 1942, while those which were heavy in automotive risks lost a lot of premium volume on account of rubber and gasoline rationing. Companies which were relatively heavy in fire and miscellaneous classifications fared better.

This week we would like to point to another difference among managements which is reflected directly in their operating ratios, viz: the ratio of expenses incurred to premiums written, and the ratio of losses incurred to premiums earned. A study of these ratios over a number of years reveals an interesting fact. Generally speaking, it is found that there is a tendency for those companies which have a higher-than-average loss ratio to have a lower-than-average expense ratio; conversely, those with a lower-than-average loss ratio, have a higher-than-average expense ratio. In other words, it costs money to achieve a favorable loss ratio.

This interesting and significant sidelight on company differences is illustrated in the accompanying table which shows five-year average operating ratios.

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FIVE YEAR AVERAGES

1937 to 1941 incl.

Ten Companies with HIGH LOSS RATIOS	Losses Incurred To Prem. Earned	Expenses Incurred To Prem. Written	Comb. Ratio
Franklin	53.4%	44.1%	97.5%
Home	53.4%	44.1%	97.5%
Fire Assoc.	52.1%	46.0%	98.1%
*Hanover	51.4%	47.8%	99.2%
St. Paul F. & M.	49.5%	44.6%	94.1%
Agricultural	49.4%	46.5%	95.9%
*National	48.9%	48.3%	97.2%
*Security	48.8%	47.7%	96.5%
*New Hampshire	48.4%	48.3%	96.7%
Fidelity Phenix	48.4%	43.5%	91.9%
Average (21 comp.)	48.3%	46.7%	95.0%
Av. (21 companies)	48.3%	46.7%	95.0%
Eleven Companies with LOW LOSS RATIOS			
*Springfield F.&M.	48.0%	46.2%	94.2%
Aetna	47.9%	48.6%	96.5%
*Prov. Washington	47.9%	46.5%	94.4%
*Continental	47.3%	44.0%	91.3%
*Hartford	46.4%	45.0%	91.4%
Great American	46.3%	49.1%	95.4%
Boston	46.1%	48.4%	94.5%
North River	45.9%	47.6%	93.5%
Insurance of N. A.	45.4%	48.8%	94.2%
U. S. Fire	45.3%	46.4%	91.7%
*Phoenix	44.0%	48.4%	92.4%

It will be noted that the majority of the ten companies whose loss ratios are higher-than-average have expense ratios lower-than-average. The exceptions marked with an *, are: Hanover, National, Security and New Hampshire, which also have higher-than-average expense ratios. The average loss ratio of these ten companies is 50.4%, and their average expense ratio 46.1%, compared with 48.3% and 46.7% respectively, for the 21 companies.

It will also be noted that the majority of the eleven companies with loss ratios lower-than-average have expense ratios higher-than-average. The exceptions, marked with an *, are: Springfield, Providence-Washington, Continental, Hartford and U. S. Fire, which also have lower-than-average expense ratios. The average loss ratio of these eleven companies is 46.4%, and their average expense ratio 47.2%, compared with 48.3% and 46.7% respectively, for the 21 companies.

Lower expense ratios are not sufficient to offset the higher loss ratios, in the large majority of cases. For example, the ten companies with **high-loss** but **low-expense** ratios have an average "combined ratio" of 96.5%, compared with 95.0% average for the 21 companies, while **low-loss** but **high-expense** companies have an average "combined ratio" of only 93.6%.

A comparison of operating ratios for the year 1942 is not shown, and they are not included in this brief study, for the reason that the year's underwriting experience was so unusual, due to marine losses, gas rationing, etc., that the ratios were distorted beyond the point of usefulness. However, an examination of other five year averages within the past decade shows almost identically the same grouping and relative results as above. From this we may reasonably draw the conclusion that, in the majority of cases, the most favorable net underwriting results are achieved by those companies which have higher-than-average expense ratios. There are, of course, exceptions to this rule.

Certainly the investor who desires an adequately representative portfolio of fire insurance stocks must compare and study, with intelligent care, the distinguishing characteristics which differentiate one company from another. No hit or miss selection will provide balanced diversification.

PRIMARY MARKETS IN
INSURANCE STOCKS
HUFF, GEYER & HECHT, INC.
New York 5, 67 Wall Street, WHitehall 3-0782, NY 1-2875
Boston 9, 10 Post Office Square, HUBbard 0650
Chicago 3, 135 S. La Salle Street, FRanklin 7535, CG-105
PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, ST. LOUIS, LOS ANGELES, SAN FRANCISCO AND SEATTLE
TELEPHONES TO
HARTFORD, Enterprise 6011 PORTLAND, Enterprise 7008
PROVIDENCE, Enterprise 7008

Ayres Optimistic On War's Progress

We should not be unduly depressed by the fact that in this country everything except money gets progressively scarcer, Brig. Gen. Leonard P. Ayres, Vice-President of the Cleveland Trust Co., declares in the company's July 15 monthly "Business Bulletin."

After commenting on the "victorious combat" developments on the various fronts, particularly the Battle of the Atlantic, Gen. Ayres stated:

"In large areas our crops are off to a poor start, and the management of our food controls is disquieting. Our coal problems remain unsolved, but production is now going forward in nearly normal volume, and stocks of coal in storage are unusually large. It is true that we are beset by wartime inconveniences, but after all most of them are relatively minor ones.

"Railroad transportation still somehow manages to accomplish month by month its seemingly impossible tasks. Our production of planes, ships, and munitions continues to increase, although at more sober rates than was the case a few months ago. Almost every sort of business is active, and very little of it is exceptionally prosperous, which is quite as it should be in time of war. The hardest parts of these wars still lie ahead, and they may last a good deal longer than many expect. The important fact is that we are winning. However long and hard the rest of the task may be it transcends in urgency all else."

Noble Opens In L. A.

(Special to the Financial Chronicle)

LOS ANGELES, CALIF.—Chester L. Noble has opened offices at 530 West Sixth Street to engage in a general securities business. Mr. Noble for a number of years has been associated with Akin-Lambert Co.

OUR REPORTER'S REPORT

The extent to which the Federal Reserve System has supported the Government bond market through its huge war financing of the last 18 months becomes apparent from a glance at the weekly condition statements of the 12 regional banks.

At the same time it develops that such aid has been rendered without recourse to the powers of the Reserve to absorb up to $5,000,000,000 of Government bonds if necessary for that purpose.

Sharp expansion in holdings of Government securities by the central banking system has come about, the figures reveal, entirely through additions to its portfolio in the form of bills and short-term certificates, highly liquid collateral.

The most recent statement of the Reserve, showing the condition of the 12 regional banks on a consolidated basis, puts the total U. S. Treasury obligations held at $7,644,666,000, an increase of some 150% over the same date a year ago, when the aggregate was $3,037,551,000.

Yet, despite the several large Victory Loan drives, it develops that the central banks hold a smaller amount of Treasury bonds, $1,480,748,000, than they did on the corresponding date in 1942, when the total was $1,640,296,000.

The major expansion took the form of a ten-fold rise in bill holdings, to $4,327,318 from $494,549,000, while holdings of certificates rose to $1,091,700,000 from $1,178,231,000. In the interval net holdings of Treasury holdings have remained virtually stationary, just under $750,000,000.

Member Banks' Holdings

In the foregoing interval, the weekly condition statement of reporting member banks as of July 14 last, shows that those institutions have expanded their holdings of Government securities by upward of $15,300,000,000.

As of that date member banks showed aggregate holdings of $35,165,000,000, which compared with $19,782,000,000 on July 15, the nearest comparable date last year.

Member institutions, it develops, added some $4,802,000,000 to their Treasury bond holdings, which stood at $15,886,000,000.

The bulk of the increase was in holdings of certificates of indebtedness, which rose $5,501,000,000 to $6,962,000,000. Treasury bills increased meanwhile by $2,994,000,000, while holdings of notes expanded by $1,922,000,000 to $4,810,000,000.

One Large Secondary Offering

The current week brings to market only one substantial piece of corporate financing, this in the form of a secondary distribution of 665,715 shares of no par convertible $1.50 cumulative preferred stock of Twentieth Century-Fox Film Corporation.

Purchased by bankers from the Chase National Bank, this unusually large block of shares was offered by a nation-wide underwriting syndicate at $33.50 a share.

It further illustrated the effect on the market of the dearth of new securities available for investment in recent months. The block, despite its size, was oversubscribed, and the books closed within a relatively brief space of time.

Another Possibility

Action of the Securities and Exchange Commission in granting the plea of the South Carolina Electric & Gas Co. for acceleration of its proposed issue of $20,000,000 of first mortgage bonds, due in 1973, brought that refinancing to the fore as a possible operation for later in the week.

The Commission agreed to shorten the required time for invitation of bids from bankers to six days, from the normal period of ten days.

The company, a subsidiary of the General Gas & Electric Corp., plans to use the proceeds from the sale for the purpose of retiring certain outstanding obligations. The Commission further modified the dividend restrictions on the common stock of the issuer, imposed last month coincident with the merger of Lexington Water Power Co. into South Carolina Power.

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LONDON OFFICES:
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8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
£108,171,956
Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

Australia and New Zealand
BANK OF NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital £8,780,000
Reserve Fund 6,150,000
Reserve Liability of Prop. 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1941 £150,939,354
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Prospects Promising For Canadian Crops

In its current crop report, dated July 15, the Bank of Montreal States that crop prospects are promising in Manitoba and satisfactory in most areas of Alberta and Saskatchewan. High temperatures throughout the Prairie Provinces during the past week have promoted rapid growth, according to the bank, which in its report also says:

"Wheat is mostly in shot blade and heading is becoming general in some districts. Moisture conditions are satisfactory throughout Manitoba, but rain would be welcome over most of Alberta and Saskatchewan and is urgently required in some districts. Losses from hail and pests have been small. Weeds are troublesome in some districts. Sugar beets are making fair progress in Alberta and good progress in Manitoba. In the Province of Quebec, recent warm weather has stimulated growth and progress is satisfactory, except in low-lying areas where there has been damage from excessive moisture. Harvesting of an excellent hay crop is in progress. Pastures continue in very good condition. Corn and root crops show good growth, except in low lands where damage is reported. Moisture is ample and continued warm weather would be beneficial."

Mexico Resumes Foreign Debt Payment

The first payment on the public debt of Mexico since 1928 was announced on July 15. The advices in the matter stated:

"The resumption of the debt was negotiated by a group of international bankers known as International Committee of Bankers on Mexico, through its chairman, Thomas W. Lamont, and in behalf of the Mexican Government through its Finance Minister, Eduardo Suarez. The agreement was ratified by the Mexican Congress on December 29, 1942. The International Committee of Bankers on Mexico, for the purpose of these negotiations, organized a group of international bankers consisting of the following: American Section: Thomas W. Lamont, Chairman; DeWitt Millhauser, Walter T. Rosen, Sir William Wiseman, and Vernon Munroe, Secretary; British Section: Lord Bicester, Chairman; Sir Edward R. Peacock, Frank C. Tiarks, Vincent W. Yorke, and E. C. Webb, Secretary; Swiss Section: Association Suisse des Banquiers, Basel.

"Counsel for the Mexican Government in connection with the Agreement and, for the fiscal and registration arrangements were Hardin, Hess & Eder, New York City; counsel for the International Committee, American Section, were Davis, Polk, Wardwell, Sunderland & Kiendl, New York City; and for the British Section were Slaughter & May, London, England."

It is added that "the time for holders to register their securities has been extended 60 days from June 30, 1943. This extension applies only to the external debt of the United States of Mexico and does not include the railways issues with the exception of Tehuantepec National Railway 5% and 4½% gold loans, due June 30, 1953." Application forms for the purpose of registering these securities are now available and may be obtained from the Pan American Trust Co., New York City, according to the announcement.

The Mexican plan for redemption of service on its external public debt was referred to in these columns July 1, page 33.

N. Y. Savings Banks Report Gains In Deposits, War Bond Sales In Six Months

"A large part of the American people are striving earnestly to defeat inflation and to put their money to work for victory, if the experience of our New York State savings banks is any criterion," Myron S. Short, President of the Savings Banks Association of New York State and Executive Vice President of the Buffalo Savings Bank, stated on July 16 in presenting a resume of savings activity during the first six months of 1943. "The combined total of new savings through War Bonds bought at the savings banks and increased savings deposits from Jan. 1 to July 1 amounted to $371,013,000. In addition, the savings banks wrote $3,836,600 of low-cost life insurance." Mr. Short continued.

"Statistics are sometimes monotonous, but in this case they are lively evidence to demonstrate how the people of New York State are voluntarily supporting the Government's War Savings program.

"Total sales of War Bonds and Stamps in this State during the six months to July 1 are estimated at $911,000,000. Of this, $128,370,000 or 14% were bought at the offices of New York's 132 mutual savings banks.

"The net increase in savings banks deposits during the same period was $242,643,000. This represents a 4.35% increase in deposits and, to my knowledge, is the largest increase in savings deposits ever recorded by the banks in a six-months' period. Likewise, our records show a net gain in accounts of 101,420, again a record-breaking figure.

"The month of June was the best the savings banks have experienced, with a $50,639,000 gain in deposits and 19,850 in accounts. As a result, both dollar deposits and the number of people served stand at an all-time high with deposits at $5,812,733,796 and savings accounts at 6,103,324 as of June 30.

"The final figures which I wish to present and of which the savings banks are justly proud have to do with payroll savings for War Bonds. The savings banks have been providing this service to implement the Treasury's Payroll Savings Program among those employers who do not have adequate facilities to handle this activity themselves. Incomplete reports just received reveal that the savings banks are servicing more than 3,093 firms with 181,846 payroll savers, setting aside regularly each month $2,275,736 for purchases of War Bonds."

Mr. Short further said:

"These statistics indicate clearly to me the temper of our people, their desire to back up the boys at the front and to fight actively at home for the continuance of American democracy.

"In War Bonds and savings accounts alone, New Yorkers have saved $1,154,643,000 in six months' time, and average of $315 per family. If comparable figures for other savings agencies were available the total would be even greater.

"The Home Front is awake and working, and I am confident that the results for the second six months of 1943 will be even greater. Certainly the savings banks will bend their every energy to bringing an ever-increasing number of participants into the fight."

Urges Servicemen Get Sound Mortgage Advice

The country and especially men with mortgage loans outstanding and going into the armed services, can get along very well without the uninformed and inaccurate "curbstone" advice so freely given in the past year, in the opinion of Charles A. Mullenix, President of the Mortgage Bankers Association of America. Mr. Mullenix on July 17 said that the organization's nation-wide inquiry into the matter revealed that the families of many servicemen have been unintentionally misled as to their rights and responsibilities under the Soldiers' and Sailors' Civil Relief Act, the national legislation enacted to protect men with debts outstanding. Mr. Mullenix further commented.

"The most common, and certainly the most unfair, impression left with servicemen with mortgage loans outstanding has been that they are forever relieved of payment of principal and interest during the period they are in service. This, of course, is wholly untrue. Advice of this sort has come principally from well-meaning but misinformed civilians, but a part of it originated with uninformed army sources. It has been a case of trying to help but actually doing more harm than good."

A forum on developments under the Act is scheduled for the Association's 30th annual meeting in Chicago, Sept. 23, 24 and 25. The results of an MBA survey on the war's effect on mortgages of servicemen was reported in our issue of July 1, page 29.

Miami, Florida

STATEMENT OF CONDITION OF

The First National Bank of Miami

Edward C. Romfh, President

June 30, 1943

ASSETS

Loans to Individuals, Firms and Corporations		$1,230,618.68
First Mortgage Loans on Improved Real Estate		406,369.64
Overdrafts		129.69
Banking House		700,000.00
Furniture and Fixtures		154,312.28
Other Real Estate		16,155.00
Other Assets (Includes Accrued Interest and Prepaid Expense)		108,540.75
Stock—Federal Reserve Bank (1,440 shares)		72,000.00
Stock—First National Holding Corp.		100,000.00
*Bonds Owned:		
State and Municipal Obligations		504,734.35
Industrial Bonds		49,521.25
Railroad		113,811.08
U. S. Government Obligations	$41,399,851.42	
Cash Reserve and Due from Banks	19,708,230.91	61,108,082.33
TOTAL ASSETS		$64,564,275.05

*List Furnished Upon Request.

LIABILITIES

Capital	$1,200,000.00
Surplus and Undivided Profits	1,649,790.08
Reserve for Dividend	36,000.00
Deposits	61,678,484.97
TOTAL LIABILITIES	$64,564,275.05

Deposits

June 30, 1942	June 30, 1943
$47,528,471.21	**$61,678,484.97**

Greater Miami's Oldest—South Florida's Largest—Financial Institution
Under Same Management Since Organization in 1902

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When Inflation Comes, Deflation Cannot Be Far Behind

(Continued from first page)

ing power created by war purposes. The following table from the bulletin on Economic Conditions of the National City Bank of New York, June, 1943, indicates the trend of currency and bank deposit inflations throughout the world at the present time.

Currency Notes Outstanding

(In Millions of National Currencies)

	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1941	Dec. 31, 1942	% Increase 1938-42
United States	6,856	7,598	11,160	15,410	125
Canada	263	318	567	754	187
United Kingdom	505	555	752	923	83
Australia	49	57	85	121	147
New Zealand	17	19	25	31	82
South Africa	19	21	30	40	110
India	1,880	2,359	3,356	5,704	203
Argentina	1,118	1,191	1,380	1,627	47
Brazil	4,825	4,970	6,647	†8,500	76
Chile	795	950	1,449	1,856	133
Colombia	66	68	82	112	70
Mexico	296	373	563	753	154
Peru	108	132	209	283	162
*Germany	8,223	11,798	19,325	24,375	196
‡Belgium	22	28	48	68	209
Denmark	441	600	842	983	123
‡France	111	151	270	383	245
Netherlands	992	1,152	2,116	3,034	206
Sweden	1,061	1,422	1,700	2,016	90
Switzerland	1,751	2,050	2,337	2,637	51
Turkey	194	281	512	724	273

*Reichmarks only. †September, 1942. ‡In billions.

Commercial Bank Deposits

(In Millions of National Currencies)

	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1941	Dec. 31, 1942	% Increase 1938-42
United States	54,054	58,344	70,792	88,437	64
Canada	2,500	2,774	3,105	3,657	46
United Kingdom	2,253	2,441	3,329	3,629	61
Australia	319	335	384	423	33
New Zealand	63	73	83	99	57
South Africa	100	101	148	195	95
India	2,277	2,401	3,212	4,461	96
Argentina	3,791	3,913	4,585	5,254	39
Brazil	11,665	12,523	16,531	†17,318	48
Chile	1,923	2,049	2,469	2,844	48
Colombia	87	97	123	161	85
Mexico	368	452	727	1,038	182
Peru	287	318	448	610	113
Germany	10,524	13,630	26,177	----	---
Belgium	16,313	13,155	20,786	27,465	68
Denmark	2,305	2,455	3,116	3,547	54
France	33,578	42,443	76,656	91,547	173
Netherlands	687	576	941	975	42
Sweden	4,260	4,401	4,879	5,157	21
Switzerland	3,111	3,015	3,163	3,347	8
Turkey	291	262	374	*441	52

*July 1942. †April 1942.

This table does not include China. But the National City Bank bulletin points out that inflation in China has taken on runaway proportions. In free China food prices have risen 30 or 40 times. "Disorganized production, combined with inadequate and costly transportation, has resulted in acute scarcity of goods of all kinds, while war expenditures are being financed largely through inflationary issues of currency and credit."

No country is fully avoiding inflation, and certainly none will escape the effects of the inflations of other countries. But some countries are doing a very good job under the circumstances. For example, the currency notes of Switzerland have increased 51% and the bank deposits only 8%. In the United Kingdom the currency outstanding has increased 83% and the commercial bank deposits 61%. The conditions in all of these countries vary widely, and the inflations and the consequences will be governed for each country by conditions outside of the country's control in part but largely by the resources, financial management, monetary, tax and economic policies of each country. From the tables it seems clear that the British Empire countries, Sweden, Switzerland, Denmark and other well-managed countries are seeking to avoid as much inflation as possible. Up to the date of this table, the United States had hardly got started on its inflationary war boom.

Inflation in the United States

Currency notes outstanding are more than 17 billion dollars. Bank deposits have exceeded one hundred billion dollars. The debt of the Federal Government is expected to reach 210 billion dollars by the end of the fiscal year. In spite of the efforts to hold down prices and wages, the costs of living and the costs of business have mounted sharply. Labor organizations are demanding new wage increases because of the rising costs of living. The producers of food, oil, housing and other products are demanding price increases because of the increased wages and taxes. The inflationary gap of spending power in the hands of the public in excess of the available goods to buy is estimated by various authorities from 40 to 60 billion dollars, and is expected to rise another 40 billion or more during the coming year. While wages in some occupations have risen much faster than the costs of living, in other occupations, and particularly in peacetime occupations, wages have lagged far behind the rising costs of living. In many of these occupations an increase in wages to offset the increase in the costs of living will force the shops into bankruptcy. It is now proposed to use subsidies to avoid the wholesale failure of these businesses. The use of subsidies in England and Canada are pointed to as examples. But the fact that England and Canada started to control prices with the beginning of the war and have done a much better job of holding down prices, wages, the cost of living and the debt cost of the war are all omitted in discussing these subsidies. The present disparity in wages, prices, costs and the confusion in the policies and practices in this country make the use of subsidies unreasonably costly at this late date. Any attempt to roll back prices and use subsidies would create indescribable opportunities for graft and new demands for costly regulatory services. Because of the limited success of the policies of control and regulation of prices, wages and costs, and the failure to apply taxes effectively to close the growing inflationary gap of spending power costly inflation seems inevitable.

Post-War Conditions and Policies

The end of hostilities will leave the warring countries with the largest job of reconversion to peacetime business in their histories; the highest debts known to them; the most burdensome taxes ever imposed; and greatly inflated and vulnerable currency and credit systems. What is to be done about all of these colossal problems? The change back to peacetime production will take time, new financing and new tools. A period of readjustment, unemployment and no doubt a great deal of hardship will be experienced. Plans should be under way for this transition period in every war business. The Government has plans. Every community should have its own plans. There cannot be too many well thought out and sound plans for reconversion and reconstruction. A thorough knowledge of the conditions after the last war will be helpful. While the change-over after this war will be much larger than after the last war, many of the same problems will be faced, only perhaps on a larger scale.

When the war ends, the scarcity of peacetime consumers' goods and the scarcity of peacetime capital to produce with may cause prices to rise sharply unless controls are very firm. The unemployed from war factories, and the returning soldiers will be expecting their savings and their small incomes to support them in comfort. Runaway prices and depreciated currencies can cause far more hardships after the war than have been endured in the domestic economy during the war.

Fortunately the recovery of peacetime production does not take long in any country, given one or more normal seasons together with constructive political and economic policies. One of the interesting bits of economic and social history which has not been too well learned in the United States is that a country which has been apparently devastated by war can return to prosperity and support itself very quickly, at most within one or two seasons. Tools, materials, management and work will do wonders, and have after every war in a short time, much to the astonishment of those who have viewed the seemingly unrecoverable destructions. Of course, these productive forces thrive best under peaceful free enterprise, stable political and economic conditions not torn by fear and oppressed by taxes and debts.

Writing of similar destructions, John Stuart Mill, about 100 years ago, before modern speed, transportation, machinery, engineering, electricity, chemistry and mass production came into being, said:

"This perpetual consumption and reproduction of capital affords the explanation of what has so often excited wonder, the great rapidity with which countries recover from a state of devastation; the disappearance, in a short time, of all traces of the mischiefs done by earthquakes, floods, hurricanes and the ravages of war. An enemy lays waste a country by fire and sword, and destroys or carries away nearly all the movable wealth existing in it; all the inhabitants are ruined, and yet in a few years after, everything is much as it was before. This 'vis medicatrix naturae' has been a subject of sterile astonishment, or has been cited to exemplify the wonderful strength of the principle of saving, which can repair such enormous losses in so brief an interval. There is nothing at all wonderful in the matter. What the enemy have destroyed would have been destroyed in a little time by the inhabitants themselves: the wealth which they so rapidly reproduce would have needed to be reproduced and would have been reproduced in any case, and probably in as short a time. Nothing is changed, except that during the reproduction they have not now the advantage of consuming what had been produced previously. The possibility of a rapid repair of their disasters, mainly depends on whether the country has been depopulated. If its effective population have not been extirpated at the time, and are not starved afterwards; then, with the same skill and knowl-

WPB Curtails Use Of Newsprint By 5%

The War Production Board announced on July 6 that newspaper publishers are required to make further cuts in their consumption of newsprint during the third quarter, ranging up to 5% for larger users. The new reduction follows the recommendations of the Newspaper Industry Advisory Committee made in June.

The additional 5% reduction does not apply to the first 25 tons for newspapers using less than 500 tons a quarter. This provision, the WPB said, is designed to aid the operation of smaller newspapers. The Associated Press advices from which we quote, added:

"The curtailment ranges from 2.5% for newspapers using up to 50 tons a quarter and to 5% for newspapers using 500 tons or more a quarter.

"The necessity for economy in the use of print paper becomes more pressing with each passing week," said H. M. Bitner, Director of the WPB's Printing and Publishing division."

"Any usage of paper over the quota, until an exception is granted, will be at the applicant's risk," Mr. Bitner said.

"Failure of newspaper publishers to live within the allowed usage in any quarter necessitates reference of all such cases to the WPB compliance division."

The WPB stated it would not recommend granting extra paper for publication of special editions, nor would it grant additional tonnage to meet circulation gains achieved through prize contests or similar promotional campaigns.

Under the original print paper curtailment order which went into effect Jan. 1, newspapers were limited in each quarter to 100% of the tonnage of paper used in printing their net paid circulation in the same quarter of 1941, plus 3% for spoilage.

It had been expected that this would bring about a 10% over-all reduction of consumption but this, it is stated, was not accomplished.

Combined Food Board To Survey Food Data—Canada Participating

The Department of Agriculture announced on July 12 that the Combined Food Board has made arrangements for a survey to be made of the available statistical records and other data concerning food supplies and consumption in the United States, the United Kingdom, and Canada. The primary object of the survey, the Combined Food Board stated, is to take steps to put food data of these countries on as near a comparable basis as possible. The Department's announcement added:

"Three United States Department of Agriculture officials have arrived in England and shortly will begin discussions with officials of the British Ministry of Food. They are John Cassels, of the Food Distribution Administration; L. A. Maynard, of the Agricultural Research Administration; and Montell Ogdon, of the Office of Foreign Agricultural Relations.

"The Canadian Government is also participating in this inquiry, and Ian McArthur, of the Canadian Dominion Bureau of Statistics, already has arrived in England.

"These personal discussions will supplement the full exchange of information on food maters which is already taking place through the regular channels of the Combined Food Board."

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edge which they had before, with their land and its permanent improvements undestroyed, and the more durable buildings unimpaired, or only partially injured, they have nearly all the requisites for their former amount of production. If there is as much of food left to them, or of valuables to buy food, as enables them by any amount of privation to remain alive and in working condition, they will in a short time have raised as great a produce, and acquired collectively as great wealth and as great a capital as before; by the mere continuance of that ordinary amount of exertion which they are accustomed to employ in their occupations. Nor does this evince any strength in the principle of saving, in the popular sense of the term, since what takes place is not intentional abstinence, but involuntary privation."

Modern efficiency and skill have greatly shortened the time required for reconstruction. Those who are looking for a long and prosperous period of rebuilding and supplying delayed peacetime needs might avoid some errors in perspective by examining similar experiences of the past and then adding a large measure of modern mass production efficiency.

Plans for Stabilization of the Currencies

Sound and dependable currencies are necessary for any restoration of commercial relationships between the various countries. This is problem number one in the conversion to peacetime conditions and the restoration of international relations between countries. Currency stabilization, debts, taxes and the need of peacetime capital are all tied up together and a complete separation for reconstruction purposes seems out of the question. However, monetary stabilization is the first essential in dealing with the other financial problems.

Both the British and the American plans for currency stabilization seem unnecessarily bunglesome, vague and inflationary. The first step seems to be for each country to put its own financial house in order and establish a sound currency upon which its own people and the rest of the world can depend. When this is all accomplished the problems of domestic and foreign debts can come up for consideration. In the meantime, no doubt, a great deal of charity will be necessary. However, given a good season or two (it will take all that much time to iron out these complicated problems) with the available shipping capacity after the war and the various countries of the world will again be as well or better nourished than ever before, and then the patients will be able to sit up around the international conference table and talk about their ills of debts, taxes, and make promises on new international loans.

The British proposal for an international clearing system seems quite all right for the best interests of the British Empire and I see no reason why they should not hold to it. The debts of the British Empire countries will be large but manageable. The banks will be sound. If the bonds decline in price the owners will just take a capital loss and charge it up to the war. The costs of the war have been large in all British Empire countries but nothing like the costs to the United States. In the British Empire costs have been kept down, prices have been controlled better and the currencies have a larger purchasing power. The Britsh Empire's need is for a clearing system. England wants and needs from the rest of the Empire countries and other countries of the world raw materials, food and such goods as she does not produce advantageously. She has manufactured goods and services to exchange for these. What kind of money any other country has is of no concern to England as long as it is a stable and dependable money and serves the best interests of the country that creates it. It is, of course, important that any country have a sound and stable money for its own best interest. A country with an unstable money on which its own people and the rest of the world cannot depend undoubtedly is a menace to commercial stability throughout the world but a far greater menace to its own commerce and stability.

Frequently the instability of the currency system of a small and undeveloped country results from foreign investments in the country and the efforts of the foreign investors to collect in gold, interest, dividends, profits, and even for the sale of capital. This undermines the stability of the currency of the borrowing country. A creditor country cannot follow this practice without upsetting the stability of the foreign exchanges. It was this effort to collect foreign debts in gold that brought on the collapse of the international exchanges in 1930. This will be repeated if creditor countries lend their capital lavishly to impoverished, debt-stricken and new countries, and then seek to collect more than these countries can pay out of their favorable balance of international trade. England will avoid this practice, to her own advantage undoubtedly. The United States must

(Continued on page 308)

Liquidation Of NYA Urged In Labor Dept.

The $1,137,167,010 Labor Department-Federal Security Agency supply bill for the new fiscal year was signed by President Roosevelt on July 12. This bill orders the liquidation of the National Youth Administration by Jan. 1, providing $3,000,000 to cover these costs. Also included in this measure is a provision prohibiting the National Labor Relations Board from calling collective bargaining elections in plants where a labor contract has been in force without complaint for three months.

The NYA was created in July, 1935, to train young people for employment and to help needy boys and girls through school. The agency's training programs of late have been connected with war work but Congressional critics had charged that these programs were duplicating or overlapping the work of other Government bureaus. It was also said that the NYA was wasteful in the use of its funds, equipment and manpower. Under the bill, the mechanical and other equipment which NYA has at its numerous training schools is to be turned over to the Procurement Division of the Treasury Department for disposal.

The Senate voted on June 29 to continue the NYA as a "war essential" and give it $47,800,000 for the 1944 fiscal year. However, the House had previously voted to abolish the agency and the Senate later reversed itself and backed up the House's demand.

Deleted from this bill was an amendment to require Senate approval of employees of the War Manpower Commission earning $4,500 or more a year.

STATEMENT OF CONDITION

THIRD NATIONAL BANK

IN NASHVILLE

NASHVILLE, TENNESSEE

AS OF JUNE 30, 1943

ASSETS		LIABILITIES	
Cash and Due From Banks	$17,697,865.64	Capital	$ 1,000,000.00
United States Government Bonds	21,073,253.79	Surplus	1,500,000.00
State, County, and Municipal Bonds	13,127,221.21	Undivided Profits	739,414.36
Corporate Bonds and Securities, Including Stock in Federal Reserve Bank	1,309,898.33	Reserve for Contingencies	100,000.00
Loans and Discounts	14,117,097.86	Reserve for Dividends—Not Declared	25,000.00
Bank Building	785,513.69	Reserve for Taxes, Interest, etc.	194,578.80
Furniture and Fixtures	118,511.71	Income Collected—Not Earned	91,512.06
Other Real Estate	27,126.38	Letters of Credit	15,968.90
Income Earned—Not Collected	274,077.58	Deposits	64,897,962.24
Customers' Liability—Letters of Credit	15,968.90		
Other Assets	17,901.27		
Total	$68,564,436.36	Total	$68,564,436.36

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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When Inflation Comes, Deflation Cannot Be Far Behind

(Continued from page 308)

likewise establish sound international financial practices and look upon foreign investments of capital as permanent investments from which income will be derived from increased production or we will bring on another collapse of the international exchanges just as we did in the 30's. We were among the greatest losers as a result of the breakdown of the international exchanges. We lost a large part of our foreign investments, we reduced our own standard of living and that of the rest of the world through the collapse of the international exchanges and trade.

The stabilization of the currencies is the first essential, but the first step in currency stabilization is for each country to firmly establish its own currency with such help as other countries can give or a group of currencies through an international stabilization fund. But the burden of responsibility and success rests upon each individual country. Gold will remain, as it has been for generations, the uniform international currency of the world. The size of each individual unit of currency or the name makes no difference.

Debts and Taxes

After World War I and the reconstruction loans the Federal debts amounted to about 26 billion dollars. We aided the rest of the world to stabilize their currencies. We loaned them gold and sold them capital and consumer's goods on credit. We became the world's great creditor nation. But we held onto our high tariff policies. Investors demanded protection from the low costs of production of foreign countries, labor demanded that their jobs be protected from the cheap goods of European and Asiatic labor, the farmers demanded protection from the low prices of South America, Australia and Canada, and we proceeded to shut the door to the collection of the proceeds of our foreign investments in the only way that they could be collected—in foreign goods. This policy brought on wholesale defaults on the part of our foreign borrowers. In the meantime we created domestic prosperity by selling our production abroad on credit, paid off 10 billion of our domestic Federal debt, inflated our bank deposits more than 100% and gradually reduced our foreign trade as our foreign borrowers were unable to buy or pay. Our domestic credit inflation created a large measure of false prosperity and collapsed with our foreign securities and the foreign exchanges in the early '30's.

After this war and the reconstruction our foreign debt problems may or may not be so large owing to lend-lease financing. Foreign countries will need plenty of our capital and consumer goods provided we are willing to sell them on credit. If we do sell to foreign countries on credit we know that we cannot collect in gold. The proceeds must be invested in the capital and productive facilities of the foreign countries and we must accept pay in the goods produced. All this will make for lower prices and a more abundant supply of goods in the United States, and the whole world for that matter. The statesmen of both of the leading political parties are promising these global results. But the economic and political repercussions are yet to be dealt with. The labor unions, the farmers and the investors who have given their all to win the war will have something to say and will say it at the ballot box.

But what of our Federal debt? It is estimated that this debt will reach the sum of 300 billion dollars. Can it be paid in honest dollars? Dr. O. Glenn Saxon said in these columns: "It can, and must be borne and redeemed in honest dollars if we are to avoid national bankruptcy and dictatorship." With his clear-cut demand any honest man will agree. It would be an unthinkable fraud to cheapen the dollar even as France cheapened the value of her currency. What gratitude for the buyers of savings bonds, the soldiers who will return with small savings and small pay, and the millions of people who have worked and saved only to find that it was all a fraud? Cheapening the dollar, or repudiating the debts won't do. We must pay and pay in honest dollars or face consequences more serious and disturbing for generations than the hardships of the war itself have been. Britain will pay her domestic debts and restore sound money, and the policy as advocated by Prime Minister Churchill in his radio address of March 21, in my opinion has had a disillusioning effect upon some of our would be repudiators and inflationists. Britain feels her responsibility to the investors in war bonds, and the returning soldier and has announced so to the world. Will we likewise pay and pay and stand the hardships? This is the best policy, but it is not a road of ease and leisure nor is any other solution.

Deflation and Debt Payments

After the Civil war we followed the admirable policy of returning the dollar to par and paying the debts. After a few years of reconstruction and a boom growing out of railroad building we had at least 30 years of deflation and so called hard times. After the Napoleonic wars in Europe the struggle against inflation and debts lasted for about 40 years. This was a period of deflation, declining prices and business depression. After World War I the United States, the British Empire countries and many neutral countries returned to sound money and accepted deflation as wise policy. International debts were defaulted on the part of many countries who decried the policy but claimed that at the time there was no other solution until the creditors were willing to take goods for payment. If this war is followed by an abolition of tariffs I venture to guess that the British Empire countries will pay their international debts, even those that were defaulted after World War I.

But what will be the effect upon our domestic economy of paying off even half of 300 billion dollars debts over the next 50 years? This seems to me the only sound solution, but will the taxes and the deflationary effect of these policies of sound fiscal finance and money hurl our economy into a period of deflation similar to that following the Napoleonic wars, the American Civil war and the first World war? Because of the greatly improved production capacity of modern business, and the speed of communications and transportation it does not seem necessary that we repeat either the mistakes or hard times of these past periods. Nevertheless that there may be shorter periods of hard times and even defaults can hardly be doubted. However these periods of depression will be lessened by the courage and determination to pay our debts as we would have our debtors pay theirs. It would be a great stabilizing factor to know exactly what the policy is going to be, and to know that it will be a policy that we will not waver from or in any way compromise with fraudulent practices but hold rigidly to honesty and square dealings.

Reconstruction and Inflation

The cessation of hostilities will usher in a reconversion to peace time production and business such as never before witnessed. The job is much larger than after World War I and far more costly. The shortage of peace time goods exceeds that of 1918 in everything from motor cars to food. The grab for materials and supplies may be a stampede. Government regulations may slow down the progress. But the volume of business activity for a couple of years after the transition period will probably make new peace time records. After this short period of reconstruction and replenishing of peace time needs is over a let down in both business and prices will probably duplicate that following the major wars of the past. The time duration of this deflationary period should be much shorter than the depression following the American Civil war or the Napoleonic wars because of the speed of modern readjustments made possible by transportation, communication, new and greater variety of economic goods and opportunities, and the promise of reduced trade barriers throughout the world. The period of readjustment and stabilization after World War I was interrupted by the preparation for the present war and no valid comparison can be made.

The excess purchasing power in the hands of the public may create such a demand for the short supply of goods the first year of peace that price inflation will get out of bounds. Such a rise in prices will correct itself when the excess purchasing power is spent and the supply of goods increased to meet the demand. The real danger lies in the excess currency, bank deposits; and the large amount of the Federal debt owned by the banks. Every bond is purchasing power equal to its market value in dollars, every bank deposit is worth its face value in dollars and every dollar is worth what it will buy. A decline in the prices of bonds would embarass the banks. After every war in the past bond prices have declined sharply with the return to sound money and free markets. Will the history of money market and bond prices be repeated after this war? If an effort is made to restore sound money policies, interest rates will rise, bond prices will fall and a period of deflation will follow. But if we are unable to stand reality and continue a monetary inflation policy in order to maintain bond prices at par and protect the banks at any cost then an era of cheap money, inflation, and declining value of the dollar will be inavoidable. After World War I France devalued her currency 80% and wholesale prices rose to more than 700% of the 1913 level. By 1935 about half of this increase in wholesale prices was lost for strictly French domestic goods but by the beginning of the present war the wholesale price level had regained most of this loss from deflation and was again close to the inflation peak of 700% of the 1913 level. Devaluation and

(Continued on page 310)

"One-Man" Parties Seen Freedom Threat

(Continued from first page)

rights and responsibility is reviving all over the country" and that "the States are, as never before in our time, showing a capacity for good government." Of the 40 Governors at the recent Governors' Conference in Columbus, he noted, "anyone of 10 of them would make good Presidents of the United States."

Submitting these as "elements of hope in the present situation" Prof. Moley at the same time cautioned that "the danger of the new personal federalism is very great." "When we develop one-man parties" he warned, "we are only a step from a one-man State." He concluded by urging that there be kept in mind "the necessity that American citizens who love their country should be helpful in keeping party Government alive and be patient in the efforts of Congress."

Prof. Moley's remarks follow substantially in full:

It becomes my pleasant duty, as a Trustee of the Tax Foundation, to welcome this goodly group of men from American industry. These annual meetings, of which this is the fourth, are the outgrowth of requests by industrial corporations to provide opportunity for off-the-record discussion of technical matters of taxation and related industrial problems. At the moment, there is no tax bill in sight. But there are other serious questions that confront industry. These are questions that may well justify the holding of this conference. They include the question of reserves for postwar contingencies and the termination of war contracts. . . . I shall avoid any discussion of the subject that brings you together, for the simple reason that I have no desire to carry coals to Newcastle. It has been suggested merely that I offer you the somewhat pessimistic suggestion that no matter what the figures may be that you men of business add up, so long as government provides the adding machines, you cannot be certain that your computations will be what you expect them to be.

I am reminded of a conversation that I had, during the Supreme Court fight six years ago, with that magnificent old statesman of the House of Representatives, Hatton Sumners. He had not yet made the speech that, by popular consent, was the death knell of court-packing, but in the privacy of his office there was no doubt about his convictions. He said to me something like this:

"The whole question of what we are going to do to the Supreme Court depends upon the kind of government that we want to create. The organs of a living being are determined by the sort of medium in which that living being expects to live. If it is an animal that lives in the air, it will need lungs; if it is going to live in the water as a fish, it will not need lungs."

Your calculations, I need not remind you, depend, in the last analysis, upon the sort of economic society in which you will be expected to produce goods. You cannot be equipped with the organs of a fish and be expected to climb mountains, nor can you be equipped with the organs of an animal and live under water. I need not discourse upon the reasons why the government holding certain economic views and theories cannot provide the essential atmosphere in which business can meet postwar problems. If you believe, as I do that there are impossible obstacles, I need not take your time by telling you what they are. If you do not so believe, I can't help you; you will just have to live and learn.

The jobs that American industry will be expected to do, however,

(Continued on page 318)

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A Vital Message To All Shoe Buyers

FROM THE

International Shoe Company

BECAUSE there has been considerable misunderstanding regarding the quality of shoes now available to civilians, it is important that you become acquainted with the facts.

Perhaps this message from America's largest manufacturer of shoes will be helpful to you.

At present, our Government has first call on shoe materials. Millions of pairs of shoes are being manufactured annually for our armed forces. These shoes are built according to rigid government standards. Only the best materials and skilled workmanship are suitable. Neither you nor we would have it otherwise. Victory demands it.

But—does that mean good shoes—dependable shoes—are not to be had by civilians?

Not at all—*you can still buy good shoes.* The honor and integrity of the International Shoe Company stand behind that statement.

We, as well as other shoe manufacturers, could make more shoes were we willing to disregard quality—*but quality is the essence of this message*—and this company is determined not to use present conditions as an excuse for lowering the moral standards of its product—standards maintained for more than forty years.

Despite heavy demand from our armed forces, there is still a sufficient quantity of good, serviceable shoe material available to meet essential civilian requirements. We assure you that we will continue to manufacture shoes that will return full value for your dollar—and satisfactory shoe mileage.

You may continue to have confidence in the shoes made for men, women, and children by this company. We shall keep faith with the wearers of our shoes.

INTERNATIONAL SHOE COMPANY, St. Louis, Mo.

Frank C. Rand, CHAIRMAN OF THE BOARD — Byron A. Gray, PRESIDENT

INTERNATIONAL SHOE COMPANY

Sales Branches

St. Louis, Mo.	St. Louis, Mo.	St. Louis, Mo.	Manchester, N. H.
Roberts, Johnson & Rand	Vitality Shoe Co.	Continental Shoemakers	Sundial Shoe Co.
Peters	Queen Quality Shoe Co.	Conformal Footwear Co.	Great Northern Shoe Co.
Friedman-Shelby	Dorothy Dodd Shoe Co.	Pennant Shoe Co.	Interstate Shoe Co.
Hy-Test (Safety Shoes)	Winthrop Shoe Co.	Jefferson Shoe Co.	Metro-Craft Shoe Co.

Lady Fashion Heel-Cup by Friedman-Shelby · Heel Latch Shoes · Star Brand Shoes · Uptown Shoes for the man about town · Red Goose Shoes · Vitality Shoes · Poll-Parrot Shoes · Conformal Shoes · Winthrop Shoes · Weather-Bird Shoes · Peters Diamond Brand Shoes · Sundial · Queen Quality Shoes · Dorothy Dodd · Velvet Step Shoes · Happy Hikers · Friedman-Shelby Shoes · Foot-Fashion Shoes · City Club · Hy-Test Safety Shoes

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When Inflation Comes, Deflation Cannot Be Far Behind

(Continued from page 308)

inflation did not prevent deflation and depression in France but greatly increased the amplitudes of inflation and deflation.

After the post war boom perhaps two or three years at most we must expect substantial deflation. However the duration of this deflation depends on the monetary policies pursued. History leaves no doubt about the wisdom of pursuing a sound money policy and paying our debts with honest dollars. But the popitical expediency of the times may lead to the adoption of policies permanently detrimental to our national welfare.

Investing to Hedge Against Inflation or Deflation, Which?

How would you invest your capital and your savings if you knew what the future money, debt and tax policies were to be? If you do not know how will you invest? Would it further stability and production to know what the policies are to be?

We should know the policies. We should expect sound money and strictly honest financial policies. For the mass of investors to be in doubt is to encourage chaos. Most investments must be made for a long period of time but constant vigilance and management are necessary. The present large volume of short term investments in this country is extremely dangerous. A sudden movement of this vast short term capital investment or flight from the dollar would create a crisis such as we have never seen. Any such fear should be avoided.

An analysis of the results from investments in the highest grade bonds of the many countries that went through inflation and devalued their currencies after World War I shows that the investor lost in purchasing power over a period of ten years roughly the percentage of the currency devaluation. Similar investments in the bonds of countries that did not devalue show that the loss in no case amounted to more than 20% and in most cases was much less.

In the countries that did inflate and devalue their currencies common stocks were not a satisfactory hedge but they were far better investments than bonds. A select list of common stock investment as of January 1, 1914 such as were actually held by investors in the United States would have shown the following results as of January 1, 1928: France a loss of 66% of the original capital value of the investment; Germany 50%; Italy 55%; Austria 72%; Belgium 38%; and Hungary 77%. Interest payments on the bond investments in many cases ceased and the value of all interest payments declined in proportion to the devaluation of the currencies. While the dividends on the common stocks declined during the inflation depression, in the recovery periods the increase of the dividends was very satisfactory.

Similar investments in the highest grade bonds of the countries that did not devalue their currencies but returned to sound money and honest payments of their obligations would have maintained the investor's purchasing power with a regular income and without default throughout the period. These countries included Sweden, Switzerland, Norway, Denmark, Holland, England, Canada and the United States.

Taking select investments in common stocks of these countries such as actually held by investors in the United States in January 1914 and maintained until January 1928 showed a regular income from dividends, and with very substantial increases in the 20's. The capital value of the common stocks held through this period did not show a loss for any one of these countries and in some cases showed an increase of as much as 200%. Most of this capital gain however was lost in the collapse of the securities markets in 1929 and 1930.

This investigation conclusively shows the advantages of investing in the securities of countries that avoid both currency and credit inflations.

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

N. J. State Banks Urged To Join Fed. Reserve

The New Jersey State Banking Advisory Board on July 7 again urged all New Jersey banks and trust companies not members of the Federal Reserve System to take steps to obtain such membership. Deputy Banking Commissioner John T. Connolly, Secretary of the Board, said that unaffiliated institutions were urged to join the Federal Reserve System last Sept. 11, but that the response has not been what the Board thought it ought to be. As far as he knows, only one or two banks have entered the system since September, Mr. Connolly added.

First National Bank Of Miami Elects Meeks Exec. V.-P.; Crandon & Reeder Named V.-Ps.

Two important changes in the official personnel of The First National Bank of Miami, Florida, were made at a meeting of the board of directors on June 22, when Charles H. Crandon was elected Vice-President and Carl Meeks was named Executive Vice-President.

In a statement to the press, Edward C. Romfh, President and Chairman of the Board of the bank said, "Mr. Crandon is a man

Charles H. Crandon

Carl Meeks

Clifford H. Reeder

of sterling character, eminently successful in business and a widely known civic leader. He will serve in an advisory capacity to our senior officers and as Assistant to the President of this bank."

Regarding the activities of Messrs. Crandon and Meeks the announcement from the bank says:

"A director of The First National Bank of Miami since 1940, Mr. Crandon is President of the Crandon Wholesale Drug Co. which he established in 1916. He is a native of Acushnet, Mass.

He is Chairman of the Finance Committee of the Dade County Commission, and has served as County Commissioner continuously for 14 years. He has been prominent in the artistic and cultural development of Miami and Dade County, particularly in beautification plans and musical circles. He organized the county park system and is a director of Fairchild Tropical Garden. One of the largest parks in the nation, now being developed on Biscayne Key, opposite the mainland of Miami, has been named Crandon Park in his honor. He is President of the Miami Civic Music Association, which he organized to present nationally and internationally known artists in recital in Miami.

"Mr. Crandon was the original sponsor of the Rickenbacker Causeway, now under construction, which will connect Miami with Virginia and Biscayne Keys; is a member of the executive committee of the Dade County Defense Council and was responsible for the first war bond organization in Dade County. He is Chairman of the County Board of Health, which he organized, and is a trustee of the University of Miami. In 1929 he received the civic achievement award from The Miami "Herald," and in 1938 won the Greater Miami citizen award from the Miami "Daily News."

"Mr. Meeks has been Vice-President of The First National Bank of Miami since 1941, and upon assuming duties as executive Vice-President was also elected to the board of directors. He began his banking career in 1906 in Coffee County, Ga., and was Assistant Cashier of the Brunswick Bank & Trust Co., Brunswick, Ga., immediately prior to coming to Miami in 1919. He handled his own real estate investments in Miami from that date to 1933, when he was appointed liquidating agent by the State Comptroller of Florida. Duties of liquidating the Bank of Bay Biscayne, Biscayne Trust Co., Trust Co. of Florida, Guardian Trust Trust Co. and Dade County Security Co. occupied his time until he became affiliated with The First National Bank of Miami."

It is also announced that another recent addition to the official family of The First National Bank of Miami is Clifford H. Reeder, who was elected Vice-President. As to his connections the advices from the bank state:

"A native of Athens, Tenn., Mr. Reeder has lived in Miami 31 years, and returns to the banking field after an absence of nearly 10 years. He was President of the First State Bank of Hialeah and the Bank of Miami from 1929 to 1934. Mr. Reeder has served 10 years as City Commissioner of Miami, and his present term of office will expire in 1945. Four of those years he has served Miami as Mayor, from 1929 to 1931 and from 1941 to May of this year. He also has been engaged in the real estate business for 15 years. Active in civic affairs, Mr. Reeder is a charter member of the Veterans of Foreign Wars and the American Legion, and is a past commander of the Harvey Seeds Post of the latter organization. He has been a member of the Rotary Club for 25 years."

Other Vice Presidents of The First National Bank of Miami include Laurence Romfh, son of Edward C. Romfh, President and Chairman of the Board; Alec Baker, George B. Romfh, William C. Hill, C. E. Klugh, H. F. Northrop, C. C. Nielsen and C. E. Buker. David B. Alter, Jr., is Vice-President and Trust Officer, and Olin G. Symons is Vice-President and Cashier.

Economic Cooperation Between Mexico, U. S. Urged In Joint Report

Full economic co-operation between the United States and Mexico during and after the war "for the maximum development of both nations" was urged on July 18 in a report by the Mexican-American Commission for Economic Co-operation made public in Washington.

A report to President Roosevelt and President Avila Camacho said:

"The days of exploitation or economic imperialism, whether by nations or by powerful private groups, are past—no future Mexican or United States government will condone or permit their reappearance."

Associated Press accounts from Washington, in its advices in the matter further reported:

"Recommendations for Mexico included full development of food supply, immediate and long-range industrial projects, concentration on production of war materials, a program of public works projects, and expansion of transportation, communications, merchant marine and fisheries.

"Named by the two governments after President Roosevelt and President Avila Camacho conferred in April, the Commission seeks to correct Mexico's disturbed international trade, thrown out of kilter by the war, and at the same time keep strategic materials flowing to the United States.

"President Avila Camacho expressed "sincere satisfaction" with the commission's conclusions. President Roosevelt said the recommendations "are indeed in the spirit of friendliness and mutual understanding."

"A joint statement released by the State Department said "the governments of Mexico and the United States of America manifest their determination to take without delay the necessary steps to carry into effect the conclusions" in the report.

The report said Mexico's imports from the United States shrank from $159,000,000 in 1941 to $147,000,000 in 1942, while her exports to the United States increased from $141,000,000 to $179,000,000. Her imports were $59,000,000 in the first four months of this year and exports $73,000,000.

The increase in imports and "restricted availability" of important items Mexico desires to purchase, the report said, contributed to her balance-of-payments problem.

Mexico, the Commission said, will continue to concentrate on production of strategic materials and the United States "will continue to deliver supplies and equipment to make the production possible" during the war period.

The United States undertakes it added, to supply necessary repair and replacement parts unobtainable from other sources for the agriculture program. New equipment must be provided if "present modest goals are to be attained."

The Commission recommended that an industrial Commission be created by Mexico, with a representative of the United States as a member, to develop and carry forward long-term programs for industrialization of Mexico.

Orderly development of electrical, steel, rubber, cement, chemical, textile, sugar and alcohol, and pulp and paper industries, were considered so the industrialization may "proceed at as rapid a pace as possible consistent with the necessary restrictions on the use of critical materials and equipment during the war."

President Rosevelt's trip to Mexico was referred to in our issue of April 22, page 1490.

June War Expenditures Were $7.7 Billions

War expenditures by the United States Government during the month of June amounted to $7,688,000,000, an increase of $315,000,000 over May, or 4%, the War Production Board announced on July 14. The Board's advices stated that "the average daily rate of expenditures in June was $295,700,000, compared to $283,600,000 in May, also an increase of 4%. The daily rate is based on the 26 days in each month on which checks were cleared by the Treasury."

The WPB announcement further said:

"Expenditures for war purposes for the fiscal year 1943 amounted to $75,100,000,000, or 2.7 times as much as the $28,300,000,000, expended in fiscal 1942, and eleven times as much as the $6,700,000,000 spent in fiscal 1941.

"From July 1, 1940, to June, 1943, inclusive, expenditures for war purposes by the United States Government amounted to $110,000,000,000.

"These figures cover war expenditures by the Treasury and Reconstruction Finance Corporation and its subsidiaries."

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NY City War Plants Hiring More Workers But Upstate Levels Off

The manpower shortage in certain areas of upstate New York has been reflected by the stabilization of employment in war plants during the past three months, according to the New York State Department of Labor. In New York City, where the recruitment of labor does not yet present a serious problem, war industries have continued to hire additional workers. Employment in war plants throughout the State has been characterized by a shift in the employment of men and women with more and more of the men entering the armed services being replaced by women workers. During the past year the number of women employed in war plants in the State has more than tripled, so that women now comprise 24.2% of the total number in the metal and machinery group.

The Department's announcement of July 15 further explained:

"From May to June there was a slight drop in total employment in New York City and a small increase upstate. The decrease in New York City was principally the result of the seasonal decline in the apparel industry which more than counter-balanced employment increases in war plants.

"The New York State Department of Labor's index of factory employment for June was 159.4, an increase of 0.1% from May and an increase of 14.4% over June a year ago. The payroll index was 287.7 this month, which represents an increase of 1% over May and of 35.7% over last June. These indices are based on the average of 1935-1939 as 100 and are prepared by the Division of Statistics and Information. Average weekly earnings were $44.72 this month compared with $37.68 a year ago. The above statements are based on final tabulations covering reports from 3,172 manufacturing firms throughout the State.

"Among the civilian goods industries, the largest employment losses from May to June were reported by the tobacco and apparel groups. Employment was slightly higher in the food, furniture and printing industries. Payrolls advanced in all of the non-durable goods industries except apparel and leather products."

Seasonal Decline in Apparel Industry Smaller Than Usual

"The seasonal decline from May to June in the clothing industry was much smaller than for the same period last year. The employment decrease amounted to 2% this year compared with an 18% loss in 1942. The payroll decline was only 1%, whereas it was 24% from May to June last year. Although dress manufacturers laid off many workers, there was a general wage-rate increase in the dress industry of about 6%. The coat, suit and skirt houses were busier as they started work for the fall season. A few of the larger men's tailoring firms upstate reported increased activity. Employment and payrolls continued to decrease in most other branches of the apparel group.

"The food industry reported a substantial payroll gain of 3.6% while employment increased only 0.4%. Producers of dairy products, sugar and beverages employed many additional workers; meat packers and canners hired a few more, while candy and macaroni factories curtailed activity. In the chemical industries, employment increases in plants making cosmetics, soap and linseed oil were more than offset by losses among those producing drugs, industrial chemicals and fertilizers. In the stone, clay and glass group, manufacturers of abrasives and insulators reported increased production but those making building materials curtailed operations sharply."

New York City

For the fourth consecutive month, employment in the metals and machinery industry in New York City showed a fairly large increase. This gain amounted to 2.1% from May to June, accompanied by a 1.8% increase in payrolls. Employment was 25.5% higher for the group than last June and payrolls were 46.2% greater. Aircraft plants had the largest increases for the month; shipbuilders also hired more workers. * * *

The Syracuse district had the largest employment increase for the month of any of the industrial areas throughout the State. The labor shortage, however, is beginning to make itself felt in this district so that expansion in war plants has been cut down to a slower pace than during the earlier months of the year. * * *

War production has assumed increased importance in the Binghamton - Endicott - Johnson City area in recent months. From May to June total employment for the district increased 0.7% in spite of a decline in the shoe industry. Both Buffalo and Rochester showed very small employment gains during the month. Because of the labor stringency in these areas, a general leveling off of employment has been evident for the past few months.

Form Group To Aid In Settling Claims On Foreign Property Loss

The National Foreign Trade Council, New York, announced on July 10 the formation of a foreign property holders protective committee to facilitate the establishment and collection of claims by American corporations and individuals suffering losses resulting from wartime destruction and seizure.

The committee, organized by the Council in consultation with its members having property holdings in enemy and enemy-controlled countries, will seek "to avoid the difficulties that arose following the last war in establishing proof of claim, and to prevent a repetition of the inordinate delay in the settlement of these claims."

In the New York "Times" of July 11, the following additional details were reported:

"Participation in the activities of the committee, however, will not be confined to members of the Council. The body will function as "a policy-forming group," representing the private interests involved, and as the instrument through which the individual may seek the benefits of united action in representations to Government departments "concerning the principles to be applied in seeking restitution of, or compensation for, losses and damages suffered." The committee, it was stated, is not an agency to handle and negotiate the settlement of individual claims, "this being a matter of direct dealing between the individual claimant and appropriate Government departments."

"The committee objectives are:

"1. To determine the principles which should govern calculations of the amount of loss, the formalities required for establishment of proof of loss and the manner in which compensation should take place.

"2. To present the principles mentioned above to the United States Government and, when appropriate, to other governments, so that the interests of foreign property owners may be adequately taken care of in the peace treaties or other settlements.

"3. To gather and collate all information pertinent to the proper prosecution of claims so that all participants may be adequately informed of the treaties, laws and regulations in the various countries and territories.

"4. To maintain close contact with the proper authorities so that the property, rights and interests in territories occupied or reoccupied by the Allied nations may be adequately protected without delay."

Federal Home Loan Banks' Dividends At $832,198

Dividends paid by 10 of the regional Feedral Home Loan Banks for the first half of 1943 amounted to $832,198, James Twohy, Governor of the Federal Home Loan Bank System, announced on July 17. The other two of the regional Banks declare their dividends on a yearly basis, he said. Of this amount, it is announced $583,054 went to the Reconstruction Finance Corporation, owner of the Government's stock in the regional Banks and $249,144 to the 3775 member thrift and home-financing institutions of the System, including savings and loan and homestead associations, cooperative banks, mutual savings and insurance companies.

Since they were established more than 10 years ago, the Federal Home Loan Banks have paid a total of $20,310,127 in dividends —$15,527,075 to the Government and $4,783,052 to the member institutions. At the end of May, total advances of the Federal Home Loan Banks to their members amounted to $1,007,214,459, of which $927,993,100 had been repaid.

New Horizons

Because of the increased wartime demand for petroleum products, America's reserves of crude oil in the ground are being drawn upon more rapidly than they are being discovered.

The Pure Oil Company employs a staff of more than 100 skilled geologists. To these men much of the credit is due for the outstanding record in exploration, expansion and development of Pure Oil properties during the past 28 years.

Last year through the efforts of these men The Pure Oil Company was again able to show a substantial increase in oil reserves.

Pure Oil reserves, below ground, were greater at the end of the year than at the beginning of 1942.

Today the oil reserves of our nation as a whole are diminishing, and Pure Oil geologists are more determined than ever to help replenish them. With plane tables and stadia rods they are sherlocking the nation, from coast to coast, from the Canadian border to the Gulf of Mexico, in search of new oil-producing areas. With magnetometers and seismographs they are injecting man-made earthquakes deep into the subsurface strata of already active fields in quest of "new horizons."

Supplying the oil we need for war, and for civilian needs now and after the peace, is a herculean task. Our geologists and production engineers have accepted the challenge, and can be counted on to do their part to help bridge the gap between supply and demand.

The Pure Oil Company, U.S.A.

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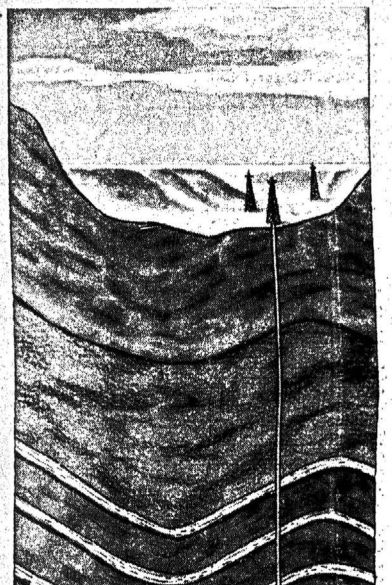

GOING DEEPER . . . To help meet the nation's growing need for greater oil reserves, Pure Oil production men are drilling to "new horizons."—deeper oil-bearing formations—wherever possible today.

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Over-the-Counter Trading On The National Securities Exchanges

(Continued from first page)

exchanges whose transactions are largely in securities of national interest, and on which price changes are actually determined by transactions, would be limited to the New York Stock Exchange, the New York Curb Exchange, the Chicago Stock Exchange, and the San Francisco Stock Exchange. On these stock exchanges there is a large volume of transactions in securities which have predominately a local market interest. Unhappily there is a large number of securities traded on all these exchanges which could not qualify for an auction market.

Functions of the Markets

The New York Stock Exchange is an auction market for listed securities which for the most part are of national interest. The Curb Exchange, the Chicago Stock Exchange and the San Francisco Exchange all have listed securities which are of national interest but the relative number of securities of local interest is larger in proportion to their total listings than in the case of the New York Stock Exchange. Many of the other National Securities Exchanges have listed some stocks of national interest but their listings and their business are primarily local. Prices of securities listed on the larger exchanges, when traded on these local exchanges, are determined for the most part by the prices on the so-called "Big Board."

All of these developments seem to be a process of evolution brought about to meet economic conditions and local needs. No one will doubt that the most qualified development of the auction market and specialist systems are on the New York Stock and Chicago exchanges. It is probable that in time economic changes will necessitate the development of real national securities exchanges in the case of some of the smaller regional exchanges. In the mean time they are perhaps serving a local need, and time, free enterprise, and economic changes should be allowed to determine their fate. Any attempt to force these regional exchanges to grow beyond the local economic demand will doom them to costly failures.

The number of corporations in the United States which have sold securities to the public probably exceeds 500,000. But only about 1,500 of these corporations have listed their securities on the New York Stock Exchange. The total number of corporations whose securities are listed on all National Securities Exchanges perhaps would not exceed 3,000, and no doubt half of these are predominately of local interest, and have no real national distribution of their securities.

In addition to the hundreds of thousands of small corporations whose securities are not listed on any exchange, there is that vast body of securities representing strong and large corporations whose securities are closely held, such as the Ford Motor Company, Corning Glass Works, General Analine & Film Company, and the banks, insurance companies and a miscellaneous variety of the most desirable securities from the standpoint of the investor. In fact many of the best investment securities listed on the exchanges are so closely held at times that they can not be considered as meeting the required characteristics of an auction market. Where the spread between the bid and ask prices varies from one point to several hundred points, as in the case of Coca Cola International, an auction market is not practical. In fact it is misleading to have such transactions on an auction market.

As every one interested in securities knows, the market for investment bonds of all types and grades is largely over-the-counter. These securities qualify for a negotiation market, and include such as all U. S. Government obligations, State and municipal bonds, the investment grade rail and utility bonds. The more speculative, uncertain and risky bonds have a very good auction market on the New York Stock and Curb exchanges. But even these bonds have never been marketed in any large volume on any of the other National Securities Exchanges. The auction market seems to serve best for securities in which there is a large speculative public interest. To function as intended an auction market needs volume, a large number of buyers and sellers where bid and ask prices can be matched within an eighth and a quarter spread. It seems clear without further debate that high grade investment securities closely held of all types and the corporation securities of local interest do not qualify for auction trading. To list these securities on the exchanges would require a totally different system of trading organization to handle them. A system has developed to handle this business according to the economic demands of the buyers and sellers in the over-the-counter markets. The over-the-counter markets have their faults, as do the listed markets, but it still remains to be proved that the uprooting of this well established system of over-the-counter markets which the public has developed would better serve "the public interest" than it is now being served.

There is much misleading propaganda put out under the pretense of "the public interest," and the "protection of the investor."

The Securities and Exchange Commission should define fully what these terms mean in the law, and the definitions should be in language that the investor and the public can understand and not in phrases for lawyers to quarrel over and politicians to make propaganda out of.

If it was in the best interest of the public and the investors to change the existing system of trading in securities both the dealers and the investors would demand those changes once the SEC, or the exchanges or any one else has made sufficiently clear that the public would gain by the change or that the investor would be protected. This phrase "to protect" the investor is a dangerous one. What does it mean? It does not mean to protect the investor against loss from price changes, or against economic changes which may impair or destroy the business in which he invests his savings, nor even against ill-advised laws and the attacks of politicians for selfish gain, which impair the value of investments.

The only way that the exchanges and the dealers in the over-the-counter markets can protect the investor is to keep him informed of all the available information about the securities he buys and other securities which might serve his needs better. But no dealer or broker has all this information. Most firms in the securities business depend on investment or trading services, and a historical record of the success of the advice of these services, I venture to guess, will show that not one of them has been right 50% of the time over a period of years. And this is no criticism of the honesty and integrity of any of these services or of the brokers. Rather I prefer to emphasize the uncertainty and dangers in all investment and speculation. In this connection the greatest need of all brokers, dealers, investors and the personnel of the SEC is a thorough knowledge of industrial, financial and business history. I mean a knowledge of what actually happens in the way of failure, profits, losses, and the constant change that goes on in all business enterprise.

The average life of stocks listed on the New York Stock Exchange probably does not exceed 10 or 15 years, in spite of the fact that there may be some 50 or a 100 years old. A look at the corporations that come into existence each month and the number that go out of business each month will show that at times many more corporations die than are born. This is not only true of industrial corporations. Today we have at least ten thousand less banks than we had 15 years ago. These same conditions of change or failure will be found in all industry. Once I was told a story of the motor car industry by a well informed man who had spent his life in the industry and made a fortune. I can not remember the details but it is essentially this. Of some 400 motor corporations which had been financed, only 40 were then in existence, and these forty had been consolidated into four companies, and of these four only two were then paying dividends. Yet during this time we have produced a much better car at less cost and the public certainly is better served with motor cars as a result of the trials and errors, successes and failures, losses and gains. Many men have been made rich in the motor car industry, but many more have been made very poor. Now the real purpose of this information about economic and industrial changes is to get at an understanding of how to "protect the investor." In my opinion there is no protection. The best possible information, and an alertness to get out of the more risky into the less risky investment or speculation, if you please, seems to me the only protection. It is my hope that "the public interest" will be protected against the destruction of progress and improvement by well wishers who would, by their zeal to protect investors who want to speculate, restrain new developments and thereby destroy capital, profits and consumers' goods.

The over-the-counter markets evolved in a natural way in this country to meet the needs of the investors, speculators, and the trade and it would seem extremely dangerous to take any measures that might destroy what the intelligence of society has produced.

The greatest service the Securities and Exchange Commission can perform for the markets is to eliminate the red tape, unnecessary costs, useless reports, simplify all accounting and legal requirements and delete unnecessary information which does not bear upon the value of the securities.

31,774 New Freight Cars On Order By Roads July 1

Class I railroads on July 1, 1943 had 31,744 new freight cars on order, the Association of American Railroads announced on July 20. This included 3,494 plain box; 2,525 automobile box; 6,669 gondolas; 17,532 hoppers; 200 stock and 1,324 flat cars. On the same date last year they had a total of 39,530 on order.

The Class I railroads also had 1,024 new locomotives on order on July 1, this year which included 506 steam, five electric, and 513 Diesel locomotives. On July 1, 1942, they had 917 locomotives on order which included 350 steam and 567 electric and Diesel.

The Class I railroads put 9,415 new freight cars in service in the first six months of 1943, compared with 48,769 in the same period last year. Those installed in the six months of 1943 included 3,345 hopper, 4,018 gondola, 1,387 flat, 135 automobile box, 481 plain box, two stock and 47 miscellaneous freight cars.

New locomotives put in service in the first six months this year totaled 1,293, of which 200 were steam, 13 electric, and 80 Diesel. New locomotives installed in the same period last year totaled 365, of which 148 were steam and 217 were electric and Diesel.

Unify Peru Internal Debt

Unification of the Peruvian internal debt, merging all internal loans into one which will pay 6% a year interest, was announced on July 12 by President Manuel Prado.

In Associated Press advices from Lima, appearing in the New York "Sun" the following was reported:

"The loans being merged have various interest rates. Describing the move over the national radio as 'one of the most important financial measures ever undertaken in Peru,' Prado stressed that 'despite restrictions created by the world war, Peru's economic conditions are bright.'

"He added that the country had canceled several external loans and had contracted no new ones. Credit opened for Peru three years ago by the Export-Import Bank of Washington amounting to $25,000,000 had not been touched, he said."

Construction Contracts 50% Below Last Year For First Six Months

Construction awards in the 37 eastern states aggregated $1,851,272,000 during the first six months as compared with $3,723,725,000 in the corresponding period 1942, according to F. W. Dodge Corporation on July 23. The decline in the three major categories were: non-residential building down 54%, residential building down 50% and heavy engineering work down 44%. The greatest dollar declines were in manufacturing buildings, miscellaneous non-residential buildings, public works, utilities and one family houses all of which are types of construction which were pushed in 1942 so as to expand the nation's war production capacity and to provide military and naval training facilities. The report added:

The month of June showed only a minor decline of 2% from the preceding month due primarily to a drop off of $22,577,000 in heavy engineering work. Manufacturing buildings with a valuation of $53,717,000 was more than double the May total of $24,206,000 but fell far below the June, 1942 figure of $271,801,000.

June residential building, amounting to $61,508,000, was $1,783,000 below May, but ran just about a third of the June, 1942 total of $185,471,000.

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Tomorrow's Markets Walter Whyte Says—

Popular following brought in by Dow theory signal not bullish sign. Selling frequently appears to be better than buying.

By WALTER WHYTE

After a hectic week with both averages making new highs and the news of the Rome bombing making page one stories, the market acquired a new following. The people who had occupied the sidelines so long waiting for the classical Dow theory confirmation finally jumped in with both feet. The result was obvious. Stock after stock made new highs, and as this is being typed rumors of still higher prices are coming in over the phone. The only thing lacking to make this an old-fashioned bull market is the absence of market news on the front pages of daily newspapers.

* * *

Yes, it's very easy to be bullish today. But because it's so easy I again will have to decline the dubious honor of following the mob. For the market in its strange way persists in refusing to be impressed with either the war news or the action of the averages.

* * *

It is true that stocks have made new highs but the matter of making the new highs was a simple matter. Most of them were only a fraction of a point away from their old tops already. But what is perhaps more important is the refusal of volume to increase to respectable proportions. If you take that odd reluctance and place it alongside the comparatively few stocks which have been showing plus marks the whole market will not look as healthy as first indications would show. Selectivity is the watchword and if you haven't got the right stocks you might just as well be in a bear market for all the good the Dow theory confirmation does you.

* * *

Before I write anything about the action of individual stocks and what they indicate I'll give you a report on the stocks you still hold. United Aircraft, which was recommended at 38, broke its stop price of 36 last week. It's true it snapped back but the signal has been given. So if you still hold it—don't.

* * *

Reynolds Tobacco B, now about 32, was bought at 31½. Keep your stop at 30.

* * *

Electric Auto-Lite got up to the 39 price, then fell asleep. In last week's column I wrote: ". . . if it (Electric Auto-Lite) gets to 39 and runs into dullness don't wait for the 37 figure to be broken. Get out then." If you haven't followed the suggestion, then don't forget the 37 stop price.

* * *

Fairbanks Morse, at 39, still has a stop at 37, but current action indicates the stock looks "toppy." So better get out when you read this.

* * *

Flinkote ran into the 21 price and started to yawn. Hold your position but remember the 20 figure under which it should not be held.

* * *

National Distillers, bought at 31, isn't acting like any world beater. Better take your profit (now 34) and call it a day.

* * *

Newport is slow, and considering my belief that the entire market is in a danger zone, I suggest raising your stop to 14. You bought the stock at 16, which is where it still is. If, before it gets to 14, Newport manages to advance to 17, then grab the small profit. So much for the stocks you hold. Now about the ones you don't have and what they show.

* * *

Armstrong Cork, Bethlehem Steel, Borg Warner, Commercial Solvents, Loews, National Cash Register and Yellow Coach all gave significant performances last week. They all look higher. But to live up to their promise they must at least hold last week's gains. Any slackening to what military communiques call "previously prepared positions" will turn potential strength into actual weakness. So if you are interested in any of these bear the above in mind.

* * *

The favorites of a couple of weeks ago, the air transport issues, now seem friendless. Pan-American indicates some kind of support at 37 and TWA about 22.

* * *

Paramount, which ran up in sympathy with its national publicity campaign extolling the virtues of its latest production, "For Whom The Bell Tolls," is running into some kind of trouble. If you bought the stock on the strength of all the money the company would make out of the picture, better get out.

* * *

The enigma of entire market is the steels. For some reason Big Steel runs into offerings every time it pokes its head into the 59 figure. The only steel stock which tries to keep pace with the market is Youngstown Sheet and Tube. Should the group suddenly decide to come to life I think Youngstown is the stock to have. But remember the steels are notorious for late runners. An advance in the group at this date may well be the signal for the end of the present bull phase in the entire market.

* * *

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.]

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Canadian Newsprint Shipments Over Output

Shipments of newsprint from Canadian mills during June exceeded production for the fifth consecutive month, the total of 268,990 tons being 6.2% higher than a year ago, the Newsprint Association of Canada reported on July 13. Shipments to Canadian consumers decreased 3.1% and those to the United States were up 1.2% and to overseas users 122.6%.

In Canadian Press advices from Montreal, the following was also reported:

"Canadian production during June amounted to 257,845 tons, an increase of 6.2% over the like month last year. Production was at the rate of 69.6 of 1942 capacity, compared with 68.6% in May and 65.6% a year ago. Shipments thus exceeded production by 11,145 tons and there was a corresponding reduction in stocks held by Canadian manufacturers.

"Shipments and production by United States mills declined 8.3% and 11.5% respectively from the June, 1942, levels. Shipments exexceeded production by 1,670,000 tons and stocks held by United States mills decreased by that amount."

Third War Loan Goal To Be Set By Aug. 1

Secretary of the Treasury Morgenthau said on July 15 that the Treasury will probably announce the goal of the Third War Loan drive by Aug. 1. It is expected that the campaign, scheduled to start Sept. 9, will have a somewhat higher goal than the Second War Loan drive in May. This goal of $13,000,000,000 was exceeded by about $5,500,000,000.

The types of securities to be offered in the new drive are to be decided upon soon.

Canadian Bond Valuations

as of May 31, 1943

To assist those engaged in the preparation of **Form TFR-500**, and whose lists may include Canadian bonds (external or internal), we shall be glad to send a folder containing price tabulations which we have just prepared.

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Canadian Securities

By BRUCE WILLIAMS

The big news in the Canadian bond market last week was the calling of $106,000,000 direct Dominion dollar bonds for redemption on August 16, 1943. The issues called are the Dominion 2¼'s of January 15, 1944 and the 2½'s of August 15, 1945-43.

It is with some satisfaction that this column is able to refer to our discussion of last June 10 in which the possibility of exactly such a call was stressed. As pointed out then, this call leaves the Canadian National Railway 5's of July 1969-44 the only short-term Dominion obligation now available. When compared with U. S. Certificates of Indebtedness, the yield to first call date on this issue still makes it appear very attractive.

With Canada piling up an embarrassing surplus of U. S. dollars, Finance Minister Ilsley's purpose in redeeming the $76,000,000 of outstanding 2½'s and $30,000,000 of outstanding 2¼'s was quite clear. It will serve to reduce the pressure on the exchange situation and permit maintenance of the official 10% discount on Canadian dollars for still a time.

However, it becomes increasingly evident that the return of the exchange rate on Dominion currency to parity with U. S. dollars is unlikely to await the conclusion of the war. In fact, if political controls were removed and the present supply-demand situation permitted to function, there is little doubt that parity of U. S.-Canadian exchange would be in sight today.

This is but further evidence of the strength underlying the Canadian bond market and points to a not yet fully awakened realization of the values in this field on the part of institutional investors who are so sorely put to fill their needs in the domestic market. Of course, the "cream" is off. The majority of top quality provincials and the Canadian National Railway medium-term bonds which were available on a 3.75% to 3.35% basis early this Spring have now all gone under 3%.

But, even so, we have a feeling that the present 2.80%-2.90% yields available from prime issues in these categories are going to look very good to American banks and insurance companies before the end of the year. This would prove particularly so if, as suggested as a possibility here before, our own Treasury were to offer the banks 10-year 1¾'s sometime in the near future.

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FDR Approves Treasury Sale Of Silver

President Roosevelt signed on July 12 the bill releasing Government-owned silver for war purposes and for civilian needs.

The bill fixes the price at which the silver may be sold or leased at 71.11 cents an ounce. The legislation passed the Senate on June 18 and the House on July 5.

Under the bill, the President, acting through Secretary of the Treasury and upon the recommendation of the Chairman of the War Production Board, could sell, or lease for domestic purposes for not longer than six months after the end of the war, any silver held or owned by the United States, "for purposes including but not limited to the making of munitions of war and the supplying of civilian needs, and the converting of existing plants to those purposes." The measure also provides that "at all times the ownership and the possession or control within the United States of an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates heretofore or hereafter issued by the Secretary of the Treasury shall be maintained by the Treasury."

Senate passage of this bill was noted in our issue of July 1, page 30.

Under date of July 12 Associated Press accounts from Washington said:

"Allotments of this silver are to be made by the War Production Board and the amount is limited to the surplus not needed for redemption of outstanding silver certificates.

"The Treasury said its stock of free silver amounts to 1,252,659,026.2 ounces of which 699,819,332.8 ounces are on loan to the Defense Plant Corporation, a Federal agency. The free silver total, the Treasury said, is listed in the general fund at a cost value of $591,405,379 which would indicate that the Treasury would make a substantial profit on sales at 71.11 cents an ounce.

In an earlier reference to the bill, which was sponsored by Senator Theodore F. Green, (Democrat) of Rhode Island, the Associated Press in reporting its adoption by the House on July 5 stated: "At the same time, Representative John D. Dingell, Democrat, of Michigan, Chairman of the Ways and Means Subcommittee considering the silver bill, said the committee has approved the Celler bill which would repeal the Silver Purchase Act of 1934."

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A 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 Keyes 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 international 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.


Rep. Chas. S. Dewey

Since publication of the article, the "Chronicle" has received various comments regarding the program suggested by Mr. Dewey and these were given in previous issues. Representative Dewey has favored us with copies of letters sent by him to Messrs. Frank Ast of Brewster, Mass., and E. E. MacCrone, President of American Industries Corp., Detroit, in connection with the views expressed by them regarding his proposal. These comments appeared in our issue of July 8 and we give below the texts of Mr. Dewey's acknowledgements:

Dear Mr. Cist:

I have just noted your interesting letter addressed to "The Commercial and Financial Chronicle" of July 8 commenting on my article in regard to a plan for post-war rehabilitation.

I wish to compliment you on the clear way in which you have explained the actual results that might be expected should either the Keynes or White plans be put into operation. As a matter of fact, we would be expected to become the involuntary banker for the rest of the world without any authority to control the usages of the loans or to set any maturity for their repayment.

The last paragraph of your excellent letter states in part: "Representative Dewey proposes means by which we can get something non-competitive for what we give." This undoubtedly would be the result of the operation of an International Bank, but my proposal went a little further than merely the repayment to us for credits extended.

Neither Mr. Keynes nor Mr. White, but particularly Mr. Keynes, have asked contributing nations to their stabilization fund to contribute any tangible assets. My plan requires that any participants not having gold with which to pay for their allotment of the bank's shares should pay for them in critical materials. Hence, the bank would have a capital consisting of sound values rather than promises to pay.

I have a definite feeling that the only possible way by which post-war inflation can be controlled will be through a policy of as full employment as possible and the production of consumer goods. The possibility of realizing such a policy seems to me to be hampered by two opposing theories.

One is the development of national socialism or bureaucracy throughout the United States, which would certainly tend to hamper the development of free initiative, with a result that the opportunity of little business would be reduced, and production would more and more fall into the hands of the great corporations similar to the great foreign cartels, which themselves might easily come under political domination.

The second opposing influence would be the great corporations themselves, which apparently are proponents of a managerial economy. It is almost an accepted fact that the great corporations believe in a stabilized and well-ordered advance in the production of consumer goods, and through their own agreements, and agreements with international cartels, have restricted the production of some raw materials, and through cross-licensing of patents have restricted the introduction of new methods and ideas.

As the Bank of International Cooperation will follow the path of making loans for the development of new wealth and the opening of new horizons, its possessions of large stocks of critical materials can be used as a lever against the restrictive practices of international cartels controlling vital raw materials. Further, it can make loans for wealth-producing purposes for a maturity not permitted to most commercial lending, even of the investment class.

It was my observation during the three years I was financial advisor to the Polish Government that loans made for wealth-producing purposes not only generally were repaid but also produced foreign exchange sufficient to stabilize currency. It is not my thought that the International Bank would in any way substitute for commercial loans. These commercial loans could be based on the usual credit risks but the risks would not be good even if guaranteed by government unless the fundamental wealth-producing abilities of the country in question were put into operation.

I am very happy that so many of our good citizens are taking an active interest in thought and discussion of our post-war responsibilities. We certainly have them, but I hope that they will be kept on a common-sense plane so that in the long run we do not become mendicants ourselves.

Dear Mr. MacCrone:

I note your letter to "The Commercial and Financial Chronicle," which was published in their July 8 issue in regard to my article recently published in the same periodical entitled, "A Bank of International Cooperation: A World RFC".

I very much appreciate your very kind words of commendation, and I am also pleased that a person of your broad business experience is taking so active an interest in our post-war rehabilitation problem.

After serving four years as Assistant Secretary of the Treasury in the Coolidge administration, I was nominated by the Federal Reserve Board and duly appointed financial advisor to the Polish Government, and resided in Warsaw, Poland, for three years. I mention this fact merely to show that I have had an opportunity to observe a well-worked-out fiscal policy.

Immediately following the war the United States Treasury, in cooperation with the British Government, attempted to stabilize European economy by stabilizing their currencies, and between the armistice and the middle of 1920 the Treasury advanced three and one-half billion dollars for this purpose. We, at the present time, hold the unpaid notes of Great Britain in the Treasury for this amount.

On the other hand, after attempting the currency stabilization experiment an international group of bankers subscribed a loan of only 75 millions of dollars to the Polish Government. A stabilization plan was written up which required the Polish budget to be brought into balance and certain tax reforms made, but the fundamental principle of it was that the loan should be employed to create national wealth-producing opportunities.

I have returned to Poland every year since the termination of my permanent residence in 1931 to the outbreak of the war, and I know that you will be interested to learn that, based on this comparatively small loan of 75 millions of dollars, Poland had gotten herself on a rather sound basis until overrun by the invading German armies.

I find from my experience and reading that there is no substitute for work and that national currencies of any country are sound if the government continues a sound fiscal policy and the citizens are given creative opportunity. I believe that nothing is greatly changed in the world and that if we follow these principles after the war we will be on the correct road.

Vandenburg Urges Creation Of Real War Cabinet And Demobilization Of "Palace Guard"

Senator Vandenburg (Rep., Mich.) on July 12 called for the demobilization of the White House "palace guard" and the establishment of a war cabinet to help President Roosevelt direct activities on the home front.

Forecasting further reorganizations in the administrative branch of the Federal government after Congress returns this fall. Senator Vandenberg told an Associated Press interviewer that he believes there is a "relentless trend" under way in the country toward the formation of what he said "we loosely call a War Cabinet."

In the Associated Press Washington advices it was further stated in indicating Mr. Vandenberg's views:

"We need something of that kind instead of the existing kitchen cabinet in which there is very little confidence," he declared, adding: "The palace guard has got to be demobilized soon."

"By 'palace guard' Senator Vandenberg said he meant the circle of advisers to Mr. Roosevelt, including Harry L. Hopkins, who the Republican Senator said appeared often to be highly influential in shaping policy decisions which were not always concurred in by the heads of departments and bureaus affected.

"Along with establishment of a war cabinet, Senator Vandenberg said he wished President Roosevelt would 'separate himself from the fourth term,' declaring that such action would go a long way toward smoothing out Mr. Roosevelt's difficulties with Congress.

"Conceding that politics is likely to play an increasingly greater part in domestic decisions as the time for the 1944 campaign nears, Senator Vandenberg said he thought it 'unfortunate' that partisan considerations could not be minimized during a war.

"'The unfortunate part of it all is that politics will play an increasing part in what goes on,' he said. 'On the one hand will be the politics of the President and his fellow-fourth-termers and on the other hand the bi-partisan politics of those who feel otherwise on the question.

"If the President were to separate himself from the fourth term, it would greatly simplify the entire governmental perspective, including the President's own."

"Predicting that price controls and rationing would remain 'a constant source of national irritation until they are simplified and justified,' Senator Vandenberg said Congress can be expected to come back to Washington in September demanding some changes in the present system.

"He forecast a renewed scrutiny of government bureaus, coupled with 'a greater drive than ever for economy, both inside and outside war expenditures.'"

William Green Of AFL Seeks Repeal Of Smith-Connally Anti-Strike Bill

William Green, President of the American Federation of Labor, speaking at the opening on July 11 of the 33rd Quadrennial Convention of the International Longshoremen's Association, at the Commodore Hotel, declared against the Smith-Connally Anti-Strike bill as an act of oppression and an insult to American labor and asked the 6 million members of the Federation to work for the defeat of every member of Congress who voted for the measure; the New York "Sun" of July 12, in reporting this, gave the further assertions of Mr. Green as follows:

"Mr. Green said:

"We are determined that, in so far as we possibly can, we are going to mobilize our political power to oppose every member of Congress who voted for the Smith-Connally bill. That's already decided upon as a part of the political policy of the A. F. of L. We're satisfied that a large number of these men will not return to the Congress of the United States.

"You delegates to this convention, be ready for the fight in 1944. Go back home and organize. Let the Congressmen know that labor never forgets. Let them know that they are going to be defeated if the laboring man has it in his power to do it. Six million members of the A. F. of L. have been penalized and insulted by the action of Congress in passing this reprehensible legislation."

Mr. Green asserted before the convention delegates that Congress, in deserting President Roosevelt and passing the measure over his veto, wrote a page of shame for the party in control of the Government.

He said that labor is putting every ounce of its skill behind the war effort in order to keep our soldiers fighting in the field, and will continue to do so.

"Labor willingly relinquished the right to strike for the duration of the war," Mr. Green continued, "but it will oppose with all the power at its command any attempt to compel labor to give up its right to strike. The one is voluntary. The other is force. So far as labor is concerned, it will never yield in the acceptance of any legislation that interferes in any way with exercise of the right to strike."

Obviously referring to John L. Lewis's refusal to recognize the WLB in the coal mine dispute Mr. Green said:

"In war days we must recognize Government agencies. There is no justification for anyone taking the position that he will refuse or refrain from recognizing government agencies set up for the settlement of disputes. I'm proud to say that representatives of the A. F. of L. have not taken that position (of refusal). Come what may and come what will, we'll go along with Government agencies until the Axis powers are defeated."

SEC Study Of 1942 Utilities Finances

The Securities and Exchange Commission published on July 12 a report on financial statistics covering 204 operating utilities for the year 1942. All of the companies included in this report have assets of $5,000,000 or more. The SEC announcement in its advices said:

"The combined assets of the 204 companies in 39 registered public utility holding company systems aggregate $11,699,724,773 as of Dec. 31, 1942 as compared with $11,543,068,659 for 210 companies as of Dec. 31, 1941. Total operating revenues in 1942 amounted to $2,204,509,749 as compared with $2,068,477,822 for the 210 companies in 1941.

"Total capitalization outstanding for the 204 companies amounted to $9,295,874,109 and consisted of bonds $4,076,225,563, debentures $205,500,294, notes and miscellaneous $275,237,552, preferred stock $1,711,719,639, common stock $2,245,460,061 and surplus $781,731,000. Bonds, debentures and notes made up 49.02% of the total capitalization, while preferred stock accounted for 18.41% and common and surplus 32.57%.

"Of the total earnings during 1942, operating expenses took 40.02%, maintenance 5.03%, depreciation 10.24%, taxes 21.18%, funded debt interest 8.21%, other deductions 1.11%, preferred dividend requirements 4.54%, common stock dividends 6.53% and balance for surplus 3.14%.

"The analysis shows that interest on funded debt was earned 2.87 times and fixed charges and preferred dividend requirements were earned 1.70 times, both of which figures were exactly the same as for the 210 companies for the year 1941. The average interest rate on all funded debt outstanding Dec. 31, 1942 was 3.96% and the average dividend rate on preferred stock was 5.84%. Funded debt averaged 51.61% of net property and capitalization outstanding and surplus was 87.88% of property and investments. The percent of depreciation reserve to property was 14.98%.

"Dividend arrearages on preferred stock existed in 28 companies at Dec. 31, 1942 as compared with 32 in the 1941 report and 37 in the 1940 report. Earnings available for common stock for 1942 amounted to 9.55% of the book value of common stock and 7.08% of common stock and surplus. Fifty of the 204 companies had earnings available for common stock of 15% or more, while ten companies failed to earn anything on their common stock. Of the $214,387,670 available for common stock dividends, $144,797,535 was paid in such dividends, leaving $69,590,135 for surplus. Of the 176 companies which were not in arrears in preferred dividends, 141 paid dividends on common stock in 1942.

"The report was prepared by C. A. Turner, under the supervision of Milton H. Cohen and a copy may be obtained from the publications unit of the Commission in Philadelphia by requesting the 1942 report showing financial statistics for electric and gas subsidiaries of registered public utility holding companies."

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Review Of The Economic Situation Of Mexico

The following review of the economic situation of Mexico is taken from the current bulletin of the Banco Nacional De Mexico, S. A.

"As compared to other countries, Mexico enjoys the most excellent situation, according to the general opinion of observers. However, it cannot be denied that, as days go by and we enter into new phases of the present emergency, some of the apparent advantages fade away and hints of difficulties of tomorrow begin to show.

"It has been publicly admitted that the domestic stocks of war materials and other commodities essential to domestic life are being transferred to the United States. The correspondent of the United Press, whose main office is in Washington, D. C., has written to Mexican editors that the committee which is being appointed as a result of the Avila Camacho-Roosevelt interview, would have powers 'to prevent the impending dislocation of Mexico's internal economy, brought about by the considerable American purchases of strategic materials.' This is true. According to official data, exports to the United States during January and February, 1943, have exceeded the already too high averages of 1942. The total amount in pesos of the commodities shipped (prices have not gone up much) aggregated 84 and 88 millions respectively for January and February, and the results of the trade balance amounted to 34 and 35 millions respectively.

"The worse is that these balances do not help to increase stocks, either on account of the imports of foodstuffs and other widely consumed articles, or due to the enlargement of local production which is hampered by different causes. Such is the case of agriculture which, as we said long before the emergency, is economically disorganized due to lack of machinery and fertilizers. The field production has improved slowly, but it is far from reaching the rhythm required by the public needs. A little more corn has been reaped as compared to the years that followed the Revolution. According to official statements, more wheat is required every year, and although the production of beans has increased, it has not developed as much as experts deem necessary. The consequences of this have been: scarcity of bread and its consequent insufficiency to fulfill the role it has in every part of the world; a high price of masa, which is the raw material of torillas; and, finally, the elimination of beans from the diet of the poor. But this picture shows some aspects of agriculture production and its relationship to public welfare which we can call "normal." The emergency has added the reduction of stocks of certain foodstuffs due to exportations. The 'surpluses' (?), or such amounts as exceeded the apparent consumption in a certain period, and which should have been held here as a reserve, or as an influence on the high price of essentialities, have been sent abroad.

"The stocks of industrial articles are equally uncertain. They come from abroad in minute doses. A few commodities of general consumption goods arrive at our ports and reach prohibitive prices. We could be able to produce here what we need, but there is no machinery available to enlarge shops, and there is no place to find it, because the United States grants permits only in exceptional cases and after the priority requirements to which factories are subject during the war have been fully satisfied. We are dependent on the old-fashioned technique which has generally presided our economy. Productivity is quite low and is not equal to the new requirements of the population or to the war necessities. Our warehouses are empty. There are no reserves of merchandise, as there used to be, and the instance has occurred—quite unusually in our trade annals—that large stores have had to turn down important orders because domestic production is being sold four and even five months in advance. What we say in regard to the merchandise usually produced here, or to the goods for which substitutes are being manufactured now, can be stated with all the more reason in regard to the merchandise which usually came from other places. Certain kinds of foodstuffs, repair parts for machinery, and similar articles, are no longer received or received only with great limitations, or else, substitutes are sent instead but in such amounts that stores must distribute sales throughout the year so as prevent closing until better times come.

"Some factories have discontinued work in the last few months. The conflict of rayon mills (in spite of their present condition), and that of rubber factories, have come to an acute point. Other manufacturers keep on thanks to high prices, but any reduction in their sales at the present prices will bring about serious trouble for them. Partly, industrial difficulties result from lack of raw material. However, such manufacturers as have reached the highest cost level, as in the case of textiles, fear a change of present conditions, no matter how slight. They are known to be operating at full capacity, with two or three eight-hour shifts. They are producing as much as in ordinary circumstances, and even more for speculators, but a good portion is being exported. If this portion, or that of speculators, is reduced, the general conditions of industry will be jeopardized. There is no sound enlargement, as there would be through a serious technical improvement and a better organization. The enlargement takes place through prices which result from the reduction of stocks. In exchange, large units have been compelled to operate at half pace due to reasons which we have explained in this publication, although they had made preparations to meet domestic consumption by increasing their equipment and enlarging their premises. On the other hand, on account of the scarcity of imports, combined with that of machinery and the impossibility to buy it, our big opportunity for a rational and wise industrialization is escaping us without our being able to realize the ideal which, at the outburst of the war, seemed practical and feasible.

"Even the extractive industry, which should be protected on account of its direct connection with the war, is having trouble. Mining complains of the deficiency of railroad transportations as well as of the lack of specialized equipment. This industry is being enlarged in accordance with war necessities and it is surely subject to a re-adjustment without a strong support which would allow its main branches to maintain economic activity with the usual force when the war is over, or as soon as present needs will change. According to the information we have, the oil industry cannot obtain machinery. The old machinery used since the expropriation, is the only that, with slight modifications, is still being employed for operation.

The Rise In The Standard of Living

"Reduced stocks are one of the factors of the rise apparent in the standard of living, which was considerably accentuated during April and the first half of May. While it exceeded 150 in 1941 (1934-100), at present it comes close to 240. In other words, the standard of living is twice as much as it was two years ago. In one month only—from March to April—it went up from 219.3 to 230.8 with an accelerated rhythm and seemingly upwards. To determine this index, the prices of necessities such as white bread, milk, sugar, pulque, meats, soup pastes, beans, coffee, tortillas, eggs, corn masa, lard, shoes, cotton fabrics and others, were taken into account.

"It is true that wages have gone up recently in such branches as mining, cotton textiles and others. However, it is unquestionable that prices have won the race. The effort of the humble classes is visible in Mexico City, but that of the poorer classes in the rest of the country to meet their needs, will become more and more obvious. We have received complaints from our correspondents in the states. From Celaya we hear that 'a considerable rise in price of essentialities has made itself felt in this market.' Reports from Aguacalientes state that 'prices in general continue to soar, mainly in the case of essentialities, specially foodstuffs, while some firms which handle imported articles such as hardware, etc., are in trouble due to lack of stocks.' Our correspondent in Guadalajara reports that 'new rises have taken place in the prices of essentialities, such as flour, potatoes, etc. Raw broadcloth has increased 8% with regard to the price formerly paid, and the new orders filed by the United States for clothes, wafers, bee's honey, candies and fruits in general, have helped to increase prices, because American demand covers large and well paid amounts.' Our correspondent at Campeche writes that 'only indispensible articles are being sold at high prices, and the scarcity of certain commodities is becoming apparent.'

"In this exasperating and difficult condition, there are still unscrupulous people who are ready to speculate with public needs, as has happened in the slaughter-house of Mexico City, where slaughtering has been discontinued together with the supply of meat, through a monopoly which has brought trouble both to retail sellers and consumers. Dubious manoeuvers have been exposed with regard to the supply of milk, the price of which has gone so high that many people have dispensed with it. According to recent statistics, the present consumption of milk in the Federal District is hardly one quarter of a liter per inhabitant.

"The wholesale price index drawn up by the Bank of Mexico has reached 172.7. In March it went as far as 167.8; in February it was 166.2; in January it reached 156.7. Between January and April there is a difference of 11%, which is a faster rhythm than in 1942. According to this index, rice, coffee, beans, corn, wheat, green chili, beef, lard, yellow potatoes, sole, soap, alcohol, barley, and cotton, have gone up. This includes the outstanding commodities. Only foodstuffs went up from 170.1 to 180.6 from March to April.

The Other Angle of the Problem

"The other factor that has caused the continuous rise in prices is the unrestrained increase of monetary circulation. According to recent statistics, we know that in April the total of banknotes in the hands of the public aggregated 847.2 million pesos, or 30.6 more millions than in March, and 57.6 millions more than in February. The rhythm of increase amounts to 30 millions in round figures in excess of trade necessities. Moreover, in view of the monetary depreciation, a strong demand of gold and silver has been promoted. Coined silver has gone up from 358.2 in February, to 372.0 in April, or a monthly average of 7.0 millions. Finally, banking deposits have gone up to 973.9 millions, a climatic figure in the annals of Mexican finances, because the highest figure previously attained, over 20 years ago, aggregated 500.0 millions in round figures. Upon adding the foregoing items, total circulation amounts to 2,193 million pesos, as against 2,131 a month ago, and 2,021 two months ago, which shows an increase rhythm of 171.2 millions in two months, or 90 millions per month in round figures.

"The assets of the Bank of Mexico's reserve have also increased considerably at an accelerated rhythm: in March, 1942, there were 30 million dollars; in July this figure had increased to 33 millions; in December it had only gone up to 39, but after that time it has undergone the following changes: January, 70 million dollars; February, 90 millions. We do not have at hand the figures for April and May, but they must be similar. In two months there has been an increase of fifty millions, or twenty-five per month which, at the present rate of exchange, would be equal to 125 million pesos and account for the apparently absurd development of circulation.

"The results have been: (a) the monopoly of merchandise which increases the rise of supplies and pushes the cost of living to intolerable extremes; (b) the demand of real estate securities. Some data are available in connection with the latter: the general index of the price of Stock Exchange papers at the end of April, reached 362.5 (100-1929) over and above 331.0 in March and 260.8 in December, 1942. Mining securities have gone up from 90.0 in January to 101.9 in April, while industrial securities—already exceedingly swollen—went up from 336.3 to 438.1. The influence of the demand of securities brought about by the new money for which no immediate and profitable use is found, could not be more obvious.

Some Solutions

"Some partial remedies are being tried out. First of all, the Federal Government is endeavoring to deviate towards agriculture the money held by banking institutions. This desire was clearly expressed by the Secretary of Finance at the latest banking convention held in Chihuahua, at the beginning of May. This co-operation is being sought for without reforming the codes of the agrarian policy, but through measures which may bring back to private institutions the money they may lose through their connection with farmers.

"Naturally, this attitude on the Government's part will help to solve the present problem of Mexican economy in two important ways. First, by using a part of the assets for such purposes as are essentially productive and immediately reproductive, of the most necessary goods. Secondly, by causing the supply of goods to increase and prices to go down without resorting to administrative or police measures.

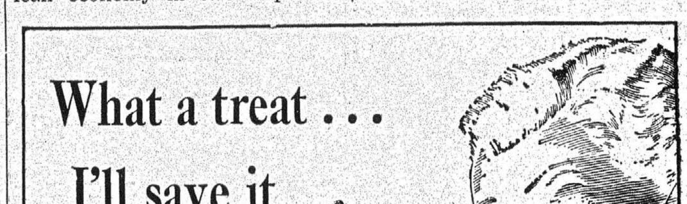
Endeavors are also being made to market long-term securities, with a moderate interest, but based upon satisfactory guarantees, to the end of opening new, steady and profitable channels for idle capital. Up to this time issues have covered comparatively short figures (the latest one covers 40,000,000.00 pesos); but at time passes it will be possible to make more important issues. This will be easy because competition is every day greater in the field of merchandise and because at the present prices neither real estate nor sight securities are inducing. At any rate, it is better to save a portion of the present capital in a serious, steady, non-inflated business which pays interest, because this will made up for future losses.

"Finally, gold is being sold in small amounts (the old demonetized gold coins), so that the public can acquire a merchandise which will help it to preserve values in the course of time. Capitalists have understood this, feel encouraged and look for gold, which is in rise due to demand. Comparatively, it is worth more than the American dollar.

"Such is the essential problem faced by Mexican economy, and such are its proportions and the remedies adopted to avert or solve it."

Gould Elected Director Of Beekman Hospital

Elisha Walker, Chairman of Beekman Hospital, announced on July 19 that Leslie Gould, Financial Editor of the New York "Journal-American," has been elected a Director of Beekman Hospital. Mr. Walker said "We are particularly fortunate to have secured for this post a man as well known and admired in financial circles as Leslie Gould." Mr. Gould accepted the Financial Editorship of the New York "Journal - American" in 1930, prior to that he was a member of the staff of newspapers in California, New York, New Jersey and the Associated Press. For the past several years he has been actively interested in the affairs of Beekman Hospital and was chairman of the Publications Committee for the 1943 Maintenance Fund to raise $125,000 to meet an estimated budget deficit for the current year's expense.



60% grain neutral spirits. Blended whiskey, 86 proof. Schenley Distillers Corporation, N. Y. C.

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Managing A Business For Stockholders Through The Vicissitudes Of Inflation

(Continued from first page)

our expenses, to keep down our prices. Then we can come into the post-war period with a reasonable chance of escaping financial disaster.

J. W. WATSON

Treasurer, Shell Oil Company

I have read Dr. Wright's article with close attention and a great deal of interest. Would that economics were an exact science, demonstrably provable in advance, and not so interwoven with the social, and above all, the political aspects of our lives! Be that as it may, Dr. Wright has set down a few truths in a manner which will, I am sure, stimulate vigorous, and very likely in many instances, some painful thinking on the question: "Where do we go from here?" among the Nation's corporate managements. If his article does nothing more than this, it has accomplished a great deal, as out of it may come a widespread decision to apply more positively the virtues (old-fashioned though they be) of thrift, hard work, straight thinking and fair dealing. This, fundamentally, is the thesis of the article, and these virtues, after all, are as basic in the affairs of corporations as they are to ourselves as individuals.

A. F. WHITNEY

President, Brotherhood of Railroad Trainmen, Cleveland, Ohio

I think Dr. Wright's article is largely factual. It would have been of greater value had he given us more information on the causes of inflation and how to prevent inflation at the start. I was pleased to note his recitation of the fact, recited by so many economists except when they are fighting wage increases, that price increases always precede and outrun wage increases.

A. F. Whitney

Therefore, to argue that wage increases cause inflation is to argue the absurdity that effect precedes cause. I think we should take into consideration that prices do not simply rise—somebody puts prices up. If we could put the finger on the selfish profiteers who inspire these price rises, we might cure inflation at the source.

Editor's Note—The causes of inflation are dwelt upon by Dr. Wright in his article on the subject which starts on page one of today's "Chronicle." When asked to comment on the above letter from Mr. Whitney, Dr. Wright prepared the following memorandum:

It is generally true in economic history that price increases have preceded or outrun wage increases. Up to the present however in our national situation, the process seems to have been reversed. According to my information the increase in wages in the aggregate have outrun prices. According to the Bureau of Labor Statistics the average hourly wage in the manufacturing industries in March 1943 was 11.9% higher than in May 1942; the average weekly wage was 16.8% higher, and the average cost of living was 5.9% higher. Unfortunately, however, many wage groups have had very little wage increase and in some cases no increase since the war began. The laboring groups benefitting from the war and new government employees since the war began have had the larger increases. In many of the non-war industries, the decline in business has been such that wage increases are not possible without great difficulty, and in some instances would force the businesses to close altogether. But this is only one of the unfortunate maladjustments growing out of the war.

Wages and prices are two very troublesome problems to deal with during such periods of maladjustments. There are plenty of inequalities. It is unfortunate, however, that we did not freeze both wages and prices when the war began in 1939 as England and Canada did, and then allow only such increases and decreases as necessary to iron out gross inequality.

HON. FRED L. CRAWFORD

Representative in Congress From Michigan

With a great deal of interest I read the timely and constructive article by Dr. Ivan Wright. Every day, in making contacts in my

F. L. Crawford

District, I find business men are deeply concerned over the issues and problems which Dr. Wright discusses. I shall have occasion to refer them to this statement of Dr. Wright's.

HALSTEAD RHODES

Bioren & Co.

Dr. Wright is an exception to Mr. Maxson's strictures. Clear thinker. Dr. Wright is located in my old home town, Brooklyn.

The "Chronicle" has been my financial bible for 50 years.

EDGAR A. SOWAR

Vice President, Louisiana National Bank, Baton Rouge, Louisiana

Dr. Ivan Wright's article in the July 8 issue of "The Chronicle," entitled "Managing a Business For Stockholders Through the Vicissitudes of Inflation," is most thought-provoking. Certainly, it would appear that he has covered and touched upon this subject from all possible angles.

This article strikes me as being so good that I feel confident you will in due course have some leaflets available covering this article. If so, I should like very much to arrange for 12 or 15 of them for distribution to our largest interested depositors.

We have enjoyed as well the other articles in both sections of "The Chronicle."

JAMES E. DAVIDSON

President, Peoples Commercial and Savings Bank, Bay City, Michigan

I have read very carefully and with considerable interest the article by Dr. Ivan Wright, Professor of Economics, Brooklyn College.

The whole thought is summed up in the last paragraph of Dr. Wright's discussion and I heartily agree with the conclusions reached. Of course, there is always a very vast difference between institutions and the course of action necessary to be followed by each, but if care is exercised in not overbuying and not overselling I think this will solve the problem in most cases.

We hear a lot about post-war planning. While it is well to give this matter some thought, the war is not over, and nobody at the present time can tell just how soon it will be over. For that reason, while it is just as well to be thinking about what should be done sometime in the future, it would not be wise to do any exact planning at the present time.

Study On Reducing Employee Absenteeism

The campaign being waged against preventable employee absenteeism by executives of war production companies is examined and reported in a new study entitled: "Reducing Absenteeism Through Employee Education" just released by the Policyholders Service Bureau of the Metropolitan Life Insurance Company. This report, one of a series of three on the subject of employee morale, is the result of an investigation of the methods used in scores of well known companies that have cooperated with the Metropolitan by submitting their most practical ideas on reduction of absenteeism. Advices from the Bureau July 12 state:

"Among the chief contributing causes of absenteeism, the report states, may be mentioned the combination of high wages and scarcity of consumer goods, the result of which is to make leisure more attractive than wage earning. That this attitude on the part of employees is devastating to production time schedules and quotas is well realized by every employer who has had to cope with it. A number of companies have been very successful in their methods of treating this malignant growth on industry, according to the report, by analyzing the causes, isolating them, and applying an internal remedy that may be called "Employee Education." Such education is accomplished through the media of employee magazines, posters, billboards, and special attendance charts placed at strategic points in the plant or office. Special timecards and time card stickers are among the visual reminders that play a part in the drive against absenteeism.

The other two studies in the "Morale Series" are entitled "Planning and Organizing a Morale Program" and "Stimulating and Maintaining Employee Morale."

International Income Comparisons To Be Studied At N. Y. U.

New York University has received a grant of $7,500 from the Rockefeller Foundation to complete a study of international income comparisons under Dr. Paul Studenski, Professor of Economics, it was announced July 15 by Harold O. Voorhis, Secretary of the University.

The study, begun in 1937 as a WPA project under the co-sponsorship of the University and Conference on Research in Income and Wealth, will present in comparative form and the fullest possible detail both the methods used in over 30 countries in the preparation of national income estimates and the resulting figures themselves, the announcement stated. It is expected that the study will be completed within a year and that it will be published by the National Bureau of Economic Research.

Completion of the study, interrupted by the termination of WPA, should be of value, it is pointed out by Dr. Studenski to public and private agencies and to individuals concerned with international economic problems associated with the war and post-war readjustments.

He also stated that many Federal agencies have urged the completion of the work because of the important part which national income data will play in the formulation of programs for post-war settlements and reconstruction of the world.

Dr. Studenski recently completed a study for the Social Security Board on the "Measurement of Variations in State Economic and Fiscal Capacity," in which he tested the validity of state per capita income figures. He will be assisted in the presentation study by Dr. Julius Wyler, who was formerly with the Central Statistical Office of Switzerland and is the author of the estimates of the national income and national wealth for that country. Dr. Wyler is now on the Graduate Faculty of the New School for Social Research.

Gaty On War Plant Board

John P. Gaty, Vice President and General Manager of Beech Aircraft Corp. has been appointed to the Board of Governors of the Kansas City Region of the Smaller War Plants Corporation, according to an announcement by Brig. Gen. Robert W. Johnson, Chairman of the SWPC. Mr. Gaty is reported as pleased to accept the appointment because it confirmed the effectiveness of the Beech Aircraft personnel who are entrusted with subcontracting, and because he is interested in helping tide small business enterprises over a difficult period. Their problem was one that went beyond the present war period, he said.

Gibson Back At Red Cross Post In Britain

Word has been received that Harvey D. Gibson, President of the Manufacturers Trust Co., New York City, who has been in England since last August, acting as American Red Cross Commissioner to Great Britain, has returned to London after spending about five weeks in the United States. During his stay here, Mr. Gibson conferred with Red Cross Officials in Washington, D. C. and New York in regard to the expansion of American Red Cross activities abroad.

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AND WHOLLY-OWNED SUBSIDIARIES

Consolidated Statement of Earnings for the Six Months Ended June 30, 1943

HOLLANDER DYED FURS

Net income before other deductions, depreciation and Federal taxes on income		$1,223,842.16
Deduct:		
Other deductions	$143,170.22	
Depreciation of fixed assets and amortization of leasehold improvements	62,415.36	205,585.58
Net income before Federal taxes on income		1,018,256.58
Deduct:		
Provision for estimated Federal taxes on income computed at presently prevailing rates, after applying entire year's excess profits credit (equivalent to $3.31 per share on 209,700 shares outstanding)		695,000.00
Net income for the six months ended June 30, 1943 equivalent to $1.54 per share on 209,700 shares outstanding (after deduction from issued shares of 16,875 shares of treasury stock)		$323,256.58

Inventories at June 30, 1943 were estimated on the basis of the prime cost of sales percentage for the preceding calendar year as the company takes physical inventories only at the end of the year.

Above is a copy of the semi-annual report submitted to the New York Stock Exchange pursuant to its rules and regulations.

Michael Hollander
President, A. Hollander & Son, Inc.

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"Back The Attack—With War Bonds" Slogan For Third War Loan Drive

Secretary of the Treasury Morgenthau announced on July 10 that the slogan for the Third War Loan Drive, scheduled to start Sept. 9, will be "Back the Attack—With War Bonds." The Secretary explained in a statement that the Sicilian invasion and developments on other battle fronts have provided the slogan. He pointed out that the big offensive means that the "time has come for us to really tighten our belts here on the home front," adding that "its going to be a costly victory."

Secretary Morganthau's statement follows:

"The invasion of Sicily and other news developments from battle fronts during the past 24 hours have provided a slogan for our Third War Loan Drive. It is: 'Back the attack—with war Bonds.'

"As anyone knows who has read a newspaper or listened to news bulletins on the radio this morning, the United Nations are on the march. The first rumblings of the big offensive are being heard in all the Axis nations. Thousands of our men are storming Sicily. Tons upon tons of bombs are dropping on Germany. We are attacking Jap-held territory as never before. This is a great day for us. But it means that the time has come for us to really tighten our belts here on the home front. We have come to a most crucial period in the war, and the success that we will have on the fighting fronts will depend to a considerable extent upon the degree to which we here at home are willing to work and sacrifice and sweat for ultimate victory.

"It's going to be a costly victory. We have said that before, but we must repeat it again and again. The real war has only now begun. Billions of dollars more must be spent to keep the materiel of war going to our men at the fronts. Your Government must call upon you, the American people, for that money.

"Remember, it is up to all of us here at home to Back the Attack—and to do it more enthusiastically, more thoroughly and with greater sacrifice than any attack has ever been backed by any home front in all history. Everything is at stake. Everyone must help to the very limit of his ability."

Study Of Post-War Industrial Reorganization By Group Headed By Senator O'Mahoney

Study of post-war industrial reorganization will be undertaken by a special Senate sub-committee headed by Senator Joseph C. O'Mahoney (Democrat) of Wyoming, according to United Press accounts from Washington July 15, which stated that:

"The sub-committee will begin work on the West Coast shortly before Congress reconvenes and will make recommendations for maintaining 'the fullest possible degree of employment' in the post-war shift to peacetime economy."

Other members of the sub-committee are Senate Minority Leader Charles L. McNary (R., Ore.) and Senator Scott W. Lucas (D., Ill.). Said the same advices, which added:

"The Senate committee on post-war policy and planning, under Senator Walter F. George (D., Ga.) has given Mr. O'Mahoney's group full authority to investigate and to supply Congress with complete information on post-war economic policy.

"Earlier this week the Brookings Institution accepted Senator George's invitation to assist his committee in compiling data for post-war programs."

Study By Governors and Mayors Of Wagner Bill For Redevelopment Of Blighted Areas Sought

The $50,000,000,000 plan for private enterprise rebuilding of American cities, incorporated in the recent Neighborhood Development Bill introduced by Senator Robert F. Wagner, is being laid before Governors and Mayors throughout the United States for study and local application, it was disclosed on July 17 by the Urban Land Institute. Seeking local reactions to the proposal for the redevelopment of blighted areas, the plan was sent to all 48 Governors and to the Mayors of some 400 cities. In the case of the cities to whom the proposal is being referred, the Urban Land Institute is asking the Mayors to have appropriate planning officials study the application of the program to their communities and to offer comments.

It is pointed out by the Institute that the Neighborhood Development Plan as incorporated in the Wagner measure seeks the reuse of urban land in areas where blight and deterioration have occurred. Under the proposal, long-term Federal loans are to be made available to local authorities through the National Housing Agency for the purchase of blighted areas. The land would then be cleared and offered for sale or lease for redevelopment as attractive neighborhods in accordance with sound planning principles.

In presenting the plan to state and municipal officials, the Institute declared that not only would if offer the benefits of superior urban environment, but it would in general improve the tax position of most cities by restoring property values in deteriorated areas. Likewise, the large construction program envisioned would provide extensive post-war employment and economic activity. The Institute further says:

"Under the plan, good industrial areas as well as attractive "close in" residential neighborhoods would be built in American cities on the site of present blighted areas. Essentially a private enterprise measure, the plan also provides for public development of necessary municipal features, such as parks, buildings, schools and the like."

The Wagner bill prosposes a billion dollar fund for long-term loans. According to Charles T. Stewart, Director of the Urban Land Institute, such a rebuilding program would generate $5 of private construction for every dollar of Federal credit. Thus, it is contended 10 billions in Federal loans would result in better than 50 billion dollars of private expenditure for construction. Pointing out to the Mayors and Governors that the Wagner bill would open the way to a large-scale program of replanning and rebuilding deteriorated city areas, the Institute asserts that state and local government would be brought to the forefront in the entire procedure. Redevelopment would be carried out under municipal planning, zoning and building regulations and would enable cooperation between government agencies and private effort. Because of the preponderant local nature of the operation, the suggestions and advice of both the city and state officials is being requested by the Institute, which sponsored the plan.

The Institute, a private organization devoted to the promotion of better city development and planning, has carried on extensive work in surveying the needs of American cities.

The Wagner bill was referred to in our issue of June 24, page 2388.

Book On Govt. Securities Reflects Growing Public Confidence In Int. Rates

The 1942-43 addition of "Securities of the United States Government and Its Instrumentalities," prepared by The First Boston Corporation, 100 Broadway, New York City, is now available to institutions, dealers and others.

Recognizing the increased public importance of Government obligations and their place in the investment programs of a greatly increased number of individuals and institutions, the current publication appears in enlarged form. Extensive treatment is given to tax factors, yield and price relationships between taxable and exempt issues, Federal Reserve Bank open market operations and the part played by commercial banks and other institutions in support of the Treasury's war financing program.

Pointing out that each period brings its own new set of problems, the book emphasizes that earlier uncertainty as to the effect of large scale Treasury financing upon interest rates has given way to growing public confidence that stability will be maintained almost indefinitely. The publication states that "The fear on the part of many bankers that they would be 'loaded down' with too much Government indebtedness seems to have given way to a situation, largely due to the low rate of return available, where they cannot acquire a sufficient amount of the type of Government securities desired for income purposes."

A discussion makes the point that in a market dominated by Treasury financing operations a free market depends largely upon maintaining the delicate balance between an undervalued and overvalued level of quotations in terms of financing rates. The conclusion is reached that under present conditions the price level of Government securities is of great importance, and purchases and sales in the market should be handled with unusual care.

A section initiated in the present edition analyzes the Revenue Act of 1942 with regard to investment income, including a survey of the effective rates of taxation upon institutions subject to various classes of corporate levies, for the specific information of banks, corporations and other institutions. Discussing the importance of tax factors, it is pointed out that "It is impossible to over-emphasize the importance to the investor of fully considering his tax picture in formulating his investment policy, and of constantly reviewing this policy as it is affected by actual or potential changes in tax liability."

Much larger space than in any earlier edition is given to discussion of portfolio problems of banks, insurance companies, mutual savings banks and corporations, and to the Federal Reserve banks with special stress upon open market operations incident to war-time finance. Information is provided with regard to the Federal budget and tables are included giving details of the outstanding Treasury indebtedness and its ownership. A new table of interest values based upon 365-day tables is provided for the convenience of buyers of Government securities.

In various sections of the booklet there is extended discussion of the several financing problems involved in the financing of the war, and the repercussion of Treasury and Federal Reserve policies upon the various classes of institutions which now hold so great a portfolio interest in Government obligations.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

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"Our Reporter On Governments"

By S. F. PORTER

There's no gossip of any real value out on the Treasury's next big refunding deal as yet, but the traders are devoting much of their time these days to figuring out possibilities. . . . And this is the major story now in the Government bond market. . . . The timing of the refunding. . . . The question of whether the maturing issues will be paid off in cash and the money raised during or before the September drive. . . . The problem of bunching the issues or taking them up one by one. . . . The possibility of some minor new money financing when the 7/8% certificates come up for payment August 1. . . . All these subjects are coming up now and while there's no indication of what Secretary Morgenthau has in mind, we have some signs of the direction of thought. . . .

"It's going to be a big Summer for refunding, incidentally, . . . In case you've not been following this part of the market, the maturing obligations amount to well over $3,289,000,000. . . . There are the $1,609,000,000 7/8% certificates of indebtedness, due for payment August 1. . . . There are the $279,000,000 1% notes due September 15. . . . And there are the $1,401,000,000 3¼% bonds due October 15. . . . $3,289,000,000 in all—and all coming up this Summer, unless Morgenthau decides to hold off until the last minute on the 3¼s, raise the cash for payment during the September drive and use up a good portion of it immediately thereafter to redeem these tax-exempt securities. . . .

Chances are, though, that Morgenthau will not wait until the last day. . . . It doesn't make sense, despite the fact that he could do so without trouble. . . . Instead, the feeling seems to be that the Treasury will get its various maturities out of the way before September and have the market all set and clean for the big drive. . . .

So the next item on the calendar is the disposition of the 7/8s, the 1s and the 3¼s. . . .

CONVERSION?

As far as the 3¼s are concerned, the attitude of the experts appears to be that Morgenthau will give holders of these long-outstanding tax-exmept securities a "right" privilege this time. . . . Reflection of that is in the minus yield basis quoted on the 3¼s. . . . Sale price today is 100.23. . . .

The intriguing angle here is that the payment of these will mark the retirement of another tax-exempt issue from the boards. . . . Regardless of the date chosen for payment and regardless of the method picked for raising the necessary cash, the first point is what holders of these are going to do when they get a taxable bond, either in exchange or on the market. . . .

This observer suggests that gambling on the timing of this deal and on the "right" privilege is too risky to be worth the effort. . . .

On the contrary, it may be wiser to do your own refunding now. . . . Sell the 3¼s to any buyer at the present premium—it's high enough. . . . And assuming you want a tax-exempt bond and assuming that's the reason you've held these 3¼s to the bitter end, move out of the 3¼s and into a tax-exempt issue available on the boards now. . . . Pick a long-term one so you'll not have to go through this process of "rolling over your issues" every few months. . . .

The tax-exempts have been under a little pressure in the last 10 days due to an unconfirmed rumor that the Treasury is about to sponsor a move to hit into the tax-exempt advantages and is about to work for a change in the law that will make the tax-exempts less attractive. . . . Well, maybe. . . . But even if this does happen, Morgenthau and his assistants will have a battle on their hands. . . . And a battle they'll probably lose. . . .

So you might take advantage of this recession in the prices of longer-term tax-exempts to do your own refunding on the 3¼s. . . .

AUGUST FINANCING?

As for the 7/8s and the 1s, it seems logical to expect an issue to roll over the 7/8s and to pay off the 1s in a few weeks. . . . Maybe Morgenthau will raise some new cash while he's at it, too, for the amount outstanding of the 7/8s is small enough to permit adding a half-billion or billion to the roll-over offer. . . .

The maturing issue of 7/8s is the smallest out. . . . With the $1,609,000,000 total comparing with other maturities ranging up to $5,251,000,000. . . .

It may be that Morgenthau will take care of the 7/8s in one deal and will offer a fairly large-size issue in August to raise cash for the 3¼s and 1s. . . .

It's all pretty vague at the moment but at least the time has arrived to concentrate on the refundings coming up and the best steps on that seem to be:

(1) Do your own refunding if you hold the 3¼s or 1s, so you can get what tax-exempt issue you want during this slow period. . . .

(2) Don't gamble on a conversion privilege even though one may be available on the 3¼s. . . .

(3) Use this period to switch into longer-term tax-exempts so you'll eliminate the recurring problem of rolling over your portfolio. . . .

INSIDE THE MARKET

Market has shown some odd twists recently due to buying of the taxables and selling of the exempts on the rumor about change in the tax law to make the exempts less attractive. . . . The popular 2¾s are down to 112.9 at this writing against a high of 112.30. . . . They're stabilizing there, however, and may be on their way up again soon. . . .

The new 1½s are fast becoming the key issue of the market. . . . Were up to 100.21 before slipping back slightly, indicating closeness of market and continued high-scale buying. . . .

Lots of trading in the three 2% loans which have been hitting new highs. . . . The 2s, the 1¾s of 1948 and the 1½s seem to be getting most attention now. . . .

September drive is actualy getting under way now. . . . Morgenthau to announce plans in the next couple of days and reveal goals. . . . Chances are most vital information on the deal will be out before August 1. . . .

As for issues available, it will be a "basket" again, with shorts, intermediates and longs offered to any and all types of buyers. . . .

Organization of selling groups is going on at a terrific rate. . . . Nothing like this ever has been attempted before. . . . War Finance Committees are determined to offset bad publicity given to entire setup when Victory Fund Committees were disbanded . . . Selling corps will run into the hundreds of thousands. . . .

"Even the most starry-eyed must recognize that there can be no system of compulsory saving this year," says Ted R. Gamble, national director of the Treasury's War Finance Division. . . . And that takes care of that. . . . Gamble condemned talk on subject today as "academically pointless discussion over compulsory versus voluntary lending." . . . Asked that it be stopped. . . .

Final figures out on allotments on recent 1½% issue show $19,543,543,500 subscriptions received, $2,707,264,000 notes alloted. . . . Showing Morgenthau meant what he said about keeping over-allotment down. . . . New York district subscriptions amounted to $7,301,921,000 while allotments totaled only $696,267,000. . . . Unquestionably much buying of the 1¾s, 1½s and 2s recently has been due to activities of banks rounding out their positions in short and intermediate classifications. . . .

"One-Man Parties" Held Inimical To Freedom

(Continued from page 308)

are clear, even though there may be doubt as to the conditions under which they can be accomplished. On the financial front, American business will be expected to produce the taxable wealth necessary to meet the obligations of the debt. On the psychological front, it will be expected to provide jobs in order to prevent wide-spread unrest of a revolutionary nature. On the international front, its job will be to prevent any drift into imperialism.

Briefly, the twin dangers before us are totalitarianism at home and imperialism abroad. I need not describe the relationship of one to the other. Nor need I discuss the danger of totalitarianism. I merely want to add that one of the most sinister developments which will come of the great debt that we shall have after the war will be the suggestion, already made in a few places, that the way we can carry the burden of a 300-billion-dollar debt is to enter in a big way into the exploitation of backward countries.

Returning for the moment to the question of the sort of political government under which we may live and the individuals in our present government whose views are inimical to free enterprise, I should like to suggest that it is not at all clear that the views of these gentlemen are identical. As I have seen the evolution of our idea men in Washington, I have discerned two specific types—philosophically as far apart as the poles, but politically joined in the noble enterprise of maintaining the present regime in power.

The first group consists of those individuals, mostly economists, who, for reasons which they have given in great detail, doubt that private enterprise, under any circumstances, has a future. The second group is largely composed not of economists, but of lawyers who believe in private enterprise so much that they think it will stand an unlimited amount of punishment and still survive.

The former group, with proper sorrow, would bury you alive; the latter would exercise you to death. The latter group are like doctors of 40 years ago who told tuberculous patients to get outdoors and rough it. The former group are like the doctors of 90 years ago, who told tuberculous patients that they had an incurable disease. I don't think we need spend much time in distinguishing between these groups because the ministrations of either one will result in the same degree of rigor mortis. You will be just as dead in one case as you are in the other.

Nor do I need to suggest that in the last analysis this problem is political. And since I have a somewhat more professional justification for discoursing on that subject, I should like to add a few remarks, not in the nature of practical political advice, but in the nature of classical political philosophy. In order that I may take my position sufficiently far away from present personalities, permit me to go back for a moment to Aristotle. The more I have seen of practical politics and the more that I have seen of the unfolding of political circumstance in these past few years, the more I respect the authenticity of the classical political philosophers. Aristotle, for example, described with a wealth of practical examples how the fabric of a state is eaten away by very simple processes. In his ideal state, stability was assured by a fair balance as between the monarchical, the aristocratical, and the democratic elements. But these elements are constantly exerting pressure, one on the other. The aristocratical was constantly being undermined by the efforts of an individual aristocrat to destroy the confidence of the mass in other aristocrats. He constantly endeavored to by-pass, to appeal over the heads of the others who shared power, by controlling the thinking of the people.

In our form of government, the aristocratical element is found in two elements. The first, legal—the Congress; the second, extra-legal—the party organization. These are pretty prosaic elements in our state. It is hard, in these days when men seek glamor, eloquence and color in leaders, to plead for hum-drum Congressmen or county chairmen. It is especially hard when every effort is being made by people who control great avenues of public expression to destroy confidence in Congress and the parties, to argue myself for what may seem the importance of the mediocre. But if you reflect upon the ways of men, you can readily see that if you discredit and undermine these humdrum elements in our state, we have little between the mass emotions of the public and every demagogic master of those men's emotions.

We have seen the disintegration of the Democratic party organization before our eyes. We see a small group of personal servitors of the executive giving orders to the leaders of the party. And in the other party, we see a persistent effort under way to destroy and discredit the Republican party organization as such by direct appeals, through powerful instruments of public opinion, to compel the party to surrender its prerogatives. We hear that party organization called reactionary, visionless, isolationist and the like.

I realize I may sound like an old man stirring the dying embers of theory when I say this. But I speak the conviction of experience, and recent experience at that, when I say that those forces in both parties that thus seek to weaken popular respect for party organization and for Congress are forces that are inimical to ultimate freedom in America.

As people who have already been reminded very sharply of the fact that business cannot sustain the burden that it should assume after this war, should it be compelled to surrender its essential freedom, I hope that you will recognize the importance of party and Congress to freedom. Both deserve your support, for their stake in the state and your stake in the state are interdependent.

I realize very well that when I speak of the humble labors of party men all over this country—in states and counties and towns—I am not presenting a particularly attractive prospect. Those men have many short-comings and have committed many sins. We have been taught in the past few years to ridicule them, and to discredit them. Whenever a leader stands up and denounces them, he is regarded as a popular hero, a sort of saviour of the people. The Greeks had words to describe these popular leaders, also. Their function in the Greek state was to destroy the rule of the few and to substitute the rule of an individual by the simple expediency of bringing forth a person who was beloved by the multitude. The popular expression of our search for heroes is the thing that we hear on the lips of almost every American as he looks forward to the next national campaign. That is, "Where is the man with glamor and appeal?" I say to you that the frequency with which this is said is one of the most insidious symptoms of a national political disease. Our danger is that our instruments of communication, our widely-read journals, our radio, will, if improperly used, be the most potent means by which a so-called hero can emerge over the ruins of party organization.

I wish to leave with you one warning in any appraisal of present conditions based upon the Aristotelian political philosophy. This nation is not a Greek city. It is a country the size and productiveness of which has never had an equal. For this reason, the destructive forces of which Aristotle spoke, and which we see operating in this country, can go on for a very considerable time without fatal damage. But the nature of the disease is the same.

In the second place, effort to Federalize our nation under the stress of this war has been so productive of mismanagement that it may be many a year before any other public leader will come forward with a new nationalism.

In the third place, the idea of states' rights and responsibility is reviving all over the country. I wish you could have seen, with me, the tremendous demonstration of this at the recent Governors' Conference in Columbus, Ohio.

In the fourth place, the states are, as never before in our time, showing a capacity for good government. I saw 40 governors at that conference; any one of ten of them would make a good President of the United States.

These, I submit are elements of hope in the present situation. But I cannot close without indicating that the danger of the new personal Federalism is very great. When we develop one-man parties, we are only a step from a one-man state. In all your calculations, keep in mind the necessity that American citizens who love their country should be helpful in keeping party government alive and be patient in the efforts of Congress.

Registration Revoked

Registration of Frances J. Lubbe, W. C. U. Building, Quincy, Ill., under the Investment advisers Act, has been revoked by the Securities and Exchange Commission on the grounds that the respondent had been permanently enjoined from engaging in or continuing certain conduct and practices in connection with her activities as investment adviser and in connection with the purchase and sale of securities and that she had wilfully made untrue statements and omissions of material facts in her registration applica-

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NAM Board Sees Wartime Controls Continuing For Some Time After Hostilities Cease

While expecting wartime controls to continue for sometime after the war, the controls "should be entirely eliminated as soon as practicable after hostilities cease," says a post-war report of the Transition Sub-Committee of the National Association of Manufacturers, which adds: "Such action would stimulate free enterprise, the restoration of competition and the provision of jobs." The report has been approved by the Association's Board of Directors, which stated that in its judgment, based on the report, "if the administration of wartime controls over prices, rationing, pay, jobs and materials can be improved, there may be a real need for their temporary continuance after hostilities are over.

The Committee emphasized that, if all wartime controls were ended with the ending of hostilities, the result would very likely be a rush of purchasers for the inadequate supply of civilian goods then existing, involving a serious inflation of prices to the consumer and serious practical handicaps for small businesses. When military needs no longer require the current wartime controls, according to the NAM directors, they would continue to be required nevertheless, until business is enabled to reconvert to peacetime operation of goods on a production scale which will eliminate the danger of a goods-scramble and inflation.

The Sub-Committee states that "the principal factors to be taken into consideration in determining when particular wartime controls should be eliminated are:

"1. The military needs.

"2. The prevention of inflation.

"3. The stimulation of civilian production and employment.

"4. The maintenance of fair competitive opportunity for small business firms.

"5. Whether such elimination would itself reduce the need for such controls."

According, the Board said: "While it would be inadvisable to fix definite calendar dates for the termination of controls, the extension of existing controls should be only for short periods of time."

The Board statement of its position, pointed out that it was based on the assumption that war would probably not end on the same day in both hemispheres and on all our multiplying battlefronts; and that the corresponding return of some war plants to civilian production would probably make it possible to eliminate or at least relax some of the wartime controls even while the fighting is still going on.

Meanwhile, the Board urged "that the administration of existing wartime controls be improved." "At the present time," the Board statement declared, "such controls are progressively breaking down, but this trend can and should be reversed. Such controls cannot be even reasonably successful unless experienced and able administrators are given adequate responsibility in the administration of such controls, both now and in the post-war period." Some of the practical considerations which moved the Post-War Problems Committee were explain by NAM Director John Airey, President of the King-Seeley Corp., Ann Arbor, Mich., and Chairman of the Post-War Transition Sub-Committee of the Post-War Problems Committee. He said:

"With a large majority of American enterprise now engaged in war work, there is nothing which could so thoroughly wreck the entire American post-war economy as a mishandling of the wartime controls problem.

"It is our judgment that ration books, price ceilings, job freezing, materials-priorities and the rest of the wartime controls will probably be with us for some time after the last shot is fired. For example, as it seemed to us, the materials controls which are at the base of the division between war industry and civilian industry, would certainly have to continue as long as the war lasts, so that war needs may certainly be satisfied first.

"Before we finally get rid of the wartime controls, everybody—consumer and business men alike—will have had time to get very tired of them. There will be considerable popular and political pressure to take them off as soon as the war ends. This pressure should not be allowed to run away with the situation.

* * *

"In a general way, the controls cannot be rubbed out of our calculations until we have so readjusted ourselves that they become unnecessary and meaningless."

Post-War Economic Policy Discussed In League Publication

The June number of the **"Monthly Bulletin of Statistics,"** which is published by the League of Nations Mission at Princeton, N. J., contains, in addition to the regular tables, a summary of the recent report by the League of Nations Delegation on Economic Depressions on "The Transition from War to Peace Economy." The delegation included Sir Frederick Phillips, Head of the British Supply Council in Washington, D. C., (Chairman); Henry F. Grady, President, American President Lines, former Assistant Secretary of State; Graham Towers, Governor of the Bank of Canada; Carter Goodrich, Chairman of the Governing Body of the International Labor Office; and high officials, bankers and economists from a number of other countries.

The League points out that the importance of the report on "The Transition from War to Peace Economy" lies in the fact that it is the first comprehensive answer by an official international body to the questions: How can the world avoid a serious post-war depression? By what means can a smooth transition to peace economy be effected? How can the maintenance of high levels of production and employment best be assured? These are questions of vital importance not only to every individual but also for the future of mankind; for a major depression would surely defeat the fundamental aims — social, economic and political—of post-war reconstructions, foment economic nationalism throughout the world and indeed lay the bases for another war.

The announcement goes on to state:

"The objectives of post-war economic policy, as defined in the report, should be to assure

(a) that the fullest possible use is made of the resources of production, human and material, of the skill and enterprise of the individual, of available scientific discoveries and inventions, so as to attain and maintain in all countries a stable economy and rising standards of living;

(b) that in so far as possible, no man or woman able and willing to work should be unable to obtain employment for periods of time longer than is needed to transfer from one occupation to another or, when necessary, to acquire a new skill;

(c) that in the use of these productive resources, the provision of goods and services to meet the essential physiological needs of all classes of the population in food, clothing, house room and medical care is a prime consideration;

(d) that society distribute, as far as possible, the risk to the individual resulting from interruption or reduction of earnings power;

(e) that the liberty of each individual to choose his own occupation is respected and is promoted by equal educational opportunities;

(f) that the liberty of each country to share in the markets of the world and thus to obtain access to the raw materials and manufactured goods bought and sold on those markets is promoted by the progressive removal of obstructions to trade;

(g) that the benefits of modern methods of production are made available to all peoples both by the progressive removal of obstructions to trade and by courageous international measures of reconstruction and development.

"With these objectives in view, the Delegation proceeds to consider the problems of policy, both domestic and international, that arise. In regard to domestic policy, a great danger to be avoided is a runaway price-boom, which would be followed by collapse and unemployment. It is therefore urged that wartime measures taken to control prices and assure an equitable distribution of supplies, whether to producer or consumer, should not be abandoned suddenly but relaxed gradually as shortages are overcome.

"The main preoccupation is to get men re-employed and production re-directed towards consumers' needs when the war demand falls off, as rapidly as may be possible without endangering general economic stability. Stress is laid on fiscal policies which will encourage enterprise and of schemes for teaching new skills and for helping workers find new employment.

"The lack of any general plan for getting business started in the war-stricken areas after 1918 was, it is argued, an important cause of the economic breakdown and the collapse of currencies in Europe. The experience of that period demonstrates the imperative need both of government action and of intergovernmental co-operation in solving the far graver international problems of transition after the present war. These problems are discussed at length under the following headings: relief, the international demand for crude products, the international demand for capital and credit, exchange control and multilateral clearings, the control of inflation, long-term lending, commercial policy, international organs; and a number of recommendations are set forth concerning the measures and the processes which their solution is held to require.

"Two points are emphasized in conclusion: first, that means must be found for co-ordinating the policies of the various international agencies that may prove necessary; secondly that, if wise economic policies are essential bases of a durable peace, the success of all effects to create a better economic world ultimately depends on the firm establishment of political security."

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

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The Securities Salesman's Corner

How About Protecting the Broker-Dealer From the Unscrupulous Investor?

If you ever made the remark outside the securities business that sometimes brokers and dealers need an SEC of their own to protect them from some of their so-called customers, the average person would doubtless look at you in amazement. Yet, there is hardly a broker, dealer, or salesman who won't recognize the following little story as one of several variations of what happens far too often when those in the securities business deal with the public from day to day.

Last week one of our dealer friends received a call from a customer whom he had known for quite some time. This customer said he had heard that a certain low priced stock had excellent post-war prospects and he asked the dealer for an opinion. The dealer checked up quite carefully and reported back to the customer that in his opinion "the stock looked like a promising low priced speculation." The customer bought a hundred shares. Since the dealer knew this customer he took his order over the telephone and duly confirmed the sale. The market was over the counter and he made his sale at three-eights of a point above what he checked to be the current "inside" offering price. So far so good—our dealer friend figured out that he had made a "gross" profit of $37.50 before taxes, clearance, etc. But he didn't know that his customer **had a friend who also wanted to be a speculator.**

The next day his phone rang again. This time he was told that since his services had been so highly recommended by his customer of the day before that the speaker on the other end of the line thought he too would like to buy some of the "promising stock." This dealer knowing his other customer quite well and believing that he could take this second order over the telephone proceeded to do so.

That evening he sent out his confirmation in the regular course of business and the next morning his telephone rang again. This time it was not the new customer of the day before on the phone **but his wife.** She started in, "you know that stock YOU SOLD my husband yesterday (get the YOU SOLD), well we talked to a friend of ours and he said he had never heard of it—it's not even listed on the market—and it can't be much good. We've decided we don't want it." Seeing what he was up against, this dealer didn't argue. Of course, he asked the woman a few questions such as: Have you ever bought stock before and have you the money to lose in case a speculation turns out unfavorably? Seeing that the answer to these and similar questions would be in the negative he decided to let well enough alone and proceeded to cancel the trade. After he had sold out this second hundred shares at the bid price, which had slipped a quarter point in a market that didn't look too promising, **his net profit on the first 100 shares was turned into a loss.**

There seems to be only one remedy for such cases as these. **That's be careful!** Of course, here was a time when the dealer relied upon the fact that he thought his customer would not send him anyone who was unreliable and the amount involved was small. But in a business where more transactions are consummated over the telephone every day in the week than possibly any other line of endeavor it is essential that you not only **know your customers—but that the orders they place are clearly understood by both parties concerned.**

Roosevelt And Churchill Appeal To Italian People To Surrender—Say Resistance Hopeless

President Roosevelt and Prime Minister Churchill of Great Britain told the Italian people on July 17 that the "sole hope for Italy's survival lies in honorable capitulation to the overwhelming power of the military forces of the United Nations" but that by continuing to tolerate the Fascist regime they must "suffer the consequences" of the devastation of war at home.

The joint statement, made public simultaneously in Washington, London and Algiers, was broadcast by Allied radios and dropped by planes on Italian soil.

The message emphasized that the time has come for the Italian people "to decide whether Italians shall die for Mussolini and Hitler—or live for Italy, and for civilization."

The "shameful leadership" by Mussolini and his Fascist regime was stressed and disavowed of both Nazi Germany and their own false leaders was urged on the Italians.

The text of the Roosevelt-Churchill statement follows, according to the Associated Press:

"At this moment the combined armed forces of the United States and Great Britain, under the command of Gen. Eisenhower and his deputy, Gen. Alexander, are carrying the war deep into the territory of your country.

"This is the direct consequence of the shameful leadership to which you have been subjected by Mussolini and his Fascist regime.

"Mussolini carried you into this war as the satellite of a brutal destroyer of peoples and liberties.

"Mussolini plunged you into this war, which he thought Hitler had already won. In spite of Italy's great vulnerability to attack by air and sea, your Fascist leaders sent your sons, your ships, your air forces, to distant battlefields to aid Germany in her attempt to conquer England, Russia and the world.

"This association with the designs of Nazi-controlled Germany was unworthy of Italy's ancient traditions of freedom and culture—traditions to which the peoples of America and Great Britain owe so much.

"Your soldiers have fought not in the interests of Italy but for Nazi Germany. They have fought courageously, but they have been betrayed and abandoned by the Germans on the Russian front and on every battlefield in Africa from El Alamein to Cape Bon.

"Today Germany's hopes for world conquest have been blasted on all fronts. The skies over Italy are dominated by the vast air armadas of the United States and Great Britain. Italy's sea coasts are threatened by the greatest accumulation of British and Allied sea power ever concentrated in the Mediterranean.

"The forces now opposed to you are pledged to destroy the power of Nazi Germany—power which has ruthlessly been used to inflict slavery, destruction and death on all those who refuse to recognize the Germans as the master race.

"The sole hope for Italy's survival lies in honorable capitulation to the overwhelming power of the military forces of the United Nations. If you continue to tolerate the Fascist regime which serves the evil power of the Nazis, you must suffer the consequences of your own choice. We take no satisfaction in invading Italian soil and bringing the tragic devastation of war home to the Italian people.

"But we are determined to destroy the false leaders and their doctrines which have brought Italy to her present position.

"Every moment that you resist the combined forces of the United Nations—every drop of blood that you sacrifice—can serve only one purpose: To give the Fascist and Nazi leaders a little more time to escape from the inevitable consequences of their own crimes.

"All your interests and all your traditions have been betrayed by Nazi Germany and your own false and corrupt leaders; it is only by disavowing both that a reconstituted Italy can hope to occupy a respected place in the family of European nations.

"The time has now come for you, the Italian people, to consult your own self-respect and your own interest and your own desire for a restoration of national dignity, security and peace. The time has come for you to decide whether Italians shall die for Mussolini and Hitler—or live for Italy, and for civilization."

Ration Banking Explained In Radio Broadcast

The detailed operation of Ration Banking was set forth on July 13 in a radio broadcast over the Blue Network which was devoted to the role of banks in the war effort. This was one of the broadcasts in the series "The Nation at War" which has been on the air during the past 13 months as a public service feature of the Blue Network in cooperation with the National Industrial Information Committe and the National Association of Manufacturers.

In order to explain how Ration Banking operates, a typical Ration Banking transaction was picked up from the office of Manufacturers Trust Company in the Empire State Building where George T. Newell, Vice-President in Charge, explained how Ration Banking accounts are handled, and the general advantages of ration banking to the retail trade. Manufacturers Trust Company, through its 68 banking offices in Greater New York, claims to handle the largest volume of ration banking business in New York City. On the average, over 1,000,000 ration coupons are deposited at the bank every day.

NYSE Amended Special Offering Plan Declared Effective By SEC

The Securities and Exchange Commission has declared effective as of July 6 the amended plan of special offerings of the New York Stock Exchange.

Coincident with this action, the SEC extended indefinitely the provisions of Rule X-10B-2 which authorizes special offerings on national securities exchanges. The conditional exemption to this rule was originally adopted on Feb. 6, 1942, and subsequently extended for two six-month periods—the latter one due to end July 31. The Commission also amended Rule X-10A-1 so that over allotments in a special offering will not constitute a violation of that rule.

The SEC also announced the indefinite extension of the effectiveness of the special offering plans of the New York Curb Exchange and the San Francisco Stock Exchange.

The rules of the New York Stock Exchange covering special offerings have been amended in the following respects:

(1) To permit over allotments up to 10%.

(2) To prohibit a member from receiving any part of the special commission in connection with any purchase, not only as at present for his own account or the account of any other member or member firm, but also for any partner of a member firm.

(3) To simplify the language of Rule 494 covering the printing of special offering transactions on the tape.

(4) To delete the present requirement to reconfirm essential details of special offering transactions on statements of account.

(5) To make more specific the disclosure to customers called for by Rule 496 (b) and (c).

The present rule calls for disclosure of the "terms and conditions." The amendment describes what those terms and conditions are.

(6) In connection with information called for in considering an application for a special offering, to require weekly instead of daily price range and volume of the security for a period of six months prior to the date of the proposed offering.

(7) To provide for a minimum effective period of 15 minutes and to remove the present requirement to keep an uncompleted offering open at least three hours, but instead to require that the uncompleted offering may not be terminated without Exchange approval.

(8) To permit the inclusion in the special offering of stock acquired in stabilizing during the life of the special offering.

Financial Advertisers To Meet In Chicago

Adopting the descriptive phrase, "Collective Thinking for Individual Action," the Financial Advertisers Association will hold its 28th annual convention at the Edgewater Beach Hotel, Chicago, on Oct. 19, 20, and 21. The convention in 1942 was held entirely by mail. The Board of Directors of the Association has scheduled this year's shortened war advertising conference of two full days from noon on the 19th to noon on the 21st.

General Chairman of the convention is Lewis F. Gordon, First Vice-President of the Association and Vice President of the Citizens & Southern National Bank, Atlanta, Ga. Chairman of the Program Committee is Robert Lindquist, advertising and publicity manager of the American National Bank & Trust Co., Chicago, and a Director of the FAA. "Business every minute" will be the watchword of the convention said L. E. Townsend, President, in announcing the decision of the Board of Directors of the Association. Details of the program will be announced later.

Upswing In Farm Land Values Bears Watching

The Office of War Information, comparing current price trends of farm lands with those of the last war, warned on July 11 against a general rise of values and a subsequent "disastrous" deflation.

Although values were not at the "boom stage which led to the catastrophe of 1921," the OWI said, farm real estate values on March 1, 1943, were noticeably higher than a year earlier.

In Washington advices, July 11, to the New York "Times" it was further reported:

"On that date, the index of the average per acre values (1912-14 being equal to 100) stood at 99 for the country as a whole, as compared with 91 in March, 1942, 85 in 1941, and a low of 73 in 1933.

"'The low point reached in 1933 was the final aftermath of an inflationary process set in motion during the last war, a process that reached a climax immediately afterward, in 1919 and 1920,' the OWI stated.

"'Swollen land values in those two years came about through the demand for farm land that was paying heavy wartime dividends based on excessive prices received for farm products.'

"The agency said that a factor now combatting inflationary tendencies in land values, according to the Bureau of Agricultural Economics of the Department of Agriculture, was the fact that in 1942 farmers paid off about three times as much of their mortgage indebtedness as they had paid off, on the average, during each of the three previous years.

"In 1942, for the first time in twenty years, the annual average of farm prices reached parity with other prices, the OWI said.

"Since the outbreak of war, it continued, the average of farm prices had risen more than 90% and farm income by about 80%, while the average of prices paid by farmers, including interest and taxes, had increased about 25%.

"'The more favorable cash position of the average farmer has brought about a natural rise in all farm values, but the more recent upswing in farm land values will bear watching,' the agency reported.

"The Bureau of Agricultural Economics found that as of March 1, 1943, increases in value over those of the previous year were 20 to 24% in 13 States, 15 to 19% in 16 States, 10 to 14% in 11 States and less than 10% in six States."

Money In Circulation

The Treasury Department in Washington has issued the customary monthly statement showing the amount of money in circulation after deducting the moneys held in the United States Treasury and by Federal Reserve Banks and agents. The figures this time are for May 31, 1943, and show that the money in circulation at that date (including of course, that held in bank vaults of member banks of the Federal Reserve System) was $17,113,731,415 as against $16,659,573,874 on April 30, 1943, and $12,073,980,785 on May 31, 1942, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, the total was $3,459,434,174.

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Third National Bank Of Nashville Makes Another New Record

The Third National Bank of Nashville, Tenn., F. M. Farris, President, is forging ahead in deposit accounts and resources of every kind. Nashville's youngest bank, organized in 1927, is now the second largest bank in that city. The Third National's record of growth may be gathered from its comparative record of deposits which has been continuous from the opening day, on July 18, 1927, without the aid of mergers or consolidations, viz:

July 18, 1927	$ 1,018,140.93
June 30, 1931	6,787,036.34
June 30, 1935	16,935,435.40
June 30, 1939	26,308,531.60
June 30, 1942	45,965,094.59
June 30, 1943	64,897,962.24

At the latest bank call, June 30, the Third National Bank had a combined surplus and undivided profits account of $2,239,414.36, in addition to its capital of $1,000,000. On the asset side, the cash and due from banks stood at $17,697,865.64, United States bonds $21,073,253.79, while State, county and municipal were $13,127,221.21, corporate bonds and securities $1,309,898.33, loans and discounts aggregated $14,117,097.86, and total resources $68,564,436.36. N. A. Crockett is Chairman of the Board and Watkins Crockett is Vice-Chairman. Besides Mr. Farris, the President, the senior officers are: E. J. Walsh, Vice-President and Trust Officer; W. J. Diehl, Vice-President and Cashier; D. W. Johnson, S. M. Fleming, W. J. Bryan and J. G. Ward, Vice-Presidents.

Condemns Moves To Force Securities On To Exchanges

Editor, Commercial & Financial Chronicle:

In spite of the fact that many officials in Washington are working in the interests of the small business man, there are elements connected with the securities business which apparently are trying to drive all transactions on to the exchanges and this means into hands of the larger organizations.

The new proposal was carried in full in the issue of the New York Times of July 15 and it has to do with the listing and/or trading on the local exchanges. This proposition, of course, rings a very respective note in the hearts of the exchanges.

As a result of this proposition the president of the Baltimore Stock Exchange has recently written a letter to all members of Congress upholding the idea as put forth by the SEC. While I have not gone to the trouble of totaling the volume of business transacted on the Baltimore Stock Exchange, according to your compilation for the week ending July 16 the stock sales for the week were approximately 5,000 shares and the bond transactions $10,200 par value. During the previous week the stock volume was about 3,600 shares and the bonds were about $18,000 par value. It is understandable that an exchange which contributes so little to the securities business of a metropolis the size of Baltimore, would like to see additional securities forced on to its list. Under free and unrestricted trading the Baltimore Stock Exchange is, from its own volume reports, not a factor in the securities business.

This entire proposition is just another phase of the "equalization argument" which went on some time ago and it is my personal opinion that this movement should be defeated. I trust you will use your great influence in the securities business in arousing public opinion against the passage of this proposed rule of the SEC.

B. S. LICHTENSTEIN.

New York City, July 19, 1943.

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.

St. Louis-San Francisco Situation Looks Good

St. Louis-San Francisco 4½s of 1978 offer an interesting situation, according to a memorandum issued by Raymond & Co., 148 State Street, Boston, Mass. Copies of this memorandum discussing the situation in detail may be had upon request from Raymond & Co.

Tabulate Values Of Old Issues Under Proposed Consolidated Mo.-Pacific

An estimate of the value of old outstanding issues of the Missouri Pacific Railroad Co., the International-Great Northern Railroad Co., and the New Orleans, Texas & Mexico Railway Co., in terms of their potential value under the proposed new consolidated Missouri Pacific Railroad System is supplied in a report prepared for Blair & Co., Inc., by Thomas G. Campbell, Railroad Consultant, in collaboration with Frank B. Bateman of Blair & Co., Inc.

As of June 14, 1943 the market value of all outstanding issues of the three companies totalled only around $270,000,000 the report discloses as against 1929 valuation of $700,000,000, despite the fact that last year the new Missouri Pacific System did a gross of $231,000,000 which was $90,000,000 more than was produced in 1929 by the old Missouri Pacific Railroad, and reported over $66,000,000 of gross income available for distribution, a gain of more than $36,000,000 over 1929. In addition the company at the end of 1943 may possibly have cash items alone of almost $150,000,000 not allowing for interest distributions or possible retirement of certain issues.

A tabulation of the estimated value of old issues in terms of potential value of the new securities, includes a figure of $823.30 for the Missouri Pacific first and refunding 5% bonds, 1965-1981, and $417.90 for the Missouri Pacific general 4% bonds of 1975.

Arbitrage possibilities are also discussed briefly. Copies of this interesting report may be obtained from Blair & Co., Inc., 44 Wall Street, New York City.

Canadian Bond Values Tabulated For Form TFR-500

Wood, Gundy & Co., Inc., 14 Wall Street, New York City, have prepared a table of valuations of Canadian bonds for the assistance of those required to file Form TFR-500 with the U. S. Treasury Department. The valuations are expressed in U. S. dollars and are listed as of May 31, 1943 as stipulated by the Treasury Dept.

Copies of this tabulation may be had from Wood, Gundy & Co. upon request.

Study Trade Relations Between Free-Market and Controlled Economies

The form of trading relationships which should be established between countries which subject their foreign trade to direct regulation and those which desire to avoid such controls and to influence the free play of the price mechanism only or mainly by tariffs is the subject of a new publication of International Documents Service (League of Nations Publication 1943.II.A.4). The question, which is likely to be one of the major problems of commercial policy after the war is studied by Professor Jacob Viner of the University of Chicago, who approaches the problem by analyzing the difficulties with which countries with a substantially free trading system were faced in the nineteen-thirties because of the growth of quotas, exchange control, and Government monopolies elsewhere and by appraising the attempts made to meet those difficulties. From this appraisal, the author proceeds to formulate a number of objectives and constructive proposals for the future.

The study, entitled "Trade Relations Between Free-Market and Controlled Economies," will be published on July 27th, and may be obtained from Columbia University Press, International Documents Service, 2970 Broadway, New York City; cost $1.00 per copy.

Attractive Possibilities

The current situation in Red Rock Bottlers, Inc., offers interesting possibilities, according to a circular being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of this circular may be obtained from the firm upon request.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The Offering is made only by the Offering Circular.

$6,700,000

Gulf, Mobile and Ohio Railroad Company

Collateral Trust Bonds, Series A

To be dated July 1, 1943 To be due July 1, 1944-53

The issuance and sale of these Bonds are subject to authorization by the Interstate Commerce Commission

The following is merely a brief outline of certain information contained in the Offering Circular dated July 20, 1943, and is subject to the more detailed statements therein. The entire Offering Circular should be read prior to any purchase of these Bonds.

The Company, on December 31, 1942, operated 1,969 miles of single track railroad of which 1,435 miles were owned, 228 miles operated under lease and 306 miles operated under trackage rights. This mileage connects the Gulf ports of Mobile and New Orleans with the important St. Louis gateway, while a line to Montgomery, Alabama, provides access to the Southeast, and trackage right mileage connects Memphis and Birmingham with the main line. More than 92% of the Company's operating revenues for 1942 were derived from freight traffic. The Company normally carries a substantially diversified traffic in commodities and normally originates and terminates about 24%, originates and delivers to connecting lines about 27%, receives from connecting lines and terminates about 26%, and acts as a bridge line for about 23% of the total freight tonnage it handles. Further information with respect to the Company, its business and financial condition is contained in the Offering Circular.

These Series A Bonds will be secured, ratably with $8,700,000 Series B Bonds, by the pledge initially under the Indenture of First and Refunding Mortgage 5% Bonds, Series C, due 1963 (issued under the same indenture as the First and Refunding Mortgage 4% Bonds, Series B, due July 1, 1975) in a principal amount equal to 150% of the aggregate principal amount of Collateral Trust Bonds. The Indenture will provide that as Collateral Trust Bonds are retired no pledged bonds may be released unless, after each such release, the remaining principal amount of pledged bonds shall be at least equal to 200% of the aggregate principal amount of Series A and Series B Bonds which remain outstanding.

The Summary of Earnings of the Company and predecessors which follows has been prepared from the Condensed Income Accounts in the Offering Circular and is subject to the notes forming an integral part thereof and to the information in the Statement of Profit and Loss set forth in the Offering Circular. This summary should also be read in conjunction with other information set forth in the Offering Circular under the caption "Estimated Additional Revenues and Savings in Expenses Resulting from Consolidation":

Year Ended December 31	Total Railway Operating Revenues	Total Railway Operating Expenses	Operating Ratio	Net Railway Operating Income	Income Available for Fixed Charges*
1933	$13,186,200	$10,217,888	77.49%	$ 925,019	$1,050,100
1934	13,775,785	11,219,112	81.44	482,497	568,620
1935	15,026,961	11,819,779	78.66	1,173,074	1,261,458
1936	18,140,610	12,832,128	70.74	2,675,310	2,769,533
1937	19,631,924	14,809,780	75.44	2,081,960	2,174,134
1938	17,945,443	13,425,925	74.82	1,794,596	1,888,820
1939	18,660,835	13,862,745	74.29	2,154,857	2,251,267
1940	18,701,182	14,298,788	76.46	1,505,525	1,605,172
1941	23,647,846	16,126,523	68.19	3,661,460	3,775,475
1942	33,173,151	20,674,982	62.32	5,648,668	5,796,913

* Excludes inter-company transactions with New Orleans Great Northern Railway Company (controlled leased line). The amounts shown in this column are stated after all Federal and State income taxes.

On completion of the present financing, annual interest charges on all fixed interest debt to be outstanding with the public, consisting of Collateral Trust Bonds, First and Refunding Mortgage Bonds, and Equipment obligations, together with annual net fixed lease rental, will amount to not more than $1,085,179.

AMOUNTS, MATURITIES AND YIELDS

Amount	Rate	Maturity	Yield	Amount	Rate	Maturity	Yield
$500,000	3%	1944	1.125%	$ 500,000	3 %	1949	2.90%
500,000	3	1945	1.50	400,000	3½	1950	3.15
500,000	3	1946	1.90	400,000	3½	1951	3.30
500,000	3	1947	2.30	400,000	3½	1952	3.40
500,000	3	1948	2.60	2,500,000	3¾	1953	3.60

Subject to the terms and conditions of the Company's Invitation for Bids dated July 7, 1943, the undersigned have agreed severally to purchase the Series A Bonds from the Company at 100.1602% and accrued interest. These Bonds are offered subject to prior sale, when, as and if issued and accepted by the undersigned and subject to authorization by the Interstate Commerce Commission of their issuance and sale and to approval of counsel as to all legal matters in connection therewith. It is expected that Bonds in temporary form will be available for delivery on or about July 29, 1943. A statement with respect to stabilizing the price of the Series A Bonds is contained in the Offering Circular, without assurance, however, that the price will be stabilized. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

OTIS & CO. (INCORPORATED) CENTRAL REPUBLIC COMPANY (INCORPORATED)

HALLGARTEN & CO. DEMPSEY-DETMER & CO. FIRST OF MICHIGAN CORPORATION

THE ROBINSON-HUMPHREY COMPANY NASHVILLE SECURITIES COMPANY

F. S. YANTIS & CO. INCORPORATED WATKINS, MORROW & CO. MERRILL LYNCH, PIERCE, FENNER & BEANE

BLAIR, BONNER & CO. SHROPSHIRE & COMPANY SILLS, TROXELL & MINTON INCORPORATED

Definitive Bonds in coupon form in the denomination of $1,000 registerable as to principal and in fully registered form in denomination of $1,000 and authorized multiples thereof. Principal and semi-annual interest, January 1 and July 1, payable at the office of Halsey, Stuart & Co. Inc. in New York or Chicago or at the agency of the Company in Mobile. Bonds due 1944-52 inclusive not redeemable prior to maturity. Bonds due 1953 redeemable at the option of the Company, in whole or in part, on any interest payment date on sixty days' published notice at 103¼% to and including July 1, 1944; thereafter at redemption prices reduced on each July 2 as set forth in the Offering Circular, plus in each instance accrued interest to the date of redemption. The information contained herein has been carefully compiled from sources considered reliable, and while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

July 22, 1943.

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Abandonment By SEC Of Theory Of Mark-Up

Contends That Re-Sale Price of Oil Royalties Must Bear Reasonable Relation To "Contemporaneous Wholesale Price"

By ABRAHAM M. METZ and EDWARD A. KOLE
Members of the New York Bar

In a recent article we said "watching the future tack of 'The Commission' in its attempt to regulate the sale of oil royalties will be interesting."

Up to that time the strategy of the Securities and Exchange Commission consisted in asserting "that a statement by a dealer with respect to the price of a security carries with it the implied representation that that price bears some reasonable relation to the **prevailing market price**," and contended that oil royalties are securities. The inference is self-evident.

Abraham M. Metz

Up to that time the Securities and Exchange Commission further contended that where the dealer does not observe this standard set up by it i.e., where the sale does not bear a reasonable relation to the **prevailing market price**, a fraudulent misrepresentation is implied.

Said "The Commission" in its brief amicus, filed in *Hallgarten vs. Lee, which involved the sale of oil royalties only:

Edward A. Kole

"The fraud can be avoided only by charging a price which bears a reasonable relation to the **market price**, or by disclosing such information as will enable the customer to make an informed judgment whether he will complete the transaction."

"The dealer's omission to disclose the spread between market price and sale price when that spread is unreasonable, renders misleading and fraudulent the representation, implied from his holding himself out as a dealer in securities, that he will deal fairly with his customers and charge prices bearing some reasonable relation to the prevailing market."

It is to be noted that the emphasis is on "market price," and "prevailing market price."

It is certain, and common knowledge possessed by every specialist in oil royalties, that as to royalty sales to the investing public there is no "prevailing market price." In its failure to recognize this, the Securities and Exchange Commission erred. If careful inquiry had been made by the Securities and Exchange Commission it could have been advised of the prevailing mark-ups, moreover, the forms 1G and 2G, which are required to be filed, contain that information.

Insofar as oil royalties are concerned, we believe that the Securities and Exchange Commission was finally convinced of the futility of its adherence to the prevailing market price rule by the case of Hallgarten vs. Lee.

Judge Fee there held:

1. No confidential relationship existed between the plaintiff and the defendant;
2. That the defendant was under no obligation to disclose the price at which the securities were acquired; and
3. That there was no market value for the sales and purchase of these royalties to the general investing public.

Since that decision there has been two releases by "The Commission," on June 28, 1943, Nos. 3450 and 3451, which convinces us that insofar as oil royalties are affected, the Securities and Exchange Commission has completely abandoned the stratagem of insisting upon the observance of the **prevailing market price** rule.

Both cases deal with the revocation of broker-dealer registrations.

In No. 3450, the Securities and Exchange Commission condemned retail sales of oil royalty interests at prices bearing no reasonable relationship to the **contemporaneous wholesale price.**

"The Commission" set up the following fiat, "the least required of the dealer being that, in the absence of special circumstances, he charge no more than a reasonable mark-up over the **contemporaneous wholesale price.**"

The position of "The Commission" was the same in No. 3451. There it held that "such prices bore no reasonable relation to the **prevailing wholesale price** for the royalties, as evidenced by his costs."

In both instances, the registration was revoked.

Dealers in oil royalties face a most acute problem which may involve their very right to continue in business. Because of their speculative nature, substantial mark-ups in retail prices have been the rule, rather than the exception. The evidence of these mark-ups are on file with the Securities and Exchange Commission on the pertinent forms. Disciplinary proceedings may be widespread if the present position of "The Commission" is permitted to prevail.

It seems that the Securities and Exchange Commission has taken no notice of the resolution passed by the Eastern Oil Royalty Dealers Association, limiting its members to "a gross profit of not more than 33 and ⅓% of the amount received in payment for such royalty." In our opinion, that Association represents the voice of experience, an experience that was not manifest in the initial insistence by "The Commission" upon the **prevailing market price** rule.

*The case of Hallgarten vs. Lee was tried for the defendant by the writers in the United States District Court for the Southern District of New York, during the April 1943 Term of Court, before Judge James Alger Fee.

Ban On Sale Of Foreign Securities Eased

The Treasury Department on July 19 amended its foreign funds control regulation so as to authorize the acquisition by, or transfer to, any person in the United States of any interest in "securities or evidences thereof" physically situated in Great Britain, Canada, Newfoundland, or Bermuda and of any other member of the "generally licensed trade area." The Treasury Department circular was made available as follows by Allan Sproul, President of the Federal Reserve Bank of New York:

"Treasury Department,
"Office of the Secretary
"July 19, 1943.

"General License No. 87—Under Executive Order No. 8389, as amended, Executive Order No. 9193, section 5 (b) of the Trading With the Enemy Act, as amended by the first War Powers Act, 1941, relating to foreign funds control:

"(1). **Transactions licensed under section 2A(2) of the Order—** A general license is hereby granted under section 2A(2) of the Order authorizing the acquisition by, or transfer to, any person within the United States of any interest in:

"(a) Securities or evidences thereof physically situated in Great Britain, Canada, Newfoundland, or Bermuda;

"(b) Securities or evidences thereof issued in any other member of the generally licensed trade area, which are physically situated in, and payable solely in the currency of, the country where issued, except securities or evidences thereof issued by a person engaged in the business of offering, buying, selling, or otherwise dealing or trading in securities or evidences thereof issued by another person.

"(2). **Definitions** — The term 'member' of the generally licensed trade area shall have the meaning prescribed in General License No. 53, as amended.

"(3). **Transaction not authorized**—This general license shall not be deemed to authorize any transaction prohibited by any provision (or ruling or regulation thereunder) of the Order other than section 2A(2).

"RANDOLPH PAUL,
"Acting Secretary of the Treasury."

Time Extended For Foreign Property Reports

The Treasury Department announced on July 14 that all persons subject to the jurisdiction of the United States, who owned property in a foreign country or who had an interest in such property on May 31, 1943, have been given an extension of time from Aug. 31 to Nov. 1, 1943 in which to file a report of ownership. Advices to this effect, made available by the Federal Reserve Bank of Chicago also state:

"The report must be filed on form TFR-500 provided the ownership or interest was not acquired after May 31, 1943. If the total value of such property was less than $10,000, no report need be filed. With certain exceptions, notably bonds payable in United States dollars, a report must be filed regardless of amount. Forms for filing may be obtained at any Federal Reserve Bank or branch.

Attractive Growth Outlook

International Industries, Inc., manufacturers of Argus and Argoflex Cameras, offers interesting possibilities for substantial growth in the post-war period according to a circular being distributed by A. L. Stamm & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had from the firm upon request.

Ickes Blames Business Men Drafted For War Aid Not Bureaucrats For Failure In War Program

It's the business men drafted for the war effort who should be blamed for any frictions or failures in the war program and not the brain trusters, New Dealers or bureaucrats, Secretary of the Interior Harold L. Ickes declared on July 20 in an address before the Sales Executives Club of New York at the Hotel Roosevelt.

In reporting his remarks the New York "Sun" of July 20 quoted Mr. Ickes as follows:

"In a more than somewhat sarcastic luncheon speech in which he described himself 'one of the few New Dealers left in the Washington administration' and in which he took his listeners on a trip through a museum to see a 'new Dealer who was stuffed for posterity and who now hangs here as a reminder of an age gone by,' Mr. Ickes put responsibility for the war program right on the dollar-a-year doorstep.

"'It isn't the New Dealers who have been running this war,' he said. 'I challenge any one to name names and fix responsibilities. If I know anything about Washington it is that the business men who have been drafted have been running the war—men like Knudsen, Nelson, Stettinius and many others whom I might mention. These are the men to whom the President has given vast powers. And while you are pondering this fact, consider also that many of the most influential and busiest executives in this administration were never New Dealers. Nor are they now.'

"'I have sometimes ventured to think—all by myself, of course,' he said at another point, 'that this sudden and great influx of men, who, while highly competent in their own fields, were inexperienced and untrained in and unsympathetic with Government procedures, was not as well advised as it appeared to be.

"'The clankings, the screechings or badly oiled machinery, the clashings of one war endeavor against another may have at least somewhat been due to the fact that new hands were undertaking work that they did not know too much about. Be this as it may, as I have already indicated, if the war program has broken down at any point, if it has failed to keep the pace that had been hoped for, it hasn't been chargeable to the brain trusters, to the New Dealers, or to the bureaucrats.

"'The thousands upon thousands of additional employees that have come to Washington since we undertook to make this country an arsenal for democracy are not employees taken from the established agencies of the Government. The country ought to know that so well that it ought not have to be told. They were employees, from top executives to typists, brought to Washington from the private business and the civil life of the country.'

"The Secretary of the Interior, Petroleum Administrator for War and author concluded with the assertion that the last brain trusters, New Dealers and bureaucrats have been trying to win the war as quickly as possible."

Clothing Stock Looks Good

An interesting descriptive circular on Fashion Park, Inc., which the firm believes offers attractive possibilities, has been prepared for distribution by Simons, Linburn & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Copies of this circular may be had from Simons, Linburn & Co. upon request.

Mid-Year Bank Figures Study Now Available

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting analysis of bank stocks revised to include the mid-year figures. Copies of this analysis may be had from the firm upon request.

Safety Car Heating and Lighting Co.

(Continued from page 300)

and a "solid core" of replacement and service demand sufficient to maintain profitable operations in bad years. During the Great Depression, in only one year, 1931, did the company fail to show a profit.

	—Per Share—		
Year	Earned	Dividend	Price Range
1933	$2.46	$3.00	80 —16½
1934	3.84	3.00	83 —50
1935	5.45	4.00	85 —60½
1936	7.75	6.00	123 —70
1937	16.60	10.00	133 —70
1938	1.36	2.00	92 —46
1939	3.63	3.50	69 —43
1940	3.03	3.00	65½—37
1941	11.01	5.50	62 —43½
1942	5.49	5.00	59 —40

Based on 94,018 shares of capital stock outstanding.

The company's balance sheet as of the 1942 year-end revealed a strong financial position, as has been the case for a great many years. The ratio of current assets to current liabilities was 9.5 to 1 and net current assets amounted to $58.30 per share of capital stock. Following is a condensed consolidated balance sheet as of Dec. 31, 1942.

Assets	
Cash	$812,925
U. S. Gov't Securities	1,147,000
Short Term Discount Notes	847,284
Other Marketable Securities	529,193
Accounts Receiv. (Less Res.)	765,469
Inventories (lower cost or mkt.)	2,009,164
Agents' Balances	10,210
Total Current Assets	$6,121,245
Land, Building, Machinery, etc., (Less Res.)	610,580
Investments in Subsidiaries	1,000,200
Miscel. Assets	57,366
	$7,789,391
Liabilities and Capital	
Accounts Payable	$124,105
Reserve for Taxes	519,878
Total Current Liabilities	$643,983
Reserve for Contingencies	567,695
Miscel. Liabilities	23,452
Capital Stock and Surplus	6,554,261
	$7,789,391

Fixed assets as shown in the above balance sheet are written down from an original book figure of $3,735,695. Company uses the invested capital option in calculating excess profits taxes and its invested capital for tax purposes appears to be higher than the drastically written-down balance sheet figure. Gross exemption appears to be between $6 and $8 per share, giving a net exemption after 40% normal and surtax of between $3.60 and $4.80 per share.

Although current earnings (largely from war work) are highly satisfactory, the combination of substantial deferred demand for its products and improved buying power among the railroads gives promise of an excellent volume of post-war business for this company.

Situation Attractive

The current situation in Northeast Airlines, Inc., offers attractive possibilities, according to a circular prepared by Ward & Co., 120 Broadway, New York City. Copies of this circular discussing the interesting post-war prospects of this airline may be had from Ward & Co. upon request.

Petrolite Looks Good

Petrolite Corporation, Ltd., offers interesting possibilities for income, according to a memorandum issued by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this memorandum discussing the situation may be had upon request from Hill, Thompson & Co.

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DIVIDEND NOTICES

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of this Corporation was declared payable September 15, 1943, to stockholders of record August 31, 1943.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
July 16, 1943

MAKERS OF PHILLIES

INTERNATIONAL HARVESTER COMPANY

Quarterly dividend No. 100 of one dollar and seventy-five cents ($1.75) per share on the preferred stock, payable September 1, 1943, has been declared to stockholders of record at the close of business August 5, 1943.

SANFORD B. WHITE, *Secretary.*

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on August 2, 1943 to stockholders of record on July 15, 1943. The transfer books will not close.

THOS. A. CLARK
June 24, 1943 TREASURER

Consol. Cigar Corp. Debentures Offered

Offering of $7,000,000 Consolidated Cigar Corp. 10-year 3¼% sinking fund debentures dated July 1, 1943 and due July 1, 1953, was made July 16 at a price of 101% and accrued interest, by an underwriting group headed by Eastman, Dillon & Co., and including Kidder, Peabody & Co., The First Boston Corp., Blyth & Co., Inc., Lehman Brothers, E. H. Rollins & Sons, Inc., Riter & Co., McDonald-Coolidge & Co., Charles Clark & Co., Blair & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane, Kebbon, McCormick & Co., Dean Witter & Co., Alex. Brown & Sons, Piper, Jaffray & Hopwood, The First Cleveland Corp., Kalman & Co., Inc., Merrill, Turben & Co., and Rogers & Tracy, Inc.

One of the largest cigar manufacturing and selling companies in the country, Consolidated Cigar Corp.'s principal brands include "El Producto", "Dutch Masters", "Harvester", "La Palina" and other brands. The corporation manufactures all of the cigars sold by it and its subsidiaries at Philadelphia, Lancaster, Coplay and Allentown, Pa., Camden and Perth Amboy, N. J., and Poughkeepsie, N. Y.

Upon completion of its financing the outstanding funded debt and capitalization of the corporation will be as follows: funded debt, $7,000,000 3¼% debentures due July 1, 1953; capital stock, 38,162 shares of 6½% cumulative prior preferred stock and 250,000 shares of common stock.

Net income of the corporation, according to the prospectus, for the calendar year 1942 was $1,388,353; 1941, $1,455,677; 1940, $1,209,488; 1939, $820,861 and 1938, $842,573.

Halsey, Stuart & Co. Offer Rail Bonds

Halsey, Stuart & Co. Inc. and associates are offering today a new issue of $6,700,000 Gulf, Mobile and Ohio RR. collateral trust bonds, Series A. Maturing in varying amounts annually each July 1, from 1944 through 1953, the bonds are being offered at prices to yield from 1⅛% to 3.60%, according to maturity, and are offered subject to Interstate Commerce Commission approval. The first six maturities bear a 3% coupon, the next three, a 3½% coupon and the final maturity has a 3¾% coupon.

The bonds were awarded to the Halsey Stuart group on their bid of 100.1602, which is an approximate interest cost of 3.50% to the railroad. Halsey, Stuart & Co., Inc. as an individual undertaking had previously agreed to bid a price to produce an interest cost of not more than 3.75% for the issue, reserving the right to bid a higher price.

The proceeds to be received by the company from the sale of these Series A bonds, together with $8,700,000 proceeds of a like principal amount of 4% Series B bonds due 1953, being taken by Reconstruction Finance Corporation to evidence a loan, and approximately $3,440,000 treasury cash will be applied to the redemption on October 1, 1943 of $9,437,000 Gulf, Mobile and Northern RR. first mortgage 5½% and 5% bonds due 1950 and to the payment at the face amount thereof and accrued interest of the company's 4% note due 1950 in the principal amount of $8,780,000, held by the Reconstruction Finance Corporation.

As of April 30, 1943, total fixed interest debt in the hands of the public was $29,842,259, while a pro-forma tabulation, giving effect to the present financing, places this debt at $26,743,259, a decrease of $3,099,000. The offering circular indicates that this financing will accomplish a reduction of $3,099,000 in the company's fixed interest debt and that upon completion of this financing, annual interest charges on all fixed interest debt to be outstanding, including annual net fixed lease rental, will not exceed $1,085,179, a reduction of about $332,000.

Other members of the offering group in addition to Halsey, Stuart & Co., Inc. are: Otis & Co., Inc.; First of Michigan Corp.; The Robinson-Humphrey Co.; Central Republic Co.; Hallgarten & Co.; Dempsey-Detmer & Co.; F. S. Yantis & Co., Inc.; Nashville Securities Co.; Watkins, Morrow & Co.; Merrill Lynch, Pierce, Fenner & Beane; Blair, Bonner & Co.; Shropshire & Co.; and Sills, Troxell & Minton, Incorporated.

Railroad Securities

(Continued from page 301)

upon by either the Rock Island or St. Paul groups.

There is little in the history of the Commission's record of reorganization procedure that would indicate an inclination to increase the debt, either fixed or contingent, that it originally set up as sound. Nor is there any indication that the courts having jurisdiction in reorganization cases consider the opinions of the Commission on supportable capital structures too drastic. While admitting that the Missouri Pacific will probably be allowed to utilize its cash towards furthering reorganization, therefore, most railroad men consider that the recent compromise plan has much less chance of getting official approval than has either the Rock Island or the St. Paul.

20th Century-Fox Preferred Offered

Offering of 665,765 shares of Twentieth Century-Fox Film Corp. $1.50 conv. cumul. preferred stock (no par) at $33.50 a share July 19 by an underwriting group of 122 investment firms headed by Lehman Brothers and Blyth & Co., Inc., was oversubscribed and the books were closed. The shares offered were owned by Chase National Bank and represent approximately 73% of the 905,081 shares issued and outstanding as of July 13, 1943. The corporation will not receive any proceeds from the sale.

The $1.50 preferred stock is convertible into common stock on the basis of 1¼ shares of common for each share of preferred, and is callable on 45 days' notice at $35 and accrued dividends. Conversions can be made up to within five days of the date of redemption. The $1.50 preferred is also entitled to the benefit of an annual retirement fund equal to 5% of consolidated net earnings after deducting an amount equal to the full cumulative dividend requirements on such stock for such year.

Outstanding capitalization of Twentieth Century-Fox Film Corp. consists of 100,000 shares of $4.50 prior preferred stock, 905,081 shares of $1.50 convertible preferred stock and 1,742,000 shares of no-par common stock.

Business Failures In June Decline

June business failures declined in number from both May of this year and June of last year but the amount of liabilities involved increased sharply in June over May. Business insolvencies in June, according to Dun & Bradstreet, Inc., totaled 265 and involved $6,076,000 liabilities, as compared with 281 involving $2,550,000 in May 1943 and with 804 involving $9,906,000 in June 1942.

The decrease in the number of failures in June from May took place in all the groups into which the report is divided with the single exception of the commercial service group which had a large amount of liabilities involved. When the amount of liabilities involved is considered, the reverse is true, all groups recording an increase with the exception of the wholesale group.

Manufacturing failures last month amounted to 39, involving $1,441,000 liabilities, compared with 48 in May with $826,000 liabilities. Wholesale failures decreased to 15 from 23 and liabilities involved from $308,000 to $125,000 in May. In the retail trade section insolvencies declined to 147 from 156 in May but liabilities rose to $2,334,000 from $756,000 the previous month. Construction failures numbered 31 with $577,000 liabilities compared with 35 with $267,000 liabilities in May. Commercial service failures numbered 31 in June as compared with 19 in May and liabilities increased to $1,600,000 in June from $393,000 in May.

When the country is divided into Federal Reserve Districts it is seen that the Boston, New York, Cleveland, St. Louis and Minneapolis Federal Reserve districts had fewer failures in June than in May and the Atlanta Reserve District had the same number, while all of the remaining districts had a greater number of failures. When the amount of liabilities involved is considered only the Cleveland and Minneapolis Reserve districts had a smaller amount of liabilities in June than in May.

AMERICAN *Business Shares, Inc.*

Prospectus on request

LORD, ABBETT & CO.
INCORPORATED
63 Wall Street, New York
CHICAGO JERSEY CITY LOS ANGELES

Investment Trusts

It is not too late, we hope, to pay our respects to Mr. Arthur Wiesenberger and his associates for the splendid job they have done in publishing their 1943 edition of "Investment Companies and Their Securities." We have examined this third annual edition of Mr. Wiesenberger's manual with admiration, but also with a feeling akin to gratitude for his conclusive work in vindicating the investment company field.

Working independently of the field itself, Mr. Wiesenberger has assembled in one large, attractive volume a greater array of pertinent, up-to-date investment company statistics than can be found anywhere else. Nor has it been a labor of love merely, from what we hear, but like most other genuinely constructive efforts in the financial community, it has been well repaid.

The space devoted to the open-end or so-called "mutual" companies is somewhat less than might have been desired by those of us most directly concerned with them. However, the open-end companies are actively telling their own story and doing a good job of it, too. Considering this, and also the fact that trading in shares of open-end companies has its difficulties, Mr. Wiesenberger is not to be blamed for emphasizing the leverage and non-leverage closed-end companies.

His big contribution, however, is one that helps all three types of companies. That is his clear-cut presentation of their management records—in the aggregate, by individual types, and company by company. In this comparison the open-end companies more than hold their own.

But perhaps more important from the broad viewpoint, he shows that all three types of investment companies have average management records which compare favorably with the performance of the market itself. Last year, for example, the 52 companies included in his general review showed an average asset appreciation of 16% as compared with a gain of 15% for the Dow-Jones Composite Stock Average (all figures being adjusted for actual dividends paid).

This makes the third successive year that the average performance of the investment companies has bettered the performance of the general market. Going back to 1926 and taking the leading companies on which data are available, Mr. Wiesenberger shows that in 12 out of the past 17 years the average performance of the investment company field was superior to the action of the market.

The manual points out that even mediocre managements can have brief periods of good luck and that long-term management results are therefore of greater significance to investors. In this connection, the figures presented will no doubt be startling to the many who still have a poor, if uninformed, opinion of investment company management results.

For example, in the period from 1930 to 1942, inclusive, the Dow-Jones Composite Average, adjusted for dividends, registered a net decline of 40%. In

General Bond Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, Incorporated
63 WALL STREET—NEW YORK

this same period the leverage companies were off only 20% on average; the non-leverage companies were up 12%; and the open-end companies showed a net gain of 25%!

These figures represent only a minute sample of Mr. Wiesenberger's presentation. But they emphasize his own statement that, "The summary of management results . . . and the specific detailed results . . . conclusively prove that management of leading investment companies has been better than general stock market movements."

Eaton & Howard Balanced Fund

Net asset value of Eaton & Howard Balanced Fund on June 30, 1943, was $5,656,224, equal to $19.96 for each of the 283,290 shares outstanding. This compares with net assets of $4,027,924 on Dec. 31, 1942, equal to $16.31 on 246,954 shares.

On June 30, 1943, 38.32% of the Fund was invested in bonds—including 11.32% in short and medium term U. S. Governments; 30.59% was invested in preferred stocks, 26.82% in common stocks, and 4.27% was uninvested.

Eaton & Howard Stock Fund

Net asset value of Eaton & Howard Stock Fund on June 30, 1943, was $666,719, equal to $12.02 for each of the 55,438 sahares outstanding. This compares with net assets of $523,618 on Dec. 31, 1942, equal to $9.76 on 53,624 shares.

INCORPORATED INVESTORS

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Municipal News & Notes

Receipts from Maryland's two toll bridges have dropped below the amounts estimated by traffic engineers as being a fair average monthly income for the first time in the three years that the structures have been in operation, it was reported on July 9. A recapitulation by William A. Codd, Chief Auditor of the State Roads Commission, showed, according to report, that the Potomac and Susquehanna river bridges are now returning only about two-thirds the revenue they did before gasoline rationing.

For the first five months of this year, Mr. Codd revealed, the average monthly revenue from the two bridges totaled $47,044, or $2,000 less than the $49,166 estimated as necessary during this year to meet operating expenses and amortize the bonds.

The decline in revenue has resulted from the sharp decrease in traffic over the Susquehanna bridge at Havre de Grace. In May, 1941, tolls collected there totaled over $67,000. Last May they amounted to only $34,000.

While revenue on the Susquehanna river bridge has declined, toll collections on the Potomac river bridge have increased slightly, Mr. Codd reported.

Income from the bridge during May, for example, totaled nearly $17,000, as opposed to the $13,000 collected in May, 1941.

State Roads officials anticipate a continued decrease in over-all revenue from the two bridges. On July 2, 3, 4 and 5 of this year only 21,000 vehicles utilized the bridges, as compared with the 41,000 which crossed them on those days a year ago.

The commission is prepared to revamp the financial setup under which the bridges are operated if revenues drop too sharply, but it is not ready to discuss what form the changes might take.

It was pointed out, however, that a possible step would be the relaxation of present requirements for maintaining at all times a cash reserve equal to the two succeeding interest payments, the next scheduled bond maturity, current operating funds and a "cushion" of $250,000.

The combined sums which thus must be held in hand total something in excess of $550,000.

Mr. Codd asserted that the State Roads Commission would be in a considerably stronger position financially had it not been required, by the terms under which the bonds were floated, to purchase bonds with any excess cash reserves.

During the first two years of the bridges operations $626,000 worth of bonds were bought, coincident with the maturing of a lot of $150,000, so that of $6,000,000 in bonds originally issued, $5,224,000 are now outstanding, the report added.

New Haven, Conn., Bonded Debt Cut 52% In 11 Years

The net bonded indebtedness of the City of New Haven has been reduced almost 52% during the 11 years of the administration of Mayor John W. Murphy, having been slashed a total of $10,132,888.53, with a consequent reduction of interest costs to taxpayers that now exceeds $500,000.

Controller Cecil J. Marlowe has revealed that as of June 30 the net bonded debt of the city had dropped to $9,487,315.83, the lowest figure in two decades. The net indebtedness as of Dec. 31, 1932, when the Murphy administration first came to power, was $19,620,204.41. Thus, the net reduction for the 11-year period has been $10,132,88.58.

In addition to the tremendous bonded debt reduction, Controller Marlowe stated that with the present budget control system now in effect the city will probably be able to keep within its budget this year, barring any unforseen national emergency.

The total bonds outstanding as of June 30 amounted to $9,987,000, but $499,684.17 of this sum is available in the sinking fund to retire some of the bonds.

The controller's figures also revealed that the net bonded indebtedness has been decreased since January 1 by $671,755.11, and will be further reduced before the end of the year.

Because of the steady reduction in the bonded debt over the past 11 years, interest charges for 1943 will be $389,376.25, or $504,144.33 less than the $893,520.58 which the taxpayers were required to pay in 1932.

This debt slicing also gives the city an increased borrowing margin of $9,685,817.07, the largest of any time during Mayor Murphy's terms of office and over a million dollars more than last year's margin of $8,367,746.25.

No new bonds of any type were issued during 1942, just as there were none in 1941, and early indications are that the city may again be able to avoid long-term borrowing in 1943. New Haven was also able to avoid borrowing on short-term notes last year as 1941 and at mid-year this year because of pre-payment of taxes by many of the city's largest property holders, together with the increase in the grand list and the debt reduction. Balanced budgets with a cash surplus resulting have also been a contributory factor.

New Jersey Local Valuations Show Increase

Based on returns from 21 county tax boards, the value of real estate and personal property assessed in New Jersey for 1943 was $5,448,753,990. This consists of $4,438,488,252 in real estate and $1,010,265,738 in personal property. The increase in the total over last year is $4,307,534. The 1942 assessments showed a net decrease of $166,682,312 from those for 1941.

The assessed value of personal property is up approximately $234,000,000, rising from $776,268,659. This is nearly offset by a decline in real estate values from $4,571,228,410.

Real estate valuations in Essex County declined from $1,126,084,861 in 1942 to $1,116,649,586 this year, a drop of $9,435,275. Personal property valuations valuations in the county rose from $238,236,018 to $253,647,549, an increase of $15,411,531.

Adjustments by the new Hudson County Tax Board are reflected to some extent in returns from that county. Real estate valuations fell from $861,866,245 to $731,107,918 and personal assessments rose from $115,614,696 to $156,418,556. The Hudson County personal property increase would have been greater if the registered offices of many large corporations had not been transferred to municipalities with lower tax rates, imposing smaller burdens upon corporations.

Hunterdon County was the big gainer by these transfers. Its personal property valuations rose from $59,897,504 to $211,724,121, while real property values remained almost stationary at $25,591,550. The rise in corporation taxes lowers the tax rate of municipalities, particularly Flemington, which was made registered or principal offices of many large companies transferring from Jersey City.

Assessed valuations for 1943 in other counties follows:

County	Personalty	Realty
Atlantic	$10,169,792	$108,906,169
Bergen	62,813,223	428,199,106
Burlington	7,827,471	53,724,983
Camden	39,534,985	219,389,426
Cape May	3,493,654	48,008,933
Cumberland	9,301,708	42,900,599
Gloucester	7,553,075	49,388,962
Mercer	38,284,160	202,838,503
Middlesex	31,713,781	170,733,717
Monmouth	15,434,502	167,468,605
Morris	13,853,472	109,743,221
Ocean	4,137,617	41,855,247
Passaic	38,661,229	326,892,253
Salem	17,220,407	30,156,928
Somerset	8,640,563	59,098,561
Sussex	4,321,712	28,616,051
Union	67,319,688	443,270,450
Warren	8,194,473	33,947,484

State Tax Commissioner Kelly, whose department handles the returns, announced there will be a hearing July 27 on the valuations fixed in each county. The hearings have become almost obsolete. Last year only one person appeared and it developed all he wanted was information. He had no complaint.

Gasoline Taxes Outstanding State Tax War Casualty

Gasoline taxes are the outstanding war casualty in the State tax family, but taxes on both alcoholic beverages and tobacco have proven boons for state revenues, the Federation of Tax Administrators found in its study.

Declines in gasoline tax revenues are particularly serious in those States relying heavily upon them for revenues and in States designating gas tax revenues for special purposes such as retirement of debts.

In calendar year 1942 revenues from gasoline taxes decreased 11% below 1941 and .8% below 1940. January, February and March decreases this year below corresponding months of 1942 amounted to 34.2, 38 and 29.5%, indicating steeply declining revenues. Figures from 45 States show Tennessee and Kansas were the only States with slight increases—about 2% above March, 1941, in each case.

Gasoline tax yields began slipping as early as March, 1942, but the downward trend was retarded somewhat during the summer months. Total collections for the calendar year 1942, excluding Arkansas, Idaho and Pennsylvania, amounted to $819,000,000, a drop of almost 11% below totals for calendar 1941.

Nation-wide rationing showed its effects upon gasoline tax revenues for the first time in January, 1943, with the decrease below January, 1942, amounting to 34.2%. In March, 1943, one year after the first tendency toward a decrease was noticed, gasoline taxes in 47 states yielded only $41,400,000, a decrease of almost 30%.

On the other hand, taxes on alcoholic beverages have produced steadily increasing yields throughout the country the last three years. This holds true also of revenue or "profit" trends from state liquor monopolies operating in various forms in 18 states.

Tax collections from distilled spirits rose 16.5% in calendar 1941 and 24.3% in calendar 1942, but January and February, 1943, showed declines of 15.1 and 14.3% from the very high collections a year before. March and April again showed an increase in distilled spirits tax revenues and also in those from beer and wine which have never slackened their upward climb.

A review of the trend in 39 states on a calendar year basis shows revenues from alcoholic beverage taxes increased from $166,000,000 in 1940 to $196,000,000 in 1941 and to $237,000,000 in 1942.

All over the country increased revenues from alcoholic beverages show increasing total consumption of them. According to a study by the Illinois Liquor Commission, per capita consumption of alcoholic beverages increased 12.9% during calendar 1942 over 1941 throughout the United States. Per capita consumption of alcoholic beverages as a whole was highest in Nevada; the District of Columbia led in distilled spirits consumption while California had the highest per capita consumption of wine and Michigan led in beer consumption.

A similar upward trend is anticipated in tobacco tax revenues, and if revenues from other major sources should show a more pronounced decrease or if the uncertainty about state revenues in general continues, other states besides the 31 already having tobacco taxes will probably levy them.

County Role In Local Government Discussed

The following report, recently issued by the Tax Institute, Philadelphia, discusses the role of counties in the local government field:

The Census Bureau has discovered the county. Or, perhaps it would be more accurate to say, it is letting the public in on county affairs. County data have been collected annually by the Bureau since 1907, but the first publications of such data were made in September, 1942, with the report on finances of Twenty-nine Selected Counties for 1940, and in December, 1942, with a preliminary report on 1941 data. The final report, Financial Statistics of Counties: 1941, appeared in May, 1943.

Dr. Wylie Kilpatrick, author of the Census report, points out that "Neither the repressive effect of the depression nor the transfer of county functions to the State has reduced the financial importance of the county as an instrument of government. In States employing fiscal aid to assist in financing local functions, the county is assuming a major role in the administration of welfare, health, roads, and schools. . . . County property taxes of $837 million were one-fifth of all local revenue from property taxation. More than one-third of all fiscal aid to local government was paid to counties, which received $627 million of the total $1,794 million of fiscal aid to local units."

Nevertheless, the importance of the county as a revenue producer is declining. County property tax levies declined nearly 10% from 1932 to 1941. County gross debt decreased almost 20%. Assessed valuations shrank 14%.

There are 3,050 counties in the United States. They employ 336,000 persons. They spend $1,777,000,000, of which they collect $837,000,000 in property taxes. Most of the remainder comes from Federal and State aid.

Their principal functions are administration of welfare, health, roads, and schools. Where there are overlapping local units some of these functions may be administered by other units. The county is an essential part of our governmental structure, but generally speaking it is not a unit to which we point with pride. To begin with, there are too many of them. We could get along nicely with 2,100 counties, suggests Professor William Anderson in The Units of Government in the United States.

Probably most political scientists would agree with Professor Anderson that we have too many counties. Why do we have so many? There are various reasons. Tradition, vested interests and inertia are some of them. Suppose coldblooded political scientists should decide that the neighboring counties of Bullfinch and Smithdale should be consolidated. Would the new unit perpetuate the grand old traditions of Bullfinch by bearing that name or would it carry on the up-and-coming spirit of Smithdale through its name? Which of the courthouses and county seats would retain their customary prestige? These are weighty matters calculated to make local orators impassioned.

Beside such lofty considerations the vested interests appear mean and paltry indeed. But they are by no means to be brushed aside. County advertising makes a juicy tidbit and local papers that would stand to lose such a pleasant morsel by a proposed consolidation have been known to oppose vigorously any such mergers, utilizing of course any convenient red herrings for the purpose. There are other vested interests. Finally, there is the obstacle posed by the god of things as they are, "Why bother, haven't we been getting along all right without any of these new-fangled changes?"

Perhaps an even greater obstacle to county efficiency than the excessive number of counties is the multiplicity of other local units undermining the power and prestige of the county. There are 145,688 local units in addition to counties, cities and villages. The functions of many of these units could be more efficiently administered along county lines.

The Business Man's Bookshelf

Legacy of Nazism, The—Economic and Social Consequences of Totalitarianism—Frank Munk—The Macmillan Company, 60 Fifth Avenue, New York City—Cloth—$2.50 (publication date July 20).

Securities of the United States Government and its Instrumentalities—The first Boston Corporation, 100 Broadway, New York City—Paper.

Use of Part-Time Workers in the War Effort, The—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—Paper—$1.00.

Basic Criteria of Price Policy, Chapter XI of the forthcoming book "Price-Making In a Democracy—Edwin G. Nourse—Brookings Institution, Washington, D. C.—paper—25c.

International Policy In a Synthetic Era—Cartellization For a Post-War Planned Democracy—Warner F. Brook, Ph.D.—Pamphlet Distributing Co., 313 West 35th Street, New York 1, N. Y.—paper—25c.

Monsanto Plastics, A. Guide for Product Designers — Monsanto Chemical Company, St. Louis, Mo.—paper.

War Strategy and Post-War Problems—Industrial Relations Section, California Institute of Technology, Pasadena, Calif.—paper.

SEC Acts Against Two

The Securities and Exchange Commission has revoked the dealer-broker registration of Patrick H. McClellan who had been permanently enjoined by the New York Supreme Court from engaging in the sale of securities.

Registration of William R. Carver, another Syracuse dealer, was suspended by the Commission in view of an injunction issued by the New York Supreme Court, pending final determination of whether or not his registration should be revoked, which will be when he appears for a hearing or notice of such hearing is received by him, the Commission having been unable to contact him.

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Gov.-Regulated, Financed Aviation Proposed In Bill To Be Considered by Congress

What is termed by its sponsors as the most far-reaching legislation ever conceived in the 40 years of American aeronautics is embodied in a proposal for Government-regulated and financed aviation drawn up in Congress for action in the Fall. The bill said the Associated Press, in Washington advices July 15 has been drafted in the House Interstate and Foreign Commerce Committee and copies are circulating among aviation interests for suggestions. The advices from which we quote, as given in the New York "Sun" also had the following to say:

"Its backers, thinking of air travel in the nation and along the international skyways believe their measure is necessary to keep the United States in step with the post-war world.

"The bill would transform the Civil Aeronautics Authority into the Civil Aeronautics Commission with a completely independent status and sweeping powers for the promotion, regulation and investigation of American aviation.

"The first job of the commission would be to make a complete investigation and to report to Congress on all phases of developments in air commerce and air navigation which may be anticipated for the post-war period.

It is the intention that Congress then would provide the cash whereby any deficiences and needs of the industry could be remedied.

The Commission would have authority to determine what are the interests of American sky lanes and where and how they will operate, along with the right to make payments to air carriers to enable them to promote the public interests. This applies to both domestic and international air transportation. On the domestic side such payments are scheduled to be for experimental purposes only, but in the international field they are unlimited, subject only to the amounts of funds Congress makes available.

"Airlines operating internationally would be required to extend their lines if the general interests of the United States so dictated. If the extension was not self-supporting, the Commission could make up the deficit.

"A permanent program for training civilian aviation personnel would be available to the nation in time of war.

"Air navigation facilities would be developed by co-operation with the States."

Broker-Dealer Personnel Items

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

NEW YORK, N. Y.—**Earl J. Roseberry** is now with **Amott, Baker & Co., Incorporated**, 150 Broadway.

NEW YORK, N. Y.—**Harold V. Maguire, Lewis Schifreen** and **Willis A. Snyder** have joined the sales staff of **R. M. Horner Co.**, 30 Broad Street.

(Special to The Financial Chronicle)

BLOOMINGTON, ILL.—**Joseph Janvier Wetzel** is now associated with **Slayton & Co., Inc.** Mr. Wetzel was formerly with Brailsford & Co., Dempsey-Detmer & Co. and Alfred O'Gara & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **George R. Rice** is now connected with **Blyth & Co., Inc.**, 135 South La Salle Street. In the past Mr. Rice was with A. C. Allyn and Company and Lewis, Pickett & Co. for a number of years.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Ralph D. Hollowell** has become affiliated with **The First Boston Corp.**, 231 South La Salle Street. Mr. Hollowell was previously with Daniel F. Rice & Co. and the White-Phillips Corporation.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**William Conan Thornton** has joined the staff of **Ryan-Nichols & Co.**, 105 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Einar Graff** has become associated with **Shillinglaw, Crowder & Co., Inc.**, 120 South La Salle Street. Mr. Graff was formerly with the Internal Revenue Department.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **Frank C. Oglar** has been added to the staff of **Otis & Co.**, Terminal Tower.

(Special to The Financial Chronicle)

KANSAS CITY, MO. — **Earl Lytal** is now with **Goffe & Carkener, Inc.**, Board of Trade Building.

(Special to The Financial Chronicle)

QUINCY, ILL. — **Clarence F. Crossley**, formerly with the Sun Life Assurance Co. of Canada, has become connected with **Robert J. Phillips & Co.**, 141 West Jackson Boulevard, Chicago, Ill.

(Special to The Financial Chronicle)

CHICAGO, Ill.—**John D. Stillwell** has become associated with **Central Republic Company**, 209 South La Salle Street. Mr. Stillwell was formerly with F. S. Moseley & Co. for a number of years.

(Special to The Financial Chronicle)

CHICAGO, Ill.—**Frank N. Plain** is now affiliated with **Goodbody & Co.**, 105 West Adams Street. Mr. Plain was previously with Fahnestock & Co. and S. B. Chapin & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.— **J. P. Grime** has been added to the staff of **Kidder, Peabody & Co.**, 135 South La Salle Street.

(Special to The Financial Chronicle)

COLUMBUS, Ga.—**Ralph N. Bagley** is with **Merrill Lynch, Pierce, Fenner & Beane**, 101 Twelfth Street.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—**L. A. Elsea** has joined the staff of **Goffe & Carkener, Inc.**, Board of Trade Building.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—**Lee H. Wood** has become connected with **J. A. Hogle & Co.**, 507 West Sixth Street.

(Special to The Financial Chronicle)

OAKLAND, Calif.—**Lester H. Strong** has become affiliated with **John B. Knox & Co.**, Central Bank Building.

(Special to The Financial Chronicle)

PORTLAND, Ore.—**Lilian E. Newman** has been added to the staff of **Camp & Co., Inc.**, Porter Building.

(Special to The Financial Chronicle)

PORTLAND, Ore. — **Fred A. Lothrop** is now with **Conrad, Bruce & Co.**, 316 S. W. Sixth Avenue.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.— **Harry A. Bruce**, formerly with Blyth & Co., Inc., is now associated with **Mitchum, Tully & Co.**, 405 Montgomery Street.

Treasury Still Opposed To Retail Sales Tax

Treasury officials said on July 14 that a national retail sales tax was not being considered as a part of any proposals the Administration may make to Congress for raising additional billions of wartime revenue.

These officials insisted the Department's stand in opposition to such a levy had not changed.

In reporting this, Associated Press Washington advices also stated:

"The Treasury's reassertion of its position came after Representative Gearhart (R., Cal.), in an interview, said he expected the Treasury to propose in September a 10% Federal retail sales tax and compulsory joint income-tax returns for married couples. Mr. Gearhart said he himself would oppose any movement toward a sales tax or compulsory joint returns.

"Chairman Doughton (D., N. C.), of the tax-framing House Ways and Means Committee, just before Congress adjourned for a summer vacation, said he would support a sales tax 'only as a last resort.'

"Treasury officials did not disclose today what position they might take on a proposition of compulsory joint returns for married couples, which would bring in more revenue.

"Mr. Gearhart said he never thought the Treasury was opposed 'finally and unalterably' to the sales tax. He predicted that in addition to this means of raisig revenue the Treasury would ask for increased income taxes for lower-bracket taxpayers, special excises on liquor and tobacco, a super 100% 'confiscatory' levy on all incomes over $25,000 after taxes, and new taxes on travel.

"Treasury and Congressional tax experts already have been instructed by the Ways and Means Committee to explore the feasibility of imposing the excess profits tax principle to individual incomes.

"Under such a tax, as now used against corporations, individuals with war-swollen incomes would pay a larger share of the war's cost.

"The Ways and Means Committee will meet on Sept. 8 to start the machinery rolling toward new and higher taxes."

N. Y. Stock Exchange Weekly Firm Changes

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

Presley W. Edwards and John M. Woods, trustees under indenture of trust of June 30, 1943, became general partners in A. G. Edwards & Sons, St. Louis, on June 30th. Mr. Edwards was previously a limited partner in the firm as trustee under indenture of trust. Albert N. Edwards retired from limited partnership in the firm on the same date.

Interest of the late Louis S. Kerr in the firm of L. S. Kerr & Co., New York City, ceased as of July 8th.

Interest of the late Joseph P. Searing in Robert Winthrop & Co., New York City, ceased on June 30th.

Transfer of the Exchange membership of Charles C. Wright to Daniel F. Reeves will be considered on July 29. It is understood that Mr. Reeves will act as an individual floor broker.

John A. Clark, partner in Wood, Struthers & Co., died on July 13.

Albert S. Colburn, partner in Bell & Beckwith, died on July 7.

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Real Estate Securities

Department Store For Financial Section—Office Building Bonds Bear Watching

An important reason for the poor earnings of downtown New York office buildings has been the vacant stores some of the buildings have had to carry. For instance, the store at 61 Broadway, which has been vacant since before the war, was reported to have been the source of almost $100,000 per annum in income, and this rent has been entirely lost for the past few years.

These stores were originally planned for banking quarters or shipping offices. Consolidation of banks and the war has caused little appeal for this type of space.

However, a new class of tenancy is possible. We hear that John Wanamaker & Co. is opening a branch store at 150 Broadway, carrying merchandise for men and women.

The significance of this move can be very important if it becomes the forerunner of other department stores also locating branch stores in the financial section.

Among press comments on the John Wanamaker lease, the "Wall Street Journal" said:

"It might be followed by other merchants. It also suggests that other retailers recognize that conditions in lower Broadway business have changed definitely for the better . . ."

The "World-Telegram" said in part:

"Because store rentals in the financial district during the last ten years have sagged, both as to occupancy and rental rates, the selection of a notable Broadway corner by a long-established department store is regarded as 'big news.' Market improvement in the business of the Stock Exchange, together with improved occupancy of the big office buildings in the financial sector has caused a great increase in pedestrian traffic along Broadway between Fulton and Wall Streets. This, it is said, was a factor that prompted the department store to select this busy corner at a rental known to be attractive."

The first mortgage bonds of 165 Broadway and 61 Broadway might bear watching. Both buildings have large stores vacant that should appeal to other department stores.

Park Central Hotel

A Fountain of Interest Payments

It was only recently that we called attention to the 870 7th Avenue General Mortgage Bonds, which are the securities issued on the Park Central Hotel. As a matter of fact, it was on May 13th, 1943.

Since that time the bonds paid 4½% interest on May 18th; 2¼% on July 1st and we have now been informed that on August 1st a special payment of 1¼% will be made. This payment is on account of 5½ points accrued interest due on each bond.

Based on fixed interest requirements, bonds are currently selling at slightly less than a 10% basis. Of course, the yield would be higher if effect of extra payments on account of accrued interest is taken into consideration.

NY Security Dealers Ass'n Elect To Membership

At a meeting of the Board of Governors of the New York Security Dealers Association J. Jay Schwadron, Burke & Co., Frank Yale Cannon, Syle and Company, and John H. Valentine, John H. Valentine Co., were elected to membership in the Association.

Interesting Possibilities

Chicago and Southern Airlines warrants offer a most attractive situation at current levels, according to an interesting circular being distributed by Luckhurst & Co., 60 Broad Street, New York City. Copies of this circular may be had from the firm upon request.

Mid-Year Bank Figures Study Now Available

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting analysis of bank stocks revised to include the mid-year figures. Copies of this analysis may be had from the firm upon request.


TRADING MARKETS IN
REAL ESTATE SECURITIES
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SHASKAN & CO.
Members New York Stock Exchange
Members New York Curb Exchange
40 EXCHANGE PL., N.Y. Digby 4-4950
Bell Teletype NY 1-953

Active Markets
N.Y. Title & Mtge. BK C2 F1
Prudence Collaterals Series A-18
and all other
TITLE CO. CERTIFICATES & MTGS.
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Calendar of New Security Flotations

OFFERINGS

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).

Registration statement effective 4 p.m. EWT. on July 15, 1943.

Offered July 16, 1943, at 101 and int. by Eastman, Dillon & Co.; Kidder Peabody & Co.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers; E. H. Rollins & Sons, Inc., and Ritter & Co.

JACOB RUPPERT

Jacob Ruppert, a corporation, has filed a registration statement for $2,744,000 5% sinking fund debentures, due July 1, 1950.

Address—1639 Third Avenue, New York City.

Business—Engaged in the business of brewing and selling fermented malt liquors. Its principal product is lager beer sold under the name of "Ruppert."

Underwriting—First Boston Corp. of New York is principal underwriter. Names of other underwriters will be named by amendment.

Offering—Price to the public will be supplied by amendment. The securities are now outstanding and will be sold by six holders as follows: Estate of Jacob Ruppert, George E. Ruppert, Amanda E. Silleck, Manufacturers Trust Co., J. Rupert Schalk and Anna C. A. Dunn. The company has now outstanding $2,996,000 face amount of 10-year 5% debentures, due July 1, 1950. It is proposed to modify the debentures without, however, extending the date of maturity or changing the interest rate thereof, changing the designation to 5% sinking fund debentures and providing other covenants. $252,000 face amount of the debentures, as modified, are to be retained by the holders.

Proceeds—The company is not directly to receive any of the proceeds from the sale of the securities. George E. Ruppert and Amanda E. Silleck have each agreed to apply the proceeds to be received by them, to the extent necessary, to repayment in full of their respective debts to the company, aggregating $766,229 face amount, plus interest from July 1, 1943, ($876,291 principal and interest at March 31, 1943.) The company proposes to add the proceeds so received to its general corporate funds.

Registration Statement No. 2-5161. Form A-2. (6-25-43).

Registration statement effective 5:30 p.m. EWT. on July 14, 1943.

Offered July 14, 1943, at 104¼ and int. by The First Boston Corp.; Blyth & Co., Inc.; Eastman, Dillon & Co., and Granbery, Marache & Co.

TWENTIETH CENTURY-FOX FILM CORPORATION

Twentieth-Century-Fox Film Corporation has filed a registration statement for 665,715 shares of preferred stock, $1.50 dividend cumulative, convertible, without par value. The shares are already issued and outstanding.

Address—444 West 56th Street, New York City.

Business—Corporation and its subsidiaries are engaged principally in the production and distribution of motion pictures of all kinds, including features, short subjects and newsreels, in various parts of the world, but principally in the United States.

Underwriting—The shares of preferred stock registered are outstanding shares owned by the Chase National Bank of the City of New York. The names of the several underwriters who will purchase the shares will be supplied by amendment, together with the amounts to be purchased by each. The purchase agreement and price to be paid for the stock also will be covered by amendment.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Proceeds will go to the selling stockholder. The corporation will not receive any proceeds from the sale of the stock.

Registration Statement No. 2-5160. Form A-2. (6-25-43).

In an amendment to its registration statement corporation gives the names of a nation-wide group of investment houses formed to purchase the 665,715 shares of Twentieth Century-Fox Film preferred stock, $1.50 dividend cumulative, convertible, without par value, from the Chase National Bank of the City of New York. Twentieth Century thus will not receive any proceeds from sale of any of the shares of preferred stock registered which will go to the selling stockholder.

The purchasers and number of shares to be purchased follow: Lehman Brothers, 35,000; Blyth & Co., Inc., 35,000; Adamex Securities Corp., 4,000; A. C. Allyn & Co., Inc., 8,000; Ames, Emerich & Co., Inc., 2,000; Arnhold & S. Bleichroeder, Inc., 2,000; Auchincloss, Parker & Redpath 4,000; J. S. Bache & Co., 3,000; Bacon, Whipple & Co., 4,000; Baker, Weeks & Harden, 6,000; Bankamerica Company, 6,000; Bateman, Eichler & Co., 2,000; Bear, Stearns & Co., 3,000; A. G. Becker & Co., Inc., 8,000; Biddle, Whelen & Co., 2,000; Blair & Co., Inc., 6,000; Boettcher & Co., 2,000; George D. B. Bonbright & Co., 2,000; Bosworth, Chanute, Loughridge & Co., 2,000; J. C. Bradford & Co., 2,000; Brush, Slocumb & Co., 3,000; H. M. Byllesby & Co., Inc., 4,000; Frank B. Cahn & Co., 2,000; Central Republic Co., Inc., 8,000; E. W. Clark & Co., 3,000; Richard W. Clarke & Co., 2,000; Curtiss, House & Co., $1,000; Paul H. Davis & Co., 3,000; Davis, Skaggs & Co., 1,000; Dempsey-Detmer & Co., 2,000; R. S. Dickson & Co., Inc., 3,000; Dominick & Dominick, 6,000; Doolittle, Schoellkopf & Co., 2,000; Nelson, Douglass & Co., 1,000; Drexel & Co., 8,000; Eastman, Dillon & Co., 12,000; Elworthy & Co., 2,000; Emanuel & Co., 2,000; Equitable Securities Corp., 3,000; Estabrook & Co., 6,000; Fahey, Clark & Co., 1,000; Farwell, Chapman & Co., 2,000; First of Michigan Corp., 2,000; Glore, Forgan & Co., 12,000; Goldman, Sachs & Co., 12,000; Granbery, Marache & Lord, 2,000; Hallgarten & Co., 12,000; Hamlin & Lunt, 1,000; Harriman Ripley & Co., Inc., 12,000; Ira Haupt & Co., 2,000; Hayden, Miller & Co., 4,000; Hayden, Stone & Co., 20,000; Hemphill, Noyes & Co., 12,000; Hill, Richards & Co., 2,000; J. J. B. Hilliard & Son, 1,000; Hornblower & Weeks, 12,000; Janney & Co., 2,000; Johnston, Lemon & Co., 3,000; Kalman & Co., Inc., 2,000; Kebbon, McCormick & Co., 4,000; A. M. Kidder & Co., 3,000; Kidder, Peabody & Co., 12,000; Kuhn, Loeb & Co., 22,715; Ladenburg, Thalmann & Co., 8,000; Laird, Bissell & Meeds, 3,000; W. C. Langley & Co., 4,000; Lazard Freres & Co., 12,000; Lee Higginson Corp., 8,000; Carl M. Loeb, Rhoades & Co., 6,000; Loewi & Co., 1,000; Laurence M. Marks & Co., 8,000; A. E. Masten & Co., 3,000; McDonald-Coolidge & Co., 4,000; Merrill Lynch, Pierce, Fenner & Beane, 8,000; Merrill, Turben & Co., 3,000; Milwaukee Co., 3,000; Moore, Leonard & Lynch, 1,000; F. S. Moseley & Co., 5,000; Maynard H. Murch & Co., 3,000; Newhard, Cook & Co., 3,000; Ohio Company, 2,000; Otis Company, 3,000; Pacific Company of California, 1,000; Paine, Webber, Jackson & Curtis, 8,000; Piper, Jaffray & Hopwood, 2,000; Reynolds & Co., 8,000; Riter & Co., 6,000; Robinson-Humphrey Co., 1,000; Robinson, Rohrbaugh & Lukens, 1,000; E. H. Rollins & Sons, Inc., 8,000; L. F. Rothschild & Co., 6,000; Schoellkopf, Hutton & Pomeroy, Inc., 4,000; Schwabacher & Co., 8,000; Scott & Stringfellow, 3,000; Chas. W. Scranton & Co., 2,000; Sheridan, Bogan & Co., 1,000; Shields & Co., 8,000; Shuman, Agnew & Co., 2,000; I. M. Simon & Co., 1,000; Singer, Deane & Scribner, 1,000; Smith, Barney & Co., 12,000; Wm. R. Staats Co., 3,000; Starkweather & Co., 3,000; Stein Bros. & Boyce, 3,000; Stix & Co., 2,000; Stone & Webster and Blodget, 12,000; Stroud & Co., Inc., 4,000; Sutro & Co., 3,000; Swiss American Corp., 2,000; Spencer Trask & Co., 6,000; Tucker, Anthony & Co., 8,000; Union Securities Corp., 20,000; Van Alstyne & Co., 2,000; Vietor, Common, Dann & Co., 4,000; G. H. Walker & Co., 6,000; Watling, Lerchen & Co., 2,000; Wertheim & Co., 12,000; Westheimer & Co., 1,000; White, Weld & Co., 20,000; Whiting, Weeks & Stubbs, Inc., 4,000; Wisconsin Company, 6,000, and Yarnall & Co., 2,000.

Registration Statement effective 4:30 p.m., EWT. on July 17 as of 5:30 p.m. EWT. July 14.

Offered July 19, 1943 at $33.50 per share by syndicate headed by Lehman Brothers and Blyth & Co., Inc.

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 (unless accelerated at the discretion of the SEC), 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.

TUESDAY, JULY 27

NORTHERN INDIANA PUBLIC SERVICE CO.

Northern Indiana Public Service Co. has filed a registration statement for $45,000,000 first mortgage bonds, Series C dated Aug. 1, 1943, due Aug. 1, 1973. Interest rate will be supplied by amendment.

Address—5265 Hohman Avenue, Hammond, Ind.

Business—Public utility operating company engaged principally in the production, manufacture, purchase, supply, transmission, distribution and sale of electrical energy, gas and water.

Underwriting—Company will offer the bonds for sale under the competitive bidding rule of the Commission. Names of underwriters will be supplied by post-effective amendment.

Offering—Price to be supplied by post-effective amendment.

Proceeds—Proceeds from sale of Series C bonds, exclusive of accrued interest, will be applied, together with other necessary funds of the company, for the redemption of $45,000,000 face amount of 3¾% bonds, Series A, due Aug. 1, 1969, at 106¼% of the face amount or $47,812,500. Interest to the date of redemption on the bonds to be redeemed, plus expenses of the company will be paid out of other funds of the company.

Registration Statement No. 2-5178. Form S-1. (7-8-1943).

THURSDAY, JULY 29

FANSTEEL METALLURGICAL CORP.

Fansteel Metallurgical Corp. has filed a registration statement for 53,566 shares of common stock, without par value.

Address—North Chicago, Ill.

Business—Business of the company and its subsidiaries consists of the development and refinement of rare metals and the production and fabrication of rare metal compounds, alloys and commercial products.

Underwriting — Hallgarten & Co. is named principal underwriter. Others will be supplied by amendment.

Offering—Price to the public will be supplied by amendment.

Proceeds—Net proceeds from sale of common stock will be added to the working capital of the company and will be used for general corporate purposes. Five dollars per share of the net proceeds will be allocated to capital and the balance will be allocated to capital surplus.

Registration Statement No. 2-5179. Form S-1. (7-10-43).

SUNDAY, AUG. 1

CELOTEX CORPORATION

Celotex Corporation has filed a registration statement for $3,000,000 12-year 3¾% debentures due July 1, 1955.

Address—120 South La Salle Street, Chicago.

Business—Engaged in the building material business, principal products it sells being rigid insulation, acoustical, gypsum, roofing and hardboard products.

Underwriting—Paul H. Davis & Co., Chicago, is named principal underwriter.

Offering—Price to the public will be supplied by amendment.

Proceeds—Net proceeds, together with other funds of the company, will be used to redeem the company's outstanding 10-year 4½% debentures, due Feb. 1, 1947.

Registration Statement No. 2-5180. Form S-1. (7-13-43).

WEDNESDAY, AUG. 4

UNITED DRUG COMPANY

United Drug Company has filed a registration statement for $20,000,000 15-year sinking fund debentures due 1958 and 100,000 shares of cumulative preferred stock, par value $100 per share. Interest rate on debentures and dividend rate on preferred stock will be supplied by amendment.

Address — 43-63 Leon Street, Boston, Mass.

Business—Principal businesses in which company and its subsidiaries are engaged are two-fold: Manufacture of drugs, pharmaceuticals, toilet articles, food and chocolate products, rubber articles and other products used in or sold by drug stores and distribution of such products, and secondly the operation, by subsidiaries of retail drug stores.

Underwriting — Smith, Barney & Co., New York, heads the group of underwriters. Others will be supplied by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Proceeds will be applied by company together with other funds to the redemption of $30,243,200 face amount of the company's 25-year 5% bonds due March 15, 1953, presently outstanding in the hands of the public, at 103% of face amount plus accrued interest. Such redemption will require $31,150,496 plus accrued interest, which to Sept. 15, 1943, will amount to $756,080.

Registration Statement No. 2-5182. Form S-1. (7-16-43).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

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

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).

Amendment filed July 15, 1943, to defer effective date.

BURTONITE CORPORATION

Burtonite Corporation has filed a registration statement for 10,000 shares of 7% preferred stock and 15,000 shares of common, no par.

Address—2500-22 Fisher Street, Fort Worth, Texas.

Business—Manufacture of face brick.

Offering—Present offering consists of 2,000 units, each unit consists of four shares preferred and one share common, price per unit is $10.

Underwriting—None. Distribution is to be made by direct sales by the corporation of its treasury stock.

Proceeds—Expansion of plant facilities, installation of additional equipment and for working capital.

Registration Statement No. 2-5105. Form S-2 (3-5-43).

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).

Amendment filed July 15, 1943, to defer effective date.

CELOTEX CORPORATION

Bror Dahlberg, O. S. Mansell and Andrew J. Dallstream, voting trustees, have filed a registration statement for voting trust certificates for 150,000 shares of common stock of Celotex Corp. common stock, no par value.

Offering—(See Celotex statement No. 2-5112.) The syndicate has formed the voting trust for the common stock of the company, and an opportunity will be afforded to the members of the syndicate (mentioned in statement No. 2-5112) and to all others who purchase such stock, to deposit their shares of common stock thereunder and receive voting trust certificates. Additional shares of common may be deposited upon application of the holder and with the consent of the voting trustees, but voting trust certificates are not to exceed 150,000 shares of common stock.

Purpose—To form voting trust.

Registration Statement No. 2-5113. Form F-1 (3-24-43).

Registration statement effective 11:15 a.m. EWT. on July 9, 1943.

CELOTEX CORPORATION

Celotex Corp. has filed a registration statement for 75,000 shares of common stock, no par value.

Address—120 South La Salle Street, Chicago, Ill.

Business—Company is engaged in the building material business.

Underwriting—There are no underwriters.

Offering—The 75,000 shares of common will be offered by the company at $10.50 per share only to a selected group consisting of employees of the company, including officers and directors and those serving in a professional or advisory capacity and a limited group of persons having long standing business relations with the company to be selected by the board of directors. Statement says that recently, while the company was carrying on negotiations to augment its working capital by the issuance and sale of common stock, a substantial group of key employees of the company including certain officers and directors, joined in the formation of a syndicate with a view to the purchase of a large block of outstanding common stock from a single source which had indicated a willingness to sell. When reasons arose whereby the proposed purchase could not be carried out, the group acting through the syndicate requested the company to afford the syndicate members, as well as other employees, the opportunity to purchase the stock of the company then proposed to issue, at a price to net the company the same amount as though such stock were marketed through then available investment banking channels. The board determined that the stock to be sold should be offered to the selected group at a price of $10.50 per share. The syndicate has formed a voting trust for the common stock of the company.

Proceeds—Entire proceeds from the sale will be received by the company and used for additional working capital and for other corporate purposes.

Registration Statement No. 2-5112. Form A-2 (3-24-43).

Registration statement effective 11:15 a.m. EWT. on July 9, 1943.

COMMUNITY PUBLIC SERVICE CO.

Community Public Service Co. has filed a registration statement for $6,850,000 first mortgage bonds, 3⅜% series due 1973.

Address—408 West Seventh Street, Fort Worth, Texas.

Business — Engaged primarily in the manufacture and purchase, distribution and sale of electricity and ice, purchase, production, distribution and sale of natural gas, and production, distribution and sale of water.

Offering—Price to public will be supplied by amendment.

Underwriting—Central Republic Co., Inc., Chicago, is named principal underwriter. Others will be supplied by amendment.

Proceeds—Proceeds from sale of the bonds, together with other funds of the company, will be used to redeem its outstanding first mortgage bonds which will require, exclusive of accrued interest, $7,202,700. This first mortgage bonds comprise $6,454,000 face amount of 4% series due 1964 redeemable at 105, plus accrued interest from March 1, 1943, to date of redemption, and $400,000 face amount of 4% bonds, second series due 1964, redeemable at 106½ plus accrued interest from March 1, 1943, to date of redemption.

Registration Statement No. 2-5159. Form S-1. (6-24-43).

Registration statement withdrawn July 13, 1943.

CROWLEY, MILNER & CO.

Crowley, Milner & Co. have filed a registration statement for certificates of deposit for $996,500 5½% sinking fund debentures, due 1946.

Address—Monroe Avenue and Farmer Street, Detroit, Mich.

Business—Character of business done by original issuer is a department store and general mercantile business, at retail.

Underwriting—Company has engaged the services of H. M. Preston & Co., Chicago, as its readjustment manager.

Offering—Call for deposit of bonds under plan of debenture adjustment.

Purpose—Purpose of requesting deposits is to ask depositors to consent to an extension of the maturity date of the authorized 5½% debentures from May 1, 1946, to Oct. 31, 1952 and various modifications of the indenture. See Registration Statement No. 2-5176.

Registration Statement No. 2-5175. Form D-1. (7-5-43).

CROWLEY, MILNER & CO.

Crowley, Milner & Co. have filed a registration statement for $996,500 5½% sinking fund debentures as extended to 1952 and $1,245,600 4% debentures due 1962.

Address—Monroe Avenue and Farmer Street, Detroit, Mich.

Business—Department store and general mercantile business, at retail.

Purpose—Company proposes a plan of debenture adjustment and a plan of capital stock readjustment. The 5½% debentures as extended to 1952 are to be issued through certificates of deposit to holders of old 5½% sinking fund debentures due 1946 under plan of debenture adjustment, extending maturity date and modifying indenture provisions. The 4% debentures will be issued in exchange for 31,140 shares of $50 par prior preference stock on basis of $40 face amount of debentures plus $10 in cash for one share of stock under plan of capital stock readjustment.

Registration Statement No. 2-5176. Form S-1. (6-30-1943).

FLORIDA POWER & LIGHT CO.

Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956; and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami, Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas), serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement

Proceeds will be applied as follows: $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2. (9-17-41)

Amendment filed July 1, 1943, to defer effective date.

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IOWA POWER & LIGHT CO.

Iowa Power & Light Co. has filed a registration statement for $17,000,000 first mortgage bonds, 3¼% series due June 1, 1973.

Address—312 Sixth Avenue, Des Moines, Iowa.

Business—Is a public utility engaged in the business of furnishing electric service in Polk County, outside the City of Des Moines and environs, and in 12 contiguous counties in Central Iowa, and furnishing gas service in the City of Des Moines and environs, and in two municipalities in adjoining counties.

Underwriting—Bonds are to be offered for sale at competitive bidding under the rules of the Commission. Names of the underwriters will be supplied by post effective amendment.

Offering—Price to the public will be supplied by amendment.

Proceeds—Bonds are to be issued as part of a series of interdependent transactions which include the acquisition by Continental Gas & Electric Co. of Iowa Power & Light Co. and Des Moines Electric Light Co. from Illinois Iowa Power Co. Proceeds from the sale of the bonds, together with a portion of funds to be received from bank loans aggregating $2,500,000, will be used to redeem on Sept. 1, 1943, a total of $11,232,000 face amount of the company's first mortgage bonds; to redeem on Oct. 1, 1943, 10,133 shares par $100 of the company's 7% cumulative preferred stock; to the purchase from Illinois Iowa Power Co. of $1,750,000 face amount of general refunding mortgage bonds, Series A, due 1955, and $3,000,000 of open account indebtedness of Des Moines Electric Light Co., $4,750,000; to partial payment for Iowa properties of Iowa-Nebraska Light & Power Co., $1,000,000 and for other corporate purposes.

Registration Statement No. 2-5138. Form S-1. (5-12-43).

Amendment filed June 16, 1943, to defer effective date.

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).

Amendment filed July 13, 1943, to defer effective date.

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).

Amendment filed July 13, 1943, to defer effective date.

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).

Amendment filed July 13, 1943, to defer effective date.

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).

Amendment filed July 13, 1943, to defer effective date.

METALES DE LA VICTORIA, S. A.

Metales de la Victoria, S. A. has filed a registration statement for 1,000,000 common shares and production notes in the aggregate sum of $500,000, lawful money of the United States of America.

Address—406 Valley National Building, Tucson, Ariz.

Business—Organized under the laws of Mexico on Oct. 23, 1942, for the purpose of engaging in the business of acquiring, exploring, developing and operating mining properties in Mexico, and the milling and marketing of ores and concentrates therefrom.

Underwriting—Offering will be made direct to the public by the company, and to brokers and dealers for their own accounts or as selling agents of the company.

Offering—Offering consists of 50,000 units, a unit consisting of a production note in the face amount of $10 and 20 shares of common stock, price per unit $10, lawful money of the United States of America.

Proceeds—For development, purchase of equipment, etc.

Registration Statement No. 2-5151. Form S-3 (6-11-43).

Amendment filed July 16, 1943, to defer effective date.

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).

Amendment filed July 16, 1943, to defer effective date.

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).

Amendment filed July 16, 1943, to defer effective date.

OIL VENTURES CORPORATION

Oil Ventures Corporation has registered 3,000 shares of Class A capital stock, without par value, fully paid and non-assessable.

Address—19-21 Dover Green, Dover, Del.

Business—Organized under the laws of Delaware on April 27, 1943, for the purpose of engaging either alone or with others in any phase of the oil business.

Offering—Price to the public is $100 per share.

Underwriting—Tellier & Co., New York, is principal underwriter.

Proceeds—To be applied and used for any of the proper corporate purposes as its board of directors may determine. Statement says it is the purpose and objective of the management to be free at all times to take advantage of any condition or set of circumstances which, in its opinion, offers opportunity for profit to the corporation.

Registration Statement No. 2-5155. Form S-2. (6-18-43).

Registration statement effective but apparently defective 5:30 p.m. EWT. on July 15, 1943.

PACIFIC MUTUAL LIFE INSURANCE CO. OF CALIFORNIA

A. C. Balch, F. E. Rand and Leslie Waggener as the Pacific Mutual Shareholders Protective Committee have filed a registration statement with the SEC for voting trust certificates for 508,200 shares of common stock, par $1 per share, of Pacific Mutual Life Insurance Co. of California.

Address — Of issuer, 626 South Spring St., Los Angeles, Cal. Executive office, 523 West Sixth St., Los Angeles, Cal.

Business—Life insurance.

Purpose—The agreement places no limitation upon the powers of the committee to vote the shares held by it. However, one of the main objectives of the committee is to vote the securities held by them in connection with the said so-called plan and agreement of rehabilitation and reinsurance and mutualization affecting the Pacific Mutual Life Insurance Co. of California.

Registration Statement No. 2-5098. Form F-1. (2-19-43).

Amendment filed June 28, 1943, to defer effective date.

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 suare 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 not 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).

Amendment filed July 13, 1943, to defer effective date.

SIXTY SEVEN HOLDING COMPANY

Sixty Seven Holding Company has registered 3,412 shares of preferred stock, $100 par value, to be authorized.

Address — Bankers Securities Building, Philadelphia, Pa.

Business — Owns and operates a ten-story brick and stone apartment house located at 67 South Munn Avenue, East Orange, N. J.

Offering — The perferred stock being registered is to be offered otherwise than for cash. It is to be distributed to holders of the unsubordinated bonds presently secured by the first mortgage on the property of the registrant at 67 South Munn Avenue, East Orange, N. J., at the rate of four shares of $100 value each, in addition to $600 in cash, in consideration for the surrender for cancellation of each $1,000 face value of such bonds.

Registration Statement No. 2-5144. Form S-1 (5-21-43).

Registration statement effective 3:30 p.m. EWT. on July 9, 1943, as of 5:30 p.m. EWT. July 5, 1943.

SOUTH CAROLINA ELECTRIC & GAS CO.

South Carolina Electric & Gas Co. has filed a registration statement for $20,000,000 first mortgage bonds, series due 1973. Interest rate will be supplied by amendment.

Address—328 Main Street, Columbia, S. C.

Business—Is a public utility operating in South Carolina.

Underwriting—Bonds will be offered for sale at competitive bidding. Names of underwriters will be supplied by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Will be applied principally to the redemption at 102¾ of the face amount of $8,361,500 of Broad River Power Co. first and refunding mortgage gold bonds, series A, due Sept. 1, 1954; to the redemption at 105 of the face amount of $1,359,000 of Parr Shoals Power Co. first mortgage 5% sinking fund gold bonds, due April 1, 1952, and to the redemption at 105 of the face amount of $10,213,300 of Lexington Water Power Co. first mortgage 5% gold bonds, series due 1968.

Registration Statement No. 2-5162. Form A-2. (6-25-43).

Registration statement effective 5:15 p.m., EWT. on July 16, 1943.

Bids Invited—Company is inviting bids for the purchase from it of $20,000,000 1st mtge. bonds due 1973; all bids must be presented to the company (Room 2601) 61 Broadway, New York City before 12 o'clock noon, EWT., July 26. Bidders will name the coupon rate.

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).

UNION LIGHT, HEAT AND POWER COMPANY

Union Light, Heat and Power Co. registered 25,000 shares $100 par common stock

Address—4th & Main St., Cincinnati Ohio

Business — Operating electric utility company

Underwriter — Columbia Gas & Electric Corp.

Offering—Stockholders will receive offer to subscribe to 25/94ths of one common share in units of 5/94ths of a share for each 5/94ths of a share held at $5.3[illegible] for each unit. On a share basis, stockholders may subscribe to 5 new shares for each share held at $100.016 per share Substantially all outstanding stock is held by Columbia Gas & Electric Corp.

Proceeds—To repay current debt and $2,835,000 first mortgage bonds held by parent and associated companies, and for construction costs

Registration Statement No. 2-4379. Form A-2 (3-30-40)

Amendment filed July 15, 1943, to defer effective date.

UNITED GAS CORPORATION

United Gas Corp. registered $75,000,000 first mortgage and collateral trust 3¼% bonds due 1958

Address—2 Rector Street, New York City

Business—Production and sale of natural gas; part of Electric Bond and Share System

Underwriters—None

Offering Terms—Bonds will be sold to institutional investors, whose names will be supplied by amendment, at 99.34%

Proceeds—To redeem $28,850,000 United Gas Public Service 6% Debentures due 1953; to pay 6% demand note of $25,925,000 to Electric Bond and Share; to repay $2,000,000 open account debt to E. B. & S.; and to purchase from United Gas Pipe Line Co., $6,000,000 of its 1st & Coll. 4% bonds due 1961. Balance will be used in part to reimburse treasury for capital expenditures and possibly to pay accumulated dividends of $9,502,490 on companys $7 preferred stock

Registration Statement No. 2-4760, Form A-2 (5-15-41)

United Gas Corp. filed amendment with SEC on Feb. 21, 1942, stating that it had been unable to further extend the purchase agreements with 14 insurance companies covering the proposed private sale to such insurance companies of $75,000,000 of the company's first mortgage and collateral trust 3¼% bonds, due 1959. This amendment states: "These purchase agreements expired on Feb. 16, 1942. The corporation intends to continue negotiations to the end that its bonds shall be either sold privately, by renewal of the aforesaid agreements or otherwise, or offered to the public as circumstances shall dictate in order to obtain the best possible price."

Amendment filed July 7, 1943, to defer effective date.

UNITED WHOLESALE DRUGGISTS OF FORTH WORTH, INC.

United Wholesale Druggists of Forth Worth, Inc., has filed a registration statement for 5,000 shares of common stock, no par value.

Address—100 West Tenth Street, Wilmington, Del.

Business—Company is a new corporation organized March 25, 1943. It will engage in the business of selling drug store merchandise, other than that manufactured by United Drug Co. to its stockholders who will be the distributors of products of United Drug Co. While the corporation is being sponsored by United Drug Co., no control over its operations will be exercised by that company.

Offering—Common stock will be offered to retail druggists at $50 per share.

Underwriting — No underwriters are named.

Proceeds—Proceeds from sale of common stock will furnish to the company both operating capital and security.

Registration Statement No. 2-5157. Form A-2. (6-19-43).

Registration statement effective 5:30 p.m. EWT. on July 16, 1943.

UTAH POWER & LIGHT CO.

Utah Power & Light Co. has filed a registration statement for $37,000,000 first mortgage bonds, Series due 1973. Interest rate will be supplied by amendment.

Address — Kearns Building, Salt Lake City, Utah.

Business—Is a public utility operating in southeastern Idaho, northern and central Utah and southwestern Wyoming.

Underwriting—The bonds will be offered for sale by the company pursuant to the competitive bidding rule of the Commission. Names of underwriters will be supplied by amendment.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Net proceeds, together with $3,500,000 to be received from Northwestern Mutual Life Insurance Co. from issue and sale of $3,500,000 face amount of general mortgage serial bonds of Utah, due serially 1949-1953; $3,500,000 to be received from issue and sale to certain banks of $3,500,000 face amount of serial notes, and such amount, if any, of general funds of the company, will be used for the following purposes:

To pay principal and interest to maturity, as the case may be, on Utah company's 30-year first mortgage 5% gold bonds due 1944, of which $28,119,000 face amount were outstanding at March 31, 1943.

To pay Utah Company's first lien and general mortgage gold bonds, Series of "4½s of 1944", of which $4,068,000 face amount were outstanding at March 31, 1943.

To pay Utah Light & Traction Co.'s 30-year first and refunding mortgage gold bonds, Series A, 5%, of which $11,813,000 face amount were outstanding at March 31, 1943, these bonds having been guaranteed as to principal and interest by the Utah Company.

Registration Statement No. 2-5173. Form A-2. (6-30-43).

12 Federal Home Loan Banks Report Income Of $1,899,682 For Six Months Of 1943

The net income of the 12 Federal Home Loan Banks for the six-months period ended June 30, 1943 aggregated $1,899,682, of which 20% was transferred to the Banks' legal reserves as required by law, according to a statement issued by Everett Smith, financial representative of the banks. Dividends for the same period were declared by the banks in the total amount of $832,199. The balance of $1,067,483 and prior period adjustments totaling $265,361 represent the net increment to the surplus and undivided profits accounts of the banks, Mr. Smith pointed out.

Regarding the banks' financial condition, Mr. Smith's statement said:

"Advances outstanding on June 30, 1943 amounted to $90,191,577 of which $46,230,150 represented short term advances which mature within one year, while the balance of $43,961,427 represented long term advances which mature up to ten years, and on which installments of approximately $5,622,891 are due within one year. Under the rules and regulations for the Federal Home Loan Bank System, Federal Home Loan Bank advances made for one year or less need not be amortized, but when made for more than one year and up to ten years, such advances are required to be amortized on a monthly or quarterly basis. Of the total advances outstanding on June 30, 1943, $63,241,270 were on a secured basis and $26,950,307 on an unsecured basis. The secured advances were collateralized by 66,922 home mortgages, the unpaid balances of which aggregated $174,086,071, by obligations of the United States, direct or guaranteed, having a face value of $4,122,325 and other eligible collateral totaling $78,228. In addition to this collateral, the Federal Home Loan Banks held a statutory lien on all stock in such banks owned by each borrowing member institution. The Federal Home Loan Bank Act requires that at no time shall the aggregate outstanding advances made by any Federal Home Loan Bank to any member exceed twelve times the amounts paid in by such member for outstanding capital stock held by it. Except for the indebtedness of a member in liquidation of $6,427 on which the bank anticipates no loss, there were no delinquencies in principal or interest in excess of thirty days. In fact, the banks have advanced over $1,000,000,000 since their inception, without sustaining a single loss."

Interior Dept. Funds Approved By President

A measure providing $105,000,000 for the Interior Department for the 1944 fiscal year was signed by President Roosevelt on July 12. The bill carries large sums for reclamation and irrigation projects in the West.

The House originally passed the measure on May 20 and the Senate on June 18. Final Congressional action came on July 6 when the Senate agreed to a conference report which the House adopted on July 5.

The bill includes $22,569,000 for the Central Valley project in California, $3,500,000 for the Colorado Big Thompson project and $3,000,000 for the Boise (Idaho) project. It also appropriates $64,000 for water conservation and utilization projects; this amount together with the unexpended balance carried over from the 1943 fiscal year will make a total of $5,000,000 available for this purpose.

Seaboard Reorganization Possibilities Interesting

L. H. Rothchild & Co., 120 Broadway, New York City, have prepared a study of Seaboard Air Line, which they believe is especially timely in view of the final report of the Special Master's plan for reorganization of Seaboard. Copies of this interesting study may be had upon request from L. H. Rothchild & Co.

Registration Revoked

The dealer-broker registration of Charles Hughes & Co., Inc., 32 Broadway, New York City, has been revoked by the Securities and Exchange Commission on charges of violating the Securities Exchange Act of 1934 and the Securities Act of 1933.

It is understood that the Hughes firm feels the Commission's action is not justified by the facts in the case and means to seek relief in the Courts.

Coal Stock Looks Good

The current situation in Truax-Traer Coal Company, which has a most widely diversified field of operations, offers attractive possibilities, according to a memorandum issued by Shaskan & Company, 40 Exchange Place, New York City, members of the New York Stock and Curb Exchanges. Copies of this interesting memorandum may be had from Shaskan & Company upon request.

Situation of Interest

Stock of The Interstate Company, owners of a large national chain of restaurants, offers interesting possibilities for appreciation, according to a memorandum being distributed by Kneeland & Company, Board of Trade Building, Chicago, Ill. Copies of this interesting memorandum may be had upon request from Kneeland & Company.

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Urges Abolition Of Over-the-Counter Markets

(Continued from page 298)

is 105 years old, during which long period of time it has enjoyed a responsible and respected position in this community. To become a member, a man has to meet stringent conditions both as to capital and reputation, and during his membership he is subject to rules and regulations for fair play and honest dealing.

"Despite all this, under existing regulations by the Securities and Exchange Commission, he can not buy or sell any security on the floor of our Exchange that is not registered with the Commission (with few exceptions—in the case of unlisted trading privileges and exempted securities).

"For instance, such purely local securities as Maryland Casualty Company, Maryland Drydock Company, Maryland Trust Company, Maryland Life Insurance Company, Baltimore National Bank, National Bank of Baltimore, Baltimore & Annapolis RR. Co., Baltimore Life Insurance Company and many others cannot be traded on our local Exchange for the above reason.

"Whereas, any fly-by-night broker without adequate supervision or affiliations may trade in such securities, without a record, anywhere in the community. He can buy at a price and sell for ANYTHING he can get, or he may sell first at a high price and then shop around, replace his securities without a record of either the purchase or the sale, and the buyer and seller have no way of knowing the difference in the way of profit made by such a broker.

"Now, compare such a transaction with what transpires when a security is carried to a legitimate exchange: The broker having the selling order offers the security and such offering, known to all the members of the floor, is passed out to the offices of members over the ticker tape or by telephone and the broker who has the buying order makes his bid in the same manner. When the bid and offer meet at a given price and the transaction is effected a record is made in the books of the Exchange, the transaction is printed on the local stock ticker and that afternoon it is carried in the local newspapers and a permanent record is in the books of the Exchange for anybody to inspect through the proper channels. The commissions are fixed, printed and available to anybody.

"It is my understanding that the Securities and Exchange Commission was formed with the primary object of protecting the public and the result is that it is doing nothing of the kind.

"It is my judgment that the public will be best served by a compulsory regulation that all transactions in securities be handled on designated, properly supervised exchanges and that various issues, not already listed, should be allocated to such exchanges in accordance with the location of the issuing corporation.

"If this were done, stock exchanges throughout the country would be keyed up to handle the volume of business that comes under their jurisdiction, the public would be safeguarded by knowing at all times what a security is worth and what it last sold for, and new companies seeking capital would have little difficulty in securing proper and conservative financing which is so very vital to the continuation of the American Government.

"I hope during the Congressional recess you will have an opportunity to study this situation in your own community.

"If I can answer any questions, I shall be very glad to hear from you.

"Very truly yours,
"HOWARD R. TAYLOR,
"President."

Stimson In Britain For War Conferences

Secretary of War Henry L. Stimson arrived in Great Britain by airplane on July 11 for important conferences with high civil and military authorities. This was Mr. Stimson's first visit to an American theatre of operations since the United States entered the war on Dec. 7, 1941, and for this reason military officials said that "great importance" was attached to his coming.

During his stay in the British Isles, the Secretary planned to inspect American troops, airdromes and other installations. On his way to Britain, Mr. Stimson stopped off at Iceland to inspect troops there.

On July 12 he conferred with Lt. Gen. Jacob L. Devers, U. S. commanding general of the European theatre of operations, and on July 13 was a dinner guest of Prime Minister Winston Churchill.

With Dempsey-Detmer

(Special to the Financial Chronicle)

CHICAGO, ILL.—Norman S. Fritz has became associated with Dempsey-Detmer & Co., 135 South La Salle Street, members of the Chicago Stock Exchange. Mr. Fritz was previously with the Industrial National Bank of Chicago.

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Keeping Faith With Shoe Buyers

The Largest Manufacturer Of Shoes Issues A Vital Message To All Shoe Buyers To Correct Misunderstandings Regarding Quality of Shoes Now Available to Civilians

In a rather unusually printed statement, appearing elsewhere in this issue of the "Chronicle," the **International Shoe Company** of St. Louis broadcasts a vital message to all shoe buyers that the company is not lowering the moral standards of its products—standards which have been maintained for 40 years.

The company explains that our Government has first call on shoe materials, built to rigid Government standards, but that does not mean good, dependable shoes are not to be had by civilians.

The company states that they as well as other shoe manufacturers could make more shoes were they willing to disregard quality which the International Shoe Co. is not and will not do. While the company is manufacturing millions of shoes annually for our armed forces, there is still a sufficient quantity of good, serviceable shoe material available in the trade to meet essential civilian requirements. The company's message is signed by Frank C. Rand, Chairman of the Board, and Byron A. Gray, President.

The International Shoe Co. sales branches include: Roberts, Johnson & Rand; Peters; Freidman-Shelby; Hy-Test (Safety Shoes); Vitality Shoe Co.; Queen Quality Shoe Co.; Dorothy Dodd Shoe Co.; Winthrop Shoe Co.; Continental Shoemakers; Conformal Footwear Co.; Pennant Shoe Co.; Jefferson Shoe Co.; Sundial Shoe Co.; Great Northern Shoe Co.; Interstate Shoe Co., and Metro-Craft Shoe Co.

Oil Industry Has Impressive Outlook

Few industries have more promising postwar prospects or can cope more easily with inflationary conditions than the petroleum industry, says the United Business Service in a special study released July 19.

The oil industry will have little or no difficulty in reconverting operations to a peacetime basis. Refinery capacity has been greatly increased and refining methods improved over the past year or two, but, according to estimates of fuel requirements after the war, the industry will not be troubled by surplus of burdensome facilities as will many other lines.

There will not be as many civilian automobiles in operation immediately after the war as there were immediately preceding it, but within a year or so the number promises to be well in excess of prewar. Some estimates of automobile output for the first two postwar years run as high as seven million units a year, compared with 4.5 million in an average good year.

When it is considered that a Flying Fortress consumes 245 gallons per hour and that the trend is toward larger planes than this, it is easy to imagine the enormous quantities of fuel that will be consumed by commercial air transportation alone when the war is over. Also increasing quantities of petroleum will be required for making synthetic rubber, alcohols, plastics, and many other items which have heretofore been produced exclusively by chemical manufacturers.

By the time postwar demand begins to get in its licks, crude oil prices will have moved up nearer to the record peacetime high of $3.00 a barrel compared with the $1.17 now quoted. And this increase is certain to pass along to refined products in time. Because of the growth possibilities and the impressive inflationary hedge features, the oil industry is one in which investor participation is recommended.

Longmire, McCutcheon Quit V-Fund To Return To Private Business

John R. Longmire, Executive Manager of the U. S. Treasury Victory Fund Committee in the Eighth (St. Louis) Federal Reserve District, and John D. McCutcheon, Assistant Executive Manager, have resigned to return to their private business connections, it is announced by Chester C. Davis, President of the St. Louis Reserve Bank.

Mr. Longmire, who has served in the post since June, 1942, is a partner of I. M. Simon & Co., St. Louis, while Mr. McCutcheon resumes his place with John D. McCutcheon & Co., Inc., St. Louis. The latter also has served since June, 1942.

Robinson-Duff To Admit

George Snedecor, Jr., will shortly be admitted to partnership in J. Robinson-Duff & Co., 61 Broadway, New York City. Mr. Snedecor will act as alternate on the floor of the Exchange for Vincent H. La France.

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Howard Burgwin Forms Own Investment Firm

PITTSBURGH, PA.—Howard J. Burgwin has formed Howard J. Burgwin & Co. with offices in the Union Trust Building to deal in investment securities. Mr. Burgwin was for many years a partner in Phillips, Schmertz & Co.

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