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Alfred Marchev Heads Republic Aviation Corporation

Alfred Marchev on September 1st will succeed Ralph S. Damon as President of Republic Aviation Corporation, Farmingdale, New York. The election of Mr. Marchev was announced July 21, 1943, at the same time Mr. Damon's resignation was made public. Mr. Marchev joined Republic Aviation in February, 1942, as assistant to the President, later becoming Vice-President and General Manager. Early this year he was elected to the board of directors and on June 1 was appointed Executive Vice-President in charge of all operations of the company.

Alfred Marchev

Special editorial material pertaining to SAVINGS and LOAN ASSOCIATIONS starts on page 414. The State of Minnesota is featured this week.

For index see page 423.

President Cannot Commit U. S. To Post-War International Bank

Constitutional Amendment Required, Says Dr. Spahr Treaty Making Powers and Responsibility of Congress Under Constitution To Fix Value of Our Money

With respect to the discussions of the Keynes, Canadian, and Treasury currency stabilization plans embodying provision for a post-war international bank, attention is drawn by Prof. Walter E. Spahr, Professor of Economics of New York University, to the fact that little cognizance has been accorded the propriety of the United States to participate in such international banking plan without amending our Constitution.

In taking up the issue, Prof. Spahr submits provisions of the Constitution bearing on the treaty-making powers, and at the same time quotes from the "Congressional Record" recent debates thereon in Congress.

Dr. Walter E. Spahr

The Congressional debates cited by Prof. Spahr were those between Senators Vandenberg and Connally regarding "the extent to which the State Department is entitled to go in making commitments by agreement, rather than by treaty." In the debate the view was expressed by Senator Connally, in reply to a specific question by Senator Vandenberg, that "categorically, I should say, of course, that the State Department, and no one else other than the President of the United States, with ratification by the Senate, can bind the Government of the United States

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The Stock Market Outlook And Investment Policy

Sees Market As Completing Three-Quarters Of Possible Distance Between War Market High and Low Urges Caution In Handling Investments

Dr. W. F. Edwards, economist with Naess and Cummings, speaking before a meeting of the New York Society of Security Analysts, on the stock market outlook and investment policy, declared:

In supervising the investment of funds in common stocks, our problem is much broader than attempting to forecast the movement of prices and then invest as though our forecast would be correct. Generally, we can anchor our judgment quite solidly to basic economic conditions; and this gives us confidence in our longer-term point of view. The problem is different during the war period. We must base our opinions of stock market probabilities more upon possible extraneous and intangible considerations. After the long decline from early 1940 through 1941 had made the market replete with investment bargains, the risk of loss was small, the possibilities for appreciation were substantial; the average yield was high, and we could

Dr. Wm. Edwards

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Proposed Rule X-3A12-4

This proposed rule represents another milestone on the road which the Securities & Exchange Commission has travelled in recent years. The Commission's attitude towards the whole problem of exchange trading versus over-the-counter trading has undergone gradual modification since the middle 1930's. During the early years of the SEC, the investigations of this problem which had taken place in connection with the writing of the 1934 Act, and its subsequent amendment, were fresh in the minds of the Commissioners, and they were keenly aware of the intent of the Act.

The original Securities Exchange Act of 1934 provided for the termination of unlisted trading privileges on exchanges, and these privileges were to expire June 1, 1936. However, after investigation by the SEC, this portion of the Act was modified so as to permit continuance of unlisted trading privileges and the admission of additional securities to this status, but only under carefully circumscribed conditions. During the years following the amendment of the 1934 Act there were few admissions to unlisted trading privileges as the members of the Commission were at that time quite conscious of the doubtful nature of the unlisted trading privilege device, and the injury to the investing public which resulted from exchange trading in issues not suited to an auction market.

With the passage of time, and with changes in the personnel of the Commission, the SEC's attitude towards this

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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 July 15 and July 22 issues and others that can be accommodated in this issue are given herewith:

HON. ALF M. LANDON
Topeka

Dear Dr. Wright:

You certainly swing some pretty hefty haymakers at the popular conception of hedges against inflation.

Alf M. Landon

It is a very illuminating article of the policies a corporation or individual should follow.

I would appreciate it if you would find the time to write me briefly of the policies you think Government should follow.

I agree with "removing the conditions which create these unsocial characters is most difficult." Therefore what should Government be doing now to prevent their creation?

Editor's Note: Dr. Wright's reply to Mr. Landon's letter follows: My dear Mr. Landon:

I thank you for your very good letter of the 13th re. my article in the "Commercial and Financial Chronicle" of the 8th.

In reply to your questions as to what policies I think the Government should follow, and what the Government should be doing to prevent the creation of these unsocial conditions, I am afraid it is now a situation of unscrambling the egg or locking the barn after the horse has been stolen. Nevertheless, we cannot turn back and undo what has been done, but accepting conditions as they are, I would recommend that everything possible be done to restore confidence in individual initiative, private enterprise and the profit motive.

(1) The Government should make it clear that we will maintain sound money; the gold standard will be restored and there will be no fictitious money and credit inflation any longer than we can drain them out of our system and get back to sound money and credit conditions.

(2) Every dollar of debt will be paid and any one who buys a Government bond and holds it until maturity will receive payment in honest dollars.

(3) All Government costs not absolutely necessary should be eliminated and the costs of the war held down to the maximum efficiency.

(4) Wages and prices should be absolutely frozen at fair and equitable levels for the duration and through the period of stabilization.

(5)The tax system should be revised to drain off a larger part of the excess purchasing power flowing to war labor, Government employees, farmers and businesses directly and indirectly profiting by the war spending.

(6) The additional bond sales should be to investors and not to banks. The present large holdings of short-term bonds in the banks should be refinanced into long-term investments and sold to investors.

(7) A strong organization of experienced financial men should be set up to cooperate with the

(Continued on page 418)

O. J. Troster Receives Promotion In Army

Colonel Oliver J. Troster, who came out of World War I as a Lieutenant-Colonel was promoted to the grade of Colonel effective July 10, 1943. He was also promoted from Deputy Chief to Chief of the Movements Branch, Mobilization Division, Headquarters, Army Service Forces. Effective as of July 18, 1943, Colonel Troster was detailed as a member of the General Staff Corps.

Col. Oliver J. Troster

Colonel Troster is senior member of Troster, Currie & Summers, New York, but is on leave for the duration.

C. H. Staples Returns To Business In L. A.

LOS ANGELES, Calif.—Clarence H. Staples has returned to Los Angeles to open offices in the Banks-Huntley Building as securities regulation consultant in association with the Frank J. Meehan organization of New York. Mr. Staples has for some years been associated with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. Prior to joining the SEC, Mr. Staples was associated with the securities field for many years. After entering the business in 1926 with Bond, Goodwin & Tucker, he was with William R. Staats Co., a partner in F. E. Harris & Co. and later was connected with other firms.

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.

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.

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

J. H. Evans Opens Own Firm In St. Paul

(Special to The Financial Chronicle)

ST. PAUL, Minn.—James H. Evans has formed James H. Evans & Co. with offices in the First National Bank Building, to deal in state and municipal bonds. Mr. Evans has been associated with R. E. Crummer & Co. and the Brown Crummer Co. and Stanley Gates & Co. for many years.

FIC Banks Place Debs.

An offering of $35,130,000 consolidated debentures of the Federal Intermediate Credit Banks was made July 19, at par, by Charles R. Dunn, New York, fiscal agent for the banks. The offering consisted of two issues, viz.: $11,120,000 0.70%, due Feb. 1, 1944, and $24,010,000 0.80%, due May 1, 1944. Both issues are dated Aug. 2, 1943. Of the proceeds from the sale of the debentures, $31,105,000 will be used to pay off a like amount of maturing issues due Aug. 2, 1943, and the balance is for new capital purposes. At the close of business Aug. 2, 1943, the banks will have a total of $297,150,000 debentures outstanding.

Wm. Neacy Now With Harriman Ripley Co.

William P. Neacy is now associated with Harriman Ripley & Co., Inc., 63 Wall Street, New York City, in its United States Government Bond Department.

William P. Neacy

Mr. Neacy was formerly a partner in Hoffman & Neacy and prior thereto conducted business under the firm name of William P. Neacy & Co. In the past he was a partner in Charles E. Quincey & Co., was with C. F. Childs & Co., the National City Company, and Bancamerica-Blair Corporation.

Stern, Lauer Co To Admit Henry D. Talbot

Henry D. Talbot will become a partner in Stern, Lauer & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, as of August 1st. Mr. Talbot in the past was a partner in Bendix, Luitweiler & Co. and its predecessor firms and held membership in the New York Exchange. He will act as alternate on the floor of the Exchange for Richard P. Limburg, another partner in Stern, Lauer & Co.

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.

Glenn Munn Sees Upward Pattern Of Market Now Broken

Says Market Acting In Logical Sequence

According to a discussion of the current market situation prepared by Glenn G. Munn, economist of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, the upward pattern of the market for the past 14½ months is now broken, a logical sequence of the news concerning Italy. The future course of the war and the possible action of the market in "discounting" the transition from a war to a peacetime economy are surveyed. Mr. Munn's full remarks on the subject follow:

"It is now clear that the pattern of the market which had been upward for 14½ months is now broken. It is probable that the July 14 closing high in the industrial average at 145.82 will prove to be the high for some time to come. This is a logical sequence of the news concerning Italy which broke Monday morning. The elimination of Italy, assuming that to be a nearby accomplishment, constitutes an important step toward the liquidation of the European phase of the war. There are several competent observers who believe that the European hostilities may end in the next three to six months. This writer concurs with that opinion.

"Since the market has been discounting ultimate victory for nearly 15 months and never discounts the same thing twice over, what is now happening represents the market's time-honored function of 'selling on the good news'—this time being a presumption of the good news which is still some time off.

"At some later time the market can begin to discount the transition from a war to a peace-time economy which will bring the post-war activity that commentators have been discussing for the past six to nine months. Sooner or later certain stocks will begin to stand out for their greater-than-average peace-time promise. Individual stocks will even record new highs later this year just as Wilson preferred did yesterday and today. It is not our opinion that a deep bear market is in the offing. Tentatively, we would rather consider that the intermediate trend has been reversed and before it is over the D-J industrial average may lose as much as one-third of its 14½-month advance. This advance amounted to 53 points. A surrender of one-third of this amount, or about 18 points, would bring the average to approximately 128. But this is a level to be looked for as the end of the intermediate move downward after two or three months have elapsed from the July 14, 1943 high. Already, at yesterday's close, 40% of these 18 points had been wiped out. Obviously, this rate of decline cannot continue. Yesterday's selling was of climatic proportions—the first selling climax since April 9. We expect a technical snapback to develop in the next day or two, bringing a recovery of approximately one-half of the loss from the July 14 peak, to about 142-143. We would take advantage of this rally to liquidate excessive trading lines and to reduce or eliminate debit balances, i.e., to lighten accounts, not jettison them.

"Whether or not Italy soon gives in to the Allied demands is still a question. Nevertheless, the Axis powers have suffered a tremendous setback and the Axis 'stock' has declined grievously. A Swiss cable indicates that the German mark in Switzerland has dropped 50% in the last two weeks. On Monday, bonds of European-occupied countries established new highs on the move. Domestic commodity markets have reacted sharply. These are among the best evidences of how considered opinion among neutral financiers and business men tends to regard the war outlook.

"In the above remarks, we do not recommend that customers sell out basic, well-selected, paid-for commitments with the object of replacing them at worth-while lower prices. Tax considerations, probable tax-legislation trends, the problem of what to do with cash, and the promise of the post-war era all militate against such an investment policy. Moreover, it is our view that the majority of all stocks will, within one year after all hostilities end, sell at higher prices than at any time in 1943."

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.

Robbins, Gunn & Co. Admit Walter Carey

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robbins, Gunn & Co., Union Commerce Building, members of the Cleveland Stock Exchange have admitted Walter J. Carey to partnership in their firm. Mr. Carey has been associated with Robbins, Gunn & Co. for some time in charge of trading.

Matthews To Head State Dept. European Division

Secretary of State Hull has ordered H. Freeman Matthews Counselor of the American Embassy at London, to return to Washington to serve as Chief of the European Division of the State Department. Mr. Matthews was named to succeed Ray Atherton, newly-appointed Minister to Canada. The post vacated by Mr. Matthews in London will be filled by Howard Bucknell, Assistant Chief of the Division of Current Information.

Cohoe Elected Head Of Chemical Ind. Society

Wallace P. Cohoe of New York City has been elected President of the Society of Chemical Industry, according to word received here from the international headquarters of the Society, in London. Mr. Cohoe, technical adviser to corporations, principally in the fields of textiles, synthetics, paper, and cellulose, succeeds William Cullen, LL.D., chemical consultant of London, who for more than half a century was associated with the Nobel Explosives Company, Ltd., of Glasgow and South Africa.


Wallace P. Cohoe

Dr. Cullen will serve as Chairman of the Society's Council during the administration of Mr. Cohoe.

Smith Joins Staff Of U.S. Savs.-Loan League

H. Merele Smith, of Kansas City, Missouri, has joined the staff of the United States Savings and Loan League in Chicago, as executive in charge of public relations and advertising. He is well known as a marketing consultant in the Midwest and Southwest and has for the past several years served as executive secretary of the Missouri Savings and Loan League. The announcement is made by Morton Bodfish, executive vice-president.

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.

Oklahoma City-Ada-Atoka Ry.

June earnings after depreciation and fixed interest charges, but before Federal Taxes, amounted to $69,175, as compared with a monthly average of $39,047 for the five months preceding—an increase of 77%.

For the six months period to June 30th, 1943, earnings after fixed interest charges and depreciation, but before Federal taxes, totaled $264,404, as compared with $217,810 in the six months, ended June 30th, 1942—an increase of 21%.

Comparative figures follow: (cents omitted)

	Operating Revenue	Net After Deprec. & Fixed Charges	Times Conting. Int. Covered	Federal Taxes
January	$125,273	$35,517	7.3	$12,273
February	126,452	51,208	10.5	18,551
March	126,051	45,018	9.3	24,589
April	102,802	34,021	7.0	13,134
May	94,568	29,465	6.0	11,083
June	139,670	69,175	14.3	28,954
Total	$714,816	$264,404	*9.1	$108,584

*Average.

Comparative Income Account for the 6-Month Periods Ended June 30, 1943 and 1942 and the Full Year 1942

	6 Mos. '43	6 Mos. '42	Year '42
Operating revenue	$714,816	$554,729	$1,330,759
Operating expenses	328,909	254,609	616,502
Railway operating taxes	43,913	26,012	66,162
Rents (net)	78,464	54,636	142,874
Railway operating income	$263,530	$223,472	$505,221
Operating income	5,483	2,639	7,113
Total income	$269,013	$226,111	$512,334
Miscellaneous interest and charges	609	301	775
Fixed interest	4,000	4,000	8,000
	264,404	217,810	503,559
Contingent interest	29,000	29,000	58,000
Federal tax reserve	108,584	75,198	181,218

OKLAHOMA CITY-ADA-ATOKA RY. has two First Mortgage obligations—

$400,000 OKLAHOMA CITY-SHAWNEE INTERURBAN RY. CO. 1st Mortgage Fixed and Income 6s, 1954;

$700,000 OKLAHOMA CITY-ADA-ATOKA RY. CO. 1st Mortgage Income 6s, 1954.

INTEREST—Payable (both issues) January and July 1st. The rate is 2% fixed plus 4% if earned on OCSI and 6% if earned on OCAA.

Record of Payments Since Readjustment Plan of 1934

Year	OCSI %	OCAA %	Year	OCSI %	OCAA %
1935	2	None	1940	6	6
1936	6	6	1941	4	None
1937	6	6	1942	3	1
1938	6	6	1943	6	6
1939	5¾	3¾			

Oklahoma City-Ada-Atoka Ry. is a part of the Muskogee group which includes Kansas, Oklahoma & Gulf, Osage Railway and Midland Valley Railroad. The line extends from Oklahoma City to Atoka, of which 115.87 miles (Okla. City to Colgate) is owned; the balance (Coalgate to Atoka) is leased from the Missouri, Kansas, Texas Railroad. Connections are made with the Kansas, Oklahoma & Gulf at Tupelo, the Missouri, Kansas & Texas at Atoka and with other large systems operating in and out of Oklahoma City. Including trackage rights, yard tracks and sidings the total mileage operated is $146.33. Although the Shawnee issue still retains the word Interurban in its title, the road is entirely a steam railroad and furnishes no local passenger service.

The location of Midwest Air Depot and the Douglas Aircraft plant, for manufacturing cargo planes on the line about ten miles southeast of Oklahoma City has changed the whole outlook for the future of this system. The Air Depot occupies about 2,400 acres of land, and the Douglas Aircraft plant occupies about 480 acres. The total cost of these two projects is estimated at about $60,000,000.

In addition to this, a new residential section, known as Midwest City has been in construction adjacent to the Air Depot, and when last reported, over a thousand houses were either completed or in course of construction.

The Douglas Aircraft plant and Midwest Air Depot are intended for permanent use. The Oklahoma City-Ada-Atoka Railway therefore should derive permanent benefit from this development and by all reasonable calculations should be able to earn the full interest requirement on its bonds in future years by a comfortable margin.

Sees Market Acting In Logical Sequence

According to a discussion of the current market situation prepared by Glenn G. Munn, economist of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, the upward pattern of the market for the past 14½ months is now broken, a logical sequence of the news concerning Italy. The future course of the war and the possible action of the market in "discounting" the transition from a war to a peacetime economy are surveyed. Copies of this interesting release may be obtained upon request from Paine, Webber, Jackson & Curtis.

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.

B. Shankman In Army

Benjamin Shankman, of Carl Marks & Co., Inc., New York City, is now in the U. S. Army, stationed at Camp Swift, Texas.

Chairman Of NSTA Advertising Committee Reports Appointment Of Committees By Affiliates

Harold B. Smith, Collin, Norton & Co., New York City, Chairman of the Advertising Committee of the National Security Traders Association announces the appointment of special advertising committees in the various affiliated traders associations to solicit advertising for the annual NSTA meeting issue of the "Financial Chronicle."

The "Chronicle" will again carry, as it has for the conventions and meetings in the past, news of the proceedings of the election meeting of the NSTA to be held in Chicago August 20-21, and will act as official organ of the Association. This year also the bulk of the profits from the special advertising sold for the election meeting issue will go to the NSTA.

Harold B. Smith

Chairman of newly appointed advertising committees are:

Boston Securities Traders Association: Dayton Haigney, Dayton Haigney & Co.

Cleveland Security Traders Association: Harry Gawne, Merrill, Turben & Co., assisted by Edward A. King, Maynard Murch & Co.

Bond Club of Denver: Phillip J. Clark, Amos C. Sudler & Co.

Cincinnati Stock and Bond Club: J. C. Siegman, Edward Brockhaus & Co.

Security Traders Association of New York: "Duke" Hunter, Hunter & Co., assisted by Harry Casper, John J. O'Kane & Co., Elbridge Smith, Stryker & Brown, and Ralph T. Dimpel, Edward A. Purcell & Co.

Buckley Bros. Opens New York City Office

Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, have opened a new office in New York City at 63 Wall Street. Resident manager of the new branch will be Tracy R. Engle, head of Engle, Abbot & Co., Inc.

Mexican Bond Issue

The Republic of Mexico authorized on July 21 a 200,000,000-peso bond issue designed as an anti-inflation move and to provide for retirement of Mexican bonds outstanding in the United States. The bonds, due in ten years, will bear 6% interest.

In a special dispatch from Mexico City to the New York "Herald Tribune" of July 22, it was further stated:

"It was explained officially that the bonds are expected to absorb surplus spending money and that they also will provide resources to acquire from the Bank of Mexico part of the accumulated cash and make it available for retirement of private and public obligations in foreign countries.

Railroad Securities

The Interstate Commerce Commission has recently issued its third supplemental report in the New Haven proceedings. The modified plan makes some adjustments and, while all parties are not apt to be satisfied with their allocations, it is the general feeling that this most recent proposal will be the final plan. This presumption would, of course, be nullified by passage of the recently proposed Hobbs Amendment to Section 77, or similar legislation, but informed railroad opinion leans strongly to the belief that no such legislative hamstringing of the Commission is likely.

The chance for success of the plan is improved by the provision for consummation without the Old Colony and Boston & Providence if those security holders reject the terms. Aside from the effect of the plan on the security holders of the road itself, it is of importance in evaluating the whole reorganization picture as it is the most recent expression of general I.C.C. reorganization philosophy.

The Commission had before it, and as a part of the record in the proceedings, the history of war-swollen earnings. It considered these earnings in arriving at its final decision. On this record it still found the old stocks to be without value and denied the right of holders of the old equities to participate in the new company, even through stock purchase warrants. There had been nothing in the past record of the Commission, or in the long record of court proceedings in this and other reorganizations, which could have supported hopes of any other conclusion. Nevertheless there had been enough speculative hope in a change of heart to push the old preferred up to $6.00 a share. Quotations were more than halved immediately after release of the new plan but there has been a subsequent recovery and the stock, as well as other reorganization stocks, still reflect the hopes of some material salvage. Practically all rail men regard this as dangerous and unwarranted speculation, which psychologically weakens the entire reorganization railroad price structure.

There is one other important general conclusion to be drawn from the recent New Haven plan modifications. That is that the Commission is satisfied with the capitalizations it has set up and does not intend to reduce them further when the accumulation of cash from war business allows interim reductions in claims against the trust estate. In earlier New Haven proceedings, when there had been a moderate reduction in claims as a result of interest payments, the new securities released thereby were not reallocated. The proposed new capitalization was merely reduced by a corresponding amount.

In the new plan, with interest payments having reached more sizable proportions, the Commission has decided that advantage shall be taken of the reduction in claims to improve bond allocations to old secured bonds. This principle will presumably be carried over into other reorganization proceedings where the accumulation of huge cash balances is one of the most vexing problems facing those working towards accord.

There was one disappointing feature of the plan and that was the establishment of a definite effective date, July 1, 1943, rather than allowing some discretionary margin. This feature is designed to "avoid any further modification of the approved capital structure and the allocation of reorganization securities. . . ." Apparently this will mean that once the plan is certified to the court there can be no further payments on account of interest accruals on the old bonds. Any future payments would have to be based, as has been done in the North Western and St. Paul cases, on new bonds to be received in reorganization. There is hope in some quarters that an additional payment of interest on the old bonds may be made before the court receives the plan.

Due to the reallocation of new securities released by interest payments, the bonds secured under the old 1st & Refunding Mortgage are now to receive 23.52% of their total claim in new 1st Mortgage bonds, 47.46% in new Incomes and 29.02% in new preferred stock. Previously the ratios had been 20%, 40% and 40%, respectively. As of July 1, 1943 the claim of the old 1st & Refunding 4½s for principal and interest aggregated $1,116.30. If there is no further reduction through payment of interest before the record is certified to the court, this will work out to $262.55 in new 1st 4s, $529.80 in new Income 4½s, and $323.95 in preferred stock. With such treatment these bonds, and others secured by the same mortgage, still have a considerable measure of price appeal.

Public Utility Securities

Wave Of Utility Refunding Issues

Utility financing has consistently declined in volume since the peak year 1927, and 1943 is making a new low record. With high-grade corporate bonds selling close to all-time peak levels, it is surprising that more refunding has not been accomplished recently. One reason appears to be that any financing proposed these days usually raises questions regarding property write-offs, which require careful consideration by both company and commission. However, a number of issues are now incubating and a period of brisk activity is anticipated around mid-August or after Labor Day. Following are some of the issues which are being lined up:

South Carolina Electric & Gas, which is being merged with Lexington Water Power, will issue $20,000,000 1st Mortgage 30-year refunding bonds. The bonds were registered June 28 and the merger became effective July 26, on which date competitive bids for the bonds were submitted. Public offering of the bonds should follow shortly. The two companies are subsidiaries of General Gas & Electric, Southern sub-holding company in the Associated Gas & Electric system. General Gas had hoped to sell them to the South Carolina Power Authority but the deal became mixed up with local politics and failed.

Northern Indiana Public Service filed $45,000,000 Refunding Bonds (3¼s or less) due 1973, on June 28. The present 3¾s, which are to be refunded, are rated Baa. Two groups are expected to bid for the bonds, headed respectively by Halsey, Stuart and Harriman Ripley.

Delaware Power & Light (United Gas Improvement System) plans to acquire Eastern Shore Public Service from General Gas & Electric (Associated Gas System) and do a general refunding. The company hopes to register $15,000,000 30-year 1st & collateral 3s, together with $4,000,000 Preferred stock, by July 31 (after which the contract with Associated Gas expires). Negotiations with the SEC were slowed by a proposal made by the newly formed Delmarva Electric Co-operative, which offered to make a slightly higher bid for the Eastern Shore property, but failed to obtain SEC approval for the idea. Delaware's present bonds are rated AA. Several groups have been formed to bid for the issue.

Iowa Power & Light filed $19,000,000 1st 3¼s due 1973 on May 13, but the deal is complicated and has progressed slowly. The issue may be ready for bidding around mid-August.

Community Power & Light recently registered $6,850,000 1st 3⅜s due 1973 with Central Republic Co. of Chicago as the principal underwriter. However, the issue was later withdrawn without explanation. It is reported that some question arose as to whether the company is interstate or intrastate.

California Electric Power has filed $16,000,000 25-year 3¾s, and $4,000,000 convertible preferred. The offering is not expected immediately. Dillon, Read is handling the bond issue and Stone & Webster and Blodget the preferred stock.

Public Service of Oklahoma (Middle West System) plans to issue $6,600,000 additional 3¼s, 1971, the proceeds to be used to redeem bonds of Northwestern Light, which is to be merged. The refunding is tied in with a Middle West program involving several subsidiaries, being a step in the system's general plans to gear itself with Section 11.

Laclede Gas has been working for the past year or so on recapitalization plans, some steps having been completed. The bond refunding program was revamped June 15, the latest proposal being to issue $19,000,000 1st 20-year 3¾s and $3,000,000 debenture 3½s. The date of the financing remains indefinite.

Utah Power & Light on July 1 registered $37,000,000 1st mortgage bonds due 1973, the interest rate to be supplied by amendment. The company has been having difficulty with its property account, since the Federal Power Commission wants to make a deep cut, reducing the amount to so-called "aboriginal cost." It seems probable that the SEC will not insist on complete readjustment of plant account at this time, since this would endanger the refunding and perhaps threaten bankruptcy for the company in 1944, when a large amount of bonds become due.

Niagara Hudson Power plans a huge refunding operation—probably over $200,000,000 3s—in connection with its merger and integration program recently submitted to the SEC. The New York State Commission threw a monkeywrench into the proceedings, claiming that the company was not giving free play for investigation of the accounts, and the application is now being amended to smooth over this difficulty. Because of the number of commissions and courts involved proceedings may run well into 1944, and the bond offering does not appear to be imminent.

There has been little in the way of common stock financing for some time but one issue now appears in the offing—sale of Electric Power & Light's holdings of **Idaho Power Company.** The company has been ordered by the FPC to make a substantial write-off. Several houses have been reported anxious to handle the deal, but the SEC may order competitive bidding. A hearing was held July 21.

Pennsylvania Electric Company (Associated Gas & Electric System) plans to sell $4,000,000 1st mortgage bonds due 1973 and 35,000 shares of preferred stock at competitive bidding. The SEC has fixed the hearing date for Aug. 5. The purpose of the financing is to take over Keystone Public Service and Bradford Electric, refunding the former's bond issue.

Would Solve National Debt By Issuing 'Legal Tender' Bonds Yielding $1 a Yr. per $1000 Bond

M. M. Mattison, 50 Broadway, this City sends us the letter below, in which he advocates the issuance of "National Security Legal Tender Bonds" bearing interest at the rate of one tenth of one percent. A copy of this letter was sent by Mr. Mattison to each member of Congress. The letter follows:

The subject matter of this letter will play an important part in the future of our Government and in the happiness of the present and future generations. I respectfully ask that you give it careful and unbiased consideration.

The annual interest charge on the money our Government must borrow, may become very burdensome. It need not.

For example: If we borrow two hundred and fifty billion dollars (250,000,000,000) for National Security, an interest rate of at least 2½% will be required for long term present type of bonds; costing six billion two hundred and fifty million dollars (6,250,000,000), yearly. If instead we issue the same amount in "legal tender" bonds, an interest rate of 1/10 of 1% will be ample, costing only two hundred and fifty million dollars (250,000,000), thereby saving six billion dollars (6,000,000,000) **yearly.**

An interest rate of 1/10 of 1% is suggested because that rate will more than compensate for the deposit insurance charge of 1/12 of 1% which the banks have to pay on deposits.

Bonds of this type will be preferable to cash where unemployed funds in quantity are held. They will not sell below par because they will always be exchangeable at par or better. They will not require stabilization and a market will not have to be prepared before issuing them. They may be of any desired denomination and maturity, bear any desired interest rate, bear coupons or not, be in registered form or not and be callable.

At maturity they may be refunded by like bonds.

"National Security Legal Tender Bonds" will not be synonymous with currency or greenbacks, for they will have a maturity date, be callable and have an interest **penalty,** which currency and greenbacks have not.

It may be said that they will be inflationary. All Government bonds are inflationary. But we **must** issue bonds for at least a part of the money necessary. Because bonds bear a low rate of interest and are legal tender, makes them no more inflationary than existing Government bonds, which may be sold at will. If we must borrow, why not do so as economically as possible and apply the savings to reduction of debt?

"National Security Legal Tender Bonds" can be used by the Government for the direct payment for materials, equipment and expenses.

In practice the typical procedure may be as follows:

The Government may contract with General Motors Corporation for fifty million dollars worth of army trucks or tanks, and pay for them directly with bonds. General Motors may deposit said bonds in the Chase National Bank and receive credit for the amount deposited. The Chase Bank may keep said bonds and receive interest thereon while they hold them; and when the Bank needs currency, particularly small currency, send bonds to a Federal Reserve Bank and receive the desired currency, or if preferred, credit. The Federal Reserve Bank may use them as they would ordinary bonds; but whoever holds them on interest dates will be entitled to interest as in case of existent Government bonds.

If bonds are not in registered form, the backs of same may have spaces for endorsement of interest payments.

If a holder wishes cash between interest dates, he may dispose of bonds at par plus the interest accrued thereon, as is now done with Government bonds.

When peace comes there will be a difficult period during which unemployment will be a serious problem confronting us, at least during readjustment. This period may last long. What then will we have to face? Certainly a huge debt. Revenue from taxes will decline precipitously. Unemployment Insurance and Old Age Pensions will be menaced.

We have sold billions of dollars worth of War Savings Bonds, payable practically on demand. Many owners of those bonds will be unemployed. They are patriotic, but must have food, clothing and shelter. They will ask for payment of their bonds, and their number may be legion. If the national debt has reached a staggering figure, will the Government be able to sell ordinary bonds in such an emergency, except on ruinous terms? Can taxes be collected in sufficient amounts to meet obligations?

Under the stress of war, individuals and industry must tolerate high taxes. In peacetime, high taxes discourage business, resulting in unemployment and stagnation, when a high tax rate brings in less revenue than a lower one.

Where, then, will we get the money with which to pay those who must convert their War Savings Bonds into cash, get the money with which to pay the interest on our burdensome debt and redeem our bonds as they mature? Where will Social Security, Old Age Pensions and Relief money come from?

A group will appear advocating debt repudiation to save the masses and future generations from poverty and suffering. The masses will probably put that party in power, or that group will suggest printing press money. Democracy, to put it mildly, will be menaced.

THIS DARK PICTURE NEED NOT APPEAR.

To summarize, the bonds suggested above will require no marketing, no stabilization, will not fluctuate, will permit low peacetime taxes, result in **enormous yearly savings,** help preserve our national honor and credit, relieve the present and future generations of misery and despair, and possess the safeguards of ordinary bonds.

One more step is desirable: it is a constitutional amendment prohibiting the issuance of this type of bonds for any other purpose than National Security. This amendment, in the present emergency, will probably be adopted promptly.

With your cooperation, this plan will save your country, annually, six thousand million dollars, equal to $222 per family of five, or $44 for every man, woman and child in the country.

Under this plan, if these savings are applied to the reduction of our indebtedness, we will be free of debt in 42 years. Under our present method it will require 250 years and two hundred and fifty billion additional dollars, if we retire one billion dollars of debt per year.

Should our indebtedness become greater than the amount above mentioned, this plan will still cancel it in 42 years, whereas our present method will require a proportionate additional amount of dollars and years, to free us from debt.

Should we be compelled to pay a higher rate of interest, which is likely as our debt becomes greater, this plan will cancel in a shorter time than 42 years, whereas our present method will become more expensive and take longer than it otherwise would.

[Editor's Note—Mr. Mattison's proposal would mean an investment return of less than one cent a week to a holder of one of his $500 "legal tender" bonds. Mr. Mattison overlooks the very important fact, it seems to us, that when the interest rate is virtually nil there is no incentive for one to retain a bond as an investment. Consequently his "legal tender" pieces would find their way into the Federal Reserve System, with our currency being diluted in effect just as would be the case if fiat money were printed. His plan, too, would also have such an adverse effect on bank earnings from investments that it would probably force most of them to close their doors.]

Good Post-War Prospects

Newburger, Loeb & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, have prepared a list of low-priced stocks with good post-war prospects. Copies of this interesting list may be had from the firm upon request.

Survey Shows Investment Dealer Looking To Substantial Increase In Post-War Business

Answers To Hugh Long Co. Questionnaire Reveal Dealer Optimism.

The representative investment dealer in the United States is looking forward to a substantial increase in his post-war business. He believes Germany will be defeated in 1944 and Japan in 1945. Although he anticipates a high level of taxes, and that living costs will continue to rise, he believes conditions will be such as to encourage investing.

These conclusions are from answers to a questionnaire sent by Hugh W. Long & Co., Inc., 15 Exchange Place, Jersey City, N. J., to all members of the National Association of Securities Dealers. Hugh W. Long & Co., Inc. is national distributor of New York Stocks, Inc., Manhattan Bond Fund, Inc. and Fundamental Investors, Inc.

According to the survey, answers to which were supplied by dealers in 35 states, shifts in population due to war work have helped rather than hurt their business. The average sales organization has lost 41% of its men to war activities, but a large majority of dealers believe that almost all their former associates will return to the investment business after the war.

Although they are not keeping open evenings to encourage new accounts, 35% of dealers who answered the questionnaire said that they had gotten new customers among war workers not previously securities buyers but who are now investing or speculating. Of these new accounts, investors outnumbered speculators by 1½ to 1.

Asked to name the three industries with the best post-war outlook, dealer vote was heavily for Automobile, Chemical and Airlines in that order. Giving their opinions as to which three industries will be least favorably situated after the war they named Machine Tool, Railroad and Aircraft Manufacturing.

The representative dealer doubts that price controls will be removed soon after V-Day but he does not, by a vote of more than 2 to 1, expect a drastic post-war depression. Those who expect such a depression place it about 2 years after V-Day. Confidence in the industrial future of the United States is expressed by a large majority of answers to the question whether or not industry will be able to prevent a dangerous degree of post-war unemployment. Opinions indicating that such a degree of unemployment will be prevented were 3½ to 1.

RESULTS OF HUGH W. LONG CO., INC. INVESTMENT DEALER QUESTIONNAIRE
(Answers given below are percentages of replies received

1. What approximate date do you estimate for the ultimate defeat of Germany? Japan?		Germany 1944, 69%		Japan 1945, 51%
2. Have shifts in population due to war work helped or hurt your business?		Helped 37%	Hurt 20%	No change 43%
3. Have you lined up men you want associated with you when the war is over?			Yes 33%	No 67%
4. What per cent of your sales organization is no longer with you because of war activities?				Average 41%
5. Will most of your former associates return to the investment business?			Yes 73%	No 27%
6. Have you gotten new accounts from war workers, not previously securities buyers, now investing or speculating?		No. 65%	Investors 21%	Speculators 14%
7. Are you keeping your office open one or more evenings a week for the convenience of such prospects?			Yes 98.8%	No 1.2%
8. Have you successfully used direct mail advertising to compensate for your manpower shortage?			Yes 36%	No 64%
9. If so, what type of mailings have been most effective?: (a) Inquiry-producing postcards; (b) Inquiry-producing "blind" letters, not naming any security; (c) Straight sales letters; (d) Letters offering list analysis	(a) 37%	(b) 9%	(c) 41%	(d) 13%
All following question refer to **POSTWAR** only—				
10. Will present or higher income and corporation taxes remain?			Yes 62%	No 38%
11. Will price controls be removed soon after V-day?			Yes 37%	No 63%
12. Will business conditions be such as to encourage investments?			Yes 86%	No 14%
13. Will living costs continue to rise?			Yes 75%	No 25%
14. What three industries have the best post-war outlooks?		Automobile 20%	Chemical 12%	Airline 10%
15. What three will be least favorably situated?		Machine Tool 12.9%	Railroad 12.4%	Aircraft Mfg. 10%
16. Do you expect a drastic postwar depression? If so, about (?) months after V-day?		Yes 32%	Months 25	No 68%
17. Will industry be able to prevent a dangerous degree of postwar unemployment?			Yes 72%	No 28%

Puget Sound Pr. & Lt. Co. Recap Plan Interesting

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared an anlysis of the recapitalization plan of Puget Sound Power & Light Co. Copies of this interesting circular may be had upon request from Ira Haupt & Co.

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.

OUR REPORTER'S REPORT

Concrete evidence of the availability of investment money was disclosed this week with the sale through competitive bidding of an issue of $20,000,000 thirty-year first mortgage bonds of the South Carolina Electric & Gas Company.

Three groups bid for the bonds, with First Boston Corporation and Lehman Brothers group offer of 103.0879 for the issue as 3⅝s proving the highest. Since the successful syndicate naturally had to await final clearance of the issue by the Securities and Exchange Commission immediate public offering was not possible.

But with the news of the results of the bidding getting around, the winning group found itself literally swamped with inquiries, and in consequence the actual offering which went through yesterday was little more than a formality.

In fact, it developed into one of the largest oversubscriptions for a corporate offering in many months, with estimates placing orders in the vicinity of $35,000,000.

Demand from insurance companies was the heaviest for an issue in some time, while wholesalers in the group stood ready to take down substantial amounts, leaving the retailing group with little or nothing in the way of bonds for its clients.

Penn. Ohio & Detroit 3¾s

The Interstate Commerce Commission once more has sidestepped efforts of Midwestern banking interests to force it into a definite decision on competitive bidding for railroad bond issues.

The Commission this week authorized the sale by the Pennsylvania, Ohio & Detroit Railroad Co., subsidiary of Pennsylvania Railroad Co., of an issue of $28,483,000 of first and refunding 3¾% bonds to Kuhn, Loeb & Co.

Bankers purchased the bonds and, on June 25, offered the issue publicly, subject to approval of the financing by the Interstate Commerce Commission. Cleveland and Chicago bankers protested the absence of competitive bidding and sought to block the deal.

Now the Commission has handed down its ruling after hearings and without ruling on competitive bidding. It did, however, set the price for sale to bankers at 100¼ instead of 100.

Municipals' Full Recovery

A combination of circumstances, notably the recess of Congress and the veritable dearth of new issues, is serving to bolster the situation in the municipal bond market.

A survey of high-grade State and city loans shows that such issues have pushed their way back to approximately duplicate their top prices for recent years. To put it another way, that in which the trade views the picture, yields on such bonds have now returned to the low levels prevailing in the Fall of 1941, a few months before Pearl Harbor took us into the war.

In the break which followed the entry of the nation into hostilities and continued into 1942 when the Treasury was bent on ending the tax freedom of such issues, the yield basis rose some 60 percentage points. That ground has since been fully recovered.

New Issues Doing Well

A glance at the market shows that most of the recent new corporate issues have been doing well since being placed on the market. In almost all cases such issues are commanding sizeable premiums over the offering prices.

Puget Sound Power & Light 4¼s, for example, marketed at 104¼, have been ruling around 106⅝ bid and 106⅞ asked. Pennsylvania, Ohio & Detroit 3¾s having been moving at 104¼-104¾, against the issue price of 101¾, while Panhandle Eastern Pipe Line 2¾s and Consolidated Cigar 3¼s likewise show premiums currently.

Two issues, Public Service of New Hampshire 3¼s and Armour Delaware 7s, have been quoted slightly under their issue prices.

Real Estate Securities

60 EAST 65th STREET (MAYFAIR HOUSE)

First Fee Mortgage Bonds Paying Extra Interest At Rate Of $4.00 Per $1,000 August 1st.

This property previously mentioned in these columns as one which held promise of earning more than 3% fixed annual interest on its bonded debt fulfills our prediction, and earns sufficient money in the year ended June 30, 1943, to provide funds for the payment of additional interest as shown above. We believe it significant that even these earnings do not reflect the true picture as it is today, and that earnings for the fiscal year to end June 30, 1944, will show a considerable increase.

The Mayfair House is considered one of the most fashionable apartment hotel properties in New York City, its location at the Southwest corner of Park Ave. and 65th Street being an ideal corner for this type of property. Fifteen stories in height, it is erected on a plot 75x160 feet and contains 408 rentable rooms. The $2,574,500 first mortgage fee bonds outstanding are due in 1950, have a fixed interest rate of 3%, with a provision for an additional 2%, if earned, plus a participating interest in 25% of net earnings of the Owning Corporation.

Prior to July 1, 1940, at which time interest became fixed at 3%, fixed interest was 1% per annum, with a provision for 2% additional cumulative interest for the mortgage years ended June 30, 1938, 1939 and 1940. Unpaid accumulations total $21.55 per $1,000 bond, which may be paid on, or before, maturity.

Gross Income for the year ended June 30, 1943, increased to $544,000 from $480,000 the previous year.

Current Assets of $91,700, compared with Current Liabilities of $76,000.

Drafting Of Women Seen By Mrs. Roosevelt

Registration of women and the drafting of those of "certain ages" will inevitably result if recruiting for women's units of the armed forces falls very short of the number needed, according to Mrs. Franklin D. Roosevelt, whose further remarks in Washington on July 26 were indicated as follows in the Associated Press:

She suggested that the fact that WAVES are not permitted to serve overseas and the recent attacks on the social behavior of the WACS, might have cut down enlistments.

"If the shortage becomes very great," Mrs. Roosevelt asserted, "it will lead to registering and taking in of people of certain ages."

New Method For Paying NY Stock Transfer Tax

The new regulations regarding the elimination of stamps in the payment of New York State stock transfer taxes for transactions effected on a registered Stock Exchange of the State go into effect on Aug. 2.

Under the new method of collection, which does not affect over-the-counter transactions in listed securities, the payment will be made through the Exchanges affiliated clearing corporations for the account of the State Tax Commission.

The payment of these taxes without the use of stamps is in accordance with the law adopted by the New York State Legislature and approved by Governor Dewey at the last session.

Plans for the State change and also reference to the discussions with Federal tax authorities on this question were referred to in our issue of June 10, page 2170.

Nat'l Radiator Attractive

The current situation in The National Radiator Company offers attractive possibilities according to a memorandum being distributed by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

Investment Trusts

Investment Company Reports

Broad Street Investing Corporation: Net assets were $6,575,961 at June 30, 1943, giving a liquidating value of $27.23 per share. The liquidating value of the company's stock on December 31, 1942, and on June 30, 1942, was $20.82 and $17.44 per share, respectively.

Capital Administration Company, Ltd.: Net assets, before deducting bank loans, were $5,465,602 at June 30, 1943. At the end of 1942 the net assets were $4,543,444, while they were $4,065,513 on June 30, 1942.

Chemical Fund, Inc.: Net assets, taking securities at market value, increased during the quarter ended June 30, 1943, to $11,644,323 compared with $10,858,925 on March 31, 1943. Net asset value per share increased from $9.65 to $10.05 over the same period.

Fundamental Investors, Inc.: Net assets totalled $9,548,123 on June 30, 1943. This amounted to $21.53 per share compared with $16.12 per share on December 31, 1942. The per share asset value shows an increase of 64% for the 12 months ended June 30, 1943 and an increase of 34% for the 6 months ended June 30, 1943.

General Capital Corporation: Net assets on June 30, 1943 amounted to $5,986,928, equivalent to $31.98 per share. This compares with a per share asset value of $26.01 on December 31, 1942.

General Shareholdings Corporation: Net assets, before deducting bank loans, were $14,465,009 on June 30, 1943. Net assets at December 31, 1942, were $10,896,718 and on June 30, 1942, were $9,387,527.

Incorporated Investors: During the first six months of the year net asset value increased from $34,253,144.74 to $47,846,866.77, after distributions to stockholders amounting to $957,287.80. Net asset value per share increased from $14.64 to $19.99. Shares outstanding increased from 2,341,086 to 2,393,738.

Keystone Custodian Fund Series "S2": Net assets totalled $5,065,117 on May 31, 1943, or more than double the $2,103,411 total as of November 30, 1942. Total assets of the ten Keystone funds are now reported to be in excess of $61,000,000.

Massachusetts Investors Trust: Net assets were $140,775,486 or $20.82 per share on June 30, 1943, an increase of 42.5% from the figure of $14.61 on the corresponding date last year. During the twelve month period, the number of shares outstanding rose from 6,037,912 on June 30, 1942 to 6,760,460 at the close of June this year.

Massachusetts Investors Second Fund: As of May 31, 1943, net assets were $9,529,561 or $10.01 per share compared to $6,150,365 or $6.85 per share on May 31, 1942.

National Bond and Share Corporation: Net assets on June 30, 1943, amounted to $8,572,556, equivalent to $23.81 per share on 360,000 shares of capital stock outstanding. This compares with a net asset value of $22.93 per share on March 31 and with $20.19 per share at the end of last year.

National Investors Corporation: Net assets were $11,209,962 at June 30, 1943, equivalent to $6.86 per share of the company's stock, which had an asset value at December 31, 1942, of $5.20. On June 30, 1942, the asset value was $4.23.

New York Stocks, Inc.: Net assets as of May 31, 1943 were $6,719,109. In the six months from November 30, 1942 to May 31, 1943, 17 of the 20 Series outperformed their comparable market averages.

George Putnam Fund: On June 30, 1943 net assets were $7,680,000, equivalent to $17.39 per share, compared with $15.06 per share at the end of 1942.

Selected Industries Inc.: On June 30, 1943, net assets, before deducting bank loans, were valued at $32,707,151. At the end of 1942 net assets were $26,032,831, while at June 30, 1942, they were $23,632,172.

State Street Investment Corporation: Net asset value of $46,807,165 on June 30 amounted to $79.54 per share on the 588,439 shares outstanding. This compares with asset value of $43,232,069 on March 31, 1943, equal to $74.15 on 583,046 shares then outstanding.

Tri-Continental Corporation: The June 30 report to stockholders shows net assets, before deducting bank loans and funded debt, of $34,355,600. Assets at December 31, 1943, were $25,610,063 and on June 30, 1942, were $22,803,351.

Stock Market

The stock market has had its greatest shakeout since the inception of its rise in April 1942. Up until the present stock market break, the Dow Jones Industrial averages have had one of the greatest sustained rises without a major interruption. The severity of the present decline can best be measured by a comparison of the Dow Jones Industrial averages, and by the measure of various representative securities in the utility, railroad and industrial fields.

Students of stock market activity have long pointed out the fact that a technical correction was overdue. The sudden reversal of the European war news, plus the scheduled Presidential speech for tomorrow night, have provided the upsetting factors and have caused traders to reappraise the motivating factors of the stock market rise.

The President's "hold the line" remarks earlier in the year were a factor then in halting the upward trend. After several months of hesitation, the markets propelled into new highs.

The large generated buying power, coupled with the plethora of investment funds, have continued to exert an upward pressure on security prices. In our opinion these factors will continue to manifest themselves after the present decline has run its natural course.

The duration of the war will play an important factor in the trend of "war babies" and companies who have benefited directly or indirectly from war business.

The war period and the consequent shifting of manufacturing activity has caused a large amount of pent-up demand. This, together with large volume of business necessary for rehabilitation and construction purposes in the post-war period should make for a relatively long period of favorable business activity. This should cushion the letdown of manufacturing activity with the cessation of hostilities. It is for this reason that we maintain a favorable viewpoint towards leading industrial securities as well as public utility companies, and companies which, while adversely affected by taxation or Governmental restrictions, as these measures may be considered as temporary and likely to be in effect only as long as the war is prosecuted, will resume a more favorable earnings trend.

After the present sell-off, it is our opinion that selectivity will become the basis for the trend of market prices. However, it is too early to gauge which type of securities will be leaders in this direction until the President's speech and additional war developments take place, and their effects are analyzed.

. . . Contrary to the general opinion, public utility securities have enjoyed the greatest percentage rise. The rise of securities in this category has been greater than that enjoyed by railroad common stocks. The railroads generally have been considered "war babies." From the 1942 low to yesterday's close the Dow Jones Public Utility average has risen 98%, whereas the Railroad average has only risen 53%. It is generally believed that public utility shares in the post-war period will have greater appeal than the railroad stocks. In this category we maintain a favorable attitude toward North American Company, and various preferred stocks such as American Power and Light Preferreds, Electric Power and Light 7% preferred, and United Corporation Preferred stock. On the other hand, we continue to maintain a favorable attitude toward companies which are expected to enjoy a favorable post-war business, companies like Chrysler, International Harvester, General Electric, Union Carbide, etc.—*H. L. Federman, Ira Haupt & Co.*

Municipal Bond Club Of Memphis Becomes New NSTA Affiliate

The executive council of the National Security Traders Association, Inc. has accepted the application for affiliation of the Municipal Bond Club of Memphis, Tennessee.

Officers of the new affiliate are:

M. A. Saunders, M. A. Saunders & Co., President; Joe H. Davis, First National Bank of Memphis, Secretary; Gordon Meeks, Gordon Meeks & Co., Treasurer.

Mr. Saunders is National Committeeman for the Memphis Club, with Mr. Davis as alternate.


M. A. Saunders

Members of the Municipal Bond Club of Memphis are: E. Gordon Crossett, Bond Dept., First National Bank of Memphis; Joe H. Davis, Bond Dept., First National Bank of Memphis; Julius Franks, Herman Bensdorf & Company; T. Q. Galbreath, Exchange Building; Ed. Goldsmith, Bullington-Schas & Co.; R. S. Harris, M. A. Saunders & Co., Inc.; R. H. Jordan, Gray Shillinglaw & Co.; J. C. Lancaster, Bond Dept. Union Planters National Bank & Trust Co.; W. G. Leftwich, Leftwich & Ross; Joseph J. Marks; Gordon Meeks, Gordon Meeks & Co.; Sam Rison, Standard Securities Co.; Howard C. Ross, Leftwich & Ross; M. A. Saunders, M. A. Saunders & Co., Inc.; F. D. Schas, Bullington-Schas & Co.; Wendell Spraggins, Municipal Bond & Inv. Co.; E. C. Thomas, Herman Bensdorf & Co.; J. Nick Thomas, Jr., Equitable Securities Corp.; Roger Wooten, Municipal Bond & Investment Co.; *Joe Denham, Bond Dept., First National Bank of Memphis; *Hugh Sinclair, Bond Dept., First National Bank of Memphis; *Early Mitchell, Bond Dept., First National Bank of Memphis; *Frank Frederic, L. K. Thompson and Co.

*In Armed Forces.

SEC Asks Dismissal Of Temporary Injunction Suit Against Investors Synd.

MINNEAPOLIS, MINN. — In United States District Court this morning before Federal Judge Gunnar H. Nordbye, H. Russell Kelly, Attorney for the Securities and Exchange Commission, asked for a dismissal of and withdrew the commission's motion for a temporary injunction against three Investors Syndicate companies. This motion had been scheduled for a hearing before Judge Nordbye on July 21.

On July 12 the court denied the SEC's motion for a temporary restraining order against Investors Syndicate, Investors Syndicate of America and Investors Mutual, Inc.

Judge Nordbye set the date of August 30th for the trial of the Commission's case.

Arthur Robinson Is Promoted To Major

WALLA WALLA, WASHINGTON. — Promotion of Arthur R. Robinson to major from captain was announced by Major Harry Gilmore, commanding officer of the Walla Walla Army Air field. Major Robinson has been at the air base since June 21, 1942 arriving with the small group of officers who activated the base. He received his commission as captain in the Air Corps, Army of the United States, April 29, 1942 having been trained at the OTS at Miami Beach, Fla., with the class of 1942 B. He graduated from the administrative inspectors' school at Fort Logan, Colo., in September, 1942.


Maj. A. R. Robinson

He was originally assigned as provost marshal and since July 7, 1942 has been administrative inspector and a member of the commanding officer's staff.

Major Robinson applied for his commission from Newark, N. J. while President of Colyer, Robinson & Co., underwriters and dealers in municipal bonds. He is a member of the Essex Club, the Downtown Club and the New Jersey Bond Club of Newark and the Municipal Bond Club of New York. Until the time he entered service he was a member of the vestry of Trinity Cathedral Church, Newark.

The Business Man's Bookshelf

Airplane Power With Special Reference to Engines and Altitudes—General Motors Corporation, Detroit, Mich.—paper.

Inflation In One Easy Lesson—Harry Scherman—Council for Democracy, 11 West 42nd Street, New York City—paper—10c. (If quantities of more than one hundred are desired, prices will be quoted on request.

International Monetary Mechanism—The Keynes and White Proposals—Friedrich A. Lutz—International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper.

Quantitative Trade Controls, Their Causes and Nature—League of Nations Publication 1943, II. A.5—Columbia University Press, International Documents Service, 2960 Broadway, New York 27, N. Y.—paper—50c.

Trade Relations Between Free-Market and Controlled Economies—League of Nations Publication 1943.II.A.4—Columbia University Press, International Documents Service, 2960 Broadway, New York 27, N. Y.—paper—$1.00.

Spare Time—A War Asset For War Workers—Division of Recreation, Federal Security Agency, Social Security Building, Washington 25, D. C.—paper—no charge.

Tin And Its Uses—Review No. 14 of the Tin Research Institute—Battelle Memorial Institute, 505 King Avenue, Columbus, Ohio—paper—no charge.

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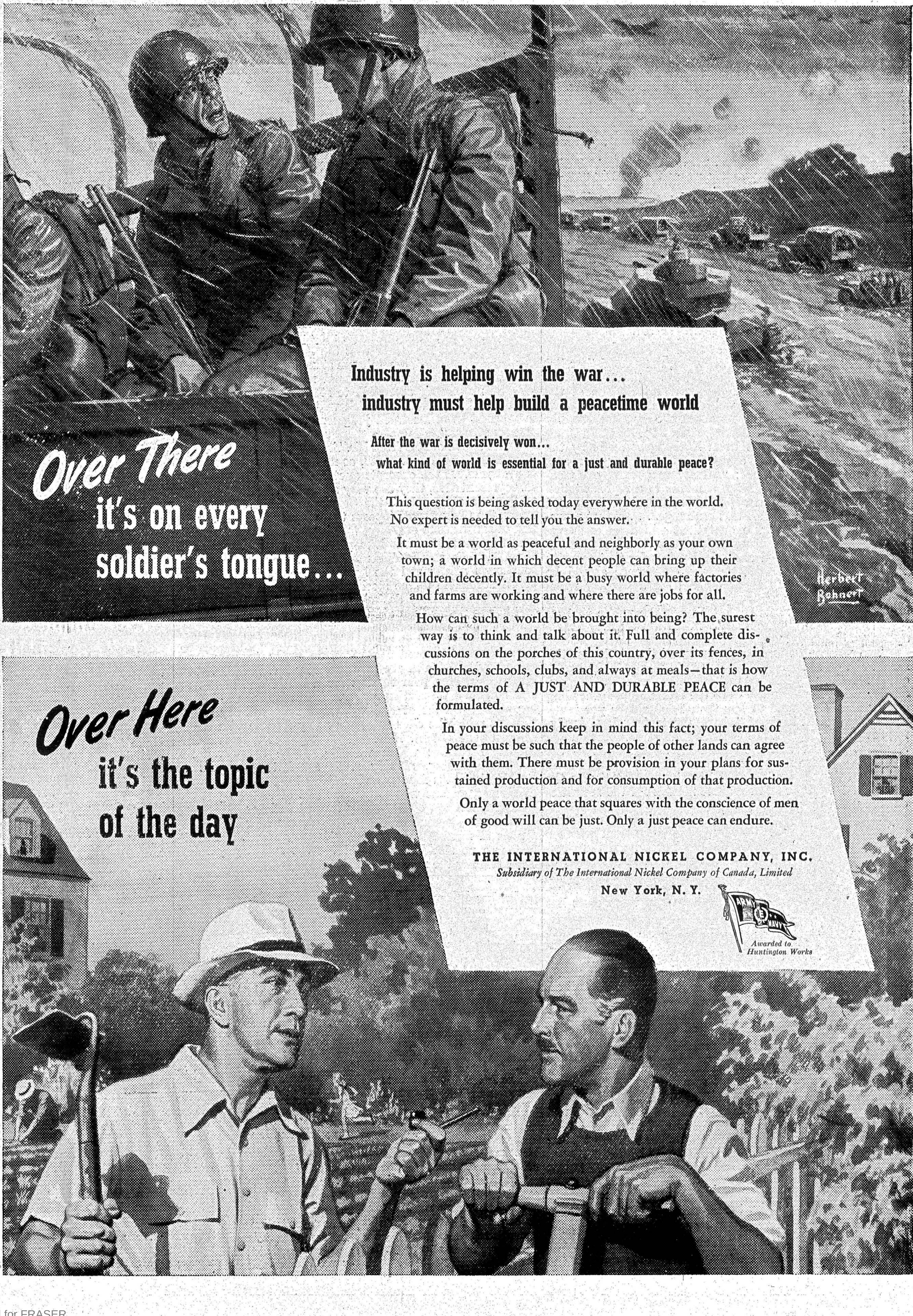
Over There
it's on every
soldier's tongue...
Over Here
it's the topic
of the day
Industry is helping win the war...
industry must help build a peacetime world
After the war is decisively won...
what kind of world is essential for a just and durable peace?
This question is being asked today everywhere in the world. No expert is needed to tell you the answer.
It must be a world as peaceful and neighborly as your own town; a world in which decent people can bring up their children decently. It must be a busy world where factories and farms are working and where there are jobs for all.
How can such a world be brought into being? The surest way is to think and talk about it. Full and complete discussions on the porches of this country, over its fences, in churches, schools, clubs, and always at meals—that is how the terms of A JUST AND DURABLE PEACE can be formulated.
In your discussions keep in mind this fact; your terms of peace must be such that the people of other lands can agree with them. There must be provision in your plans for sustained production and for consumption of that production.
Only a world peace that squares with the conscience of men of good will can be just. Only a just peace can endure.
THE INTERNATIONAL NICKEL COMPANY, INC.
Subsidiary of The International Nickel Company of Canada, Limited
New York, N. Y.
ARMY E NAVY
Awarded to Huntington Works
Herbert Bohnert

Proposed Rule X-3A12-4

(Continued from first page)

question has slowly shifted. This has encouraged the exchanges to think up ways and means of attaining unlisted trading privileges for securities traded over-the-counter. A recent example has been the attempt to gain unlisted trading privilges for the stocks of all companies with assets of $3,000,000, and having 300 or more stockholders. Another example was the campaign conducted some time ago under the heading "Equalization." Proposed Rule X-3A12-4 constitutes another effort in this direction, this one inaugurated by the Commission itself.

The 1934 Act defines exempted securities as Governments, Municipals, etc., "and such other securities (which may include . . . unregistered securities, the market in which is predominantly intrastate) as the Commission may . . . exempt . . ." In proposed Rule X-3A12-4 the Commission is falling back on this exemption loophole. The interesting point is that this potential exemption has always existed in the Act, but during all these years the Commission has not attempted to make general use of it. It seems quite doubtful whether the original members of the Commission would have felt that wholesale application of this exemption clause was in accord with the spirit of the legislation.

The SEC, as originally constituted, understood the vital distinction between securities suited to auction trading and those which required the facilities and technique of the over-the-counter dealer. It would be well for the investor if this basic distinction still remained clearly and forcefully in the minds of the Commissioners. In its "Report on Trading in Unlisted Securities Upon Exchanges" made by the Commission following a comprehensive study years ago, the Commission stated that: "Admitting a security to trading privileges on an exchange amounts to a representation by the exchange that an appropriate and adequate market for that security exists on that exchange. . . . If that representation is incorrect, the quotations which an exchange disseminates are misleading and have a tendency to react harmfully upon the bid and asked prices for that security in other markets. Consequently, no exchange should be permitted to admit to trading privileges a security when the admission of that security to trading privileges on the exchange means a misrepresentation to the public that an appropriate and adequate market for that security exists upon that exchange."

The volume of trading in many of the stocks on the New York Curb Exchange during 1942 was entirely inadequate for the requirements of an action market. For example, in 174 issues on the Curb the total volume of trading during 1942 amounted to less than 1,000 shares per issue. This is equivalent to about 3 shares per trading day. Applying the phraseology of the Commission's own report quoted above, it is clear that the quotations disseminated by the exchange on these securities were misleading, and the Curb's trading in these securities meant a misrepresentation to the public that a proper and adequate market for the securities existed upon that exchange.

Despite the injury to the investor which necessarily results from this kind of auction market (an auction attended most of the time by neither buyers nor sellers) the Commission shows no interest in the removal of securities of this nature. It is true that in recent years occasional securities have been removed from exchange trading. However, so far as we know, the initiative in these cases has almost always been taken either by the issuer or by dealers. Rarely, if ever, have the wheels been set by the Commission.

The 1934 Act had as its purpose the welfare of the investing public. At the risk of appearing obvious, it seems desirable at this point to restate the elementary fact that a market is satisfactory for the investor in proportion as it affords a satisfactory medium for the effecting of purchases and sales. An exchange market does not afford a good medium for transactions unless there is a sufficient volume of turnover to permit of a true auction. This was recognized in the Act, which provided that adequate distribution and public trading activity in the vicinity of an exchange must be established by the exchange in order to show that the extension of unlisted trading privileges was necessary or appropriate in the public interest or for the protection of investors. Similarly, the vital nature of this consideration is shown by the fact that in applications for unlisted trading privileges most of the argument generally revolves around the question as to whether adequate distribution and public trading activity in the vicinity of the exchange can be demonstrated.

As a regulatory body, the Securities & Exchange Commission has some of the duties and responsibilities of a judge, including particularly that of impartiality. If the Commission maintained an impartial attitude towards the problem of exchange versus over-the-counter trading, it would be as eager to see unsuitable securities removed from exchange trading as to see suitable securities admitted to exchange trading. The points cited in some of the foregoing paragraphs appear to strongly suggest that actually the Commission has far more interest in facilitating the admission of additional securities to exchange trading than in the removal of even those securities which are hopelessly unsuited to the auction technique, and where serious injury to the investing public is involved.

At the present time it seems that the most vital point at issue, namely the specialized characteristics of the two different types of market, is receiving little more than formal attention, and that other and less important considerations are tending to dominate the Commission's policy. For example, James A. Treanor, Jr., director of the trading and exchange division of the SEC, in a letter to the securities industry, commented that if the exemption power involved in proposed Rule X-3A12-4 were exercised, holders of exempted securities would not receive the benefits of all the safeguards which are afforded to holders of registered securities. He pointed out, however, that listing would give the security holders and the public more protection than they now have in the over-the-counter market. "For example," he said, "the exchange may provide in its listing agreement with the issuer that the latter's financial statements adhere to certain minimum standards. It may provide in such an agreement that annual meetings be held in a location reasonably accessible to stockholders; and it may embody other provisions which will serve to aid investors in arriving at at informed judgment concerning the issuer and its affairs."

The above quotes from Mr. Treanor's letter were taken from the New York "Times", as no copy of the letter itself is available. If the excerpts quoted by the "Times" are at all representative, they are very significant as an indication of the line along which the Commission is reasoning. In effect, the Commission appears to be saying that the admission of securities to exchange trading is advantageous to the investing public because it may result in certain secondary benefits, such as the dissemination of more data on the company's affairs and the holding of annual meetings at points accessible to the stockholders. These secondary objectives are certainly desirable. However, the Commission will injure rather than aid the investing public if it adopts a policy which results in substituting a seriously inadequate auction market for what is in many instances a quite satisfactory over-the-counter market, in order to gain such secondary benefits as are mentioned by Mr. Treanor. The substitution of a poor market for a better one means an umistakable deterioration in the facilities vital to the investing public. On the other hand, the practical utility of the benefits which he cites would in many instances be small, or even non-existent. Most of the companies with over-the-counter securities which would even be considered for exchange trading, already issue satisfactory reports to stockholders. As far as the location of annual meetings is concerned, anyone who is in the habit of attending stockholders' meetings conveniently located in New York City knows that stockholder attendance even under these conditions of maximum accessibility is very slight. In many instances no stockholders whatever are sufficiently interested to go to the meeting.

Industry Warns Of Inflation Peril; Urges Govt. Action; Offers Preventive Measures

The inflation problem has not been faced frankly nor has the public been given the facts of the situation in the opinion of American manufacturers and business men who on July 25 urged three positive steps of action to reduce the "inflationary gap."

The current issue of "Industry's View," published by the National Association of Manufacturers, reviewed the "piece-meal approach" to the control of prices and wages for the last two years and concluded that "price controls and regulations are merely an attempt to sit on the safety valve" and that "they do not reduce the explosive forces that are being generated through steady increase in the money supply."

Warning that the most serious results of inflation usually come in the postwar period, "Industry's View" recommended the following preventive measures:

"1. Greatly increased taxes, especially sales taxes, should be adopted immediately. The rates on corporate income and on the upper brackets of personal income have been already pushed to the maximum limit. . . .

"2. The banks should be relieved as far as possible of the necessity of financing war deficits because such financing tends to fan the flame of inflation . . . the sale of bonds to private investors must be increased by voluntary methods as far as possible—by compulsion if necessary.

"3. Wages must be stabilized because increases in wages start an upward spiral of rising prices. Increased wages tend to increase costs and increased costs lead to higher prices which in turn creates a demand for further wage increases."

The publication emphasized that war prosperity was a "phony" prosperity, adding that "the sooner we face this fact the sooner we'll realize the real nature of wartime inflation." It further states:

"In spite of full employment and increased money income in war prosperity, our standard of living not only does NOT rise, but on the contrary, falls. . . . The difference between the spendable income going to individuals and the supply of goods and services available is commonly referred to as the 'inflationary gap.' This inflationary gap has been constantly widening since 1940 and, according to a recent estimate of the Department of Commerce, will be over 40 billion dollars in 1943. . . .

"All along, there has been practically unanimous agreement among economists, both liberal and conservative, as to the need for 'drawing off' the excess purchasing power of individuals which results from our distorted wartime economy. . . . If the workers of the country fully realize that a runaway inflation would wipe out any gains in purchasing power through increased money wages and would endanger their life savings as well, they might forego wage increases, accept higher taxes and buy more war bonds.

"But the Government has failed to bring home to the people the necessity for 'drawing off' the excess purchasing power, both in dealing with labor and its campaign designed to promote the sale of war bonds to individuals. Practically no effort has been made to show the people why the sale of Government bonds to the banks rather than to individuals, is inflationary. It would seem that the most effective procedure the Government could adopt to prevent inflation would be to tell the people that when the Government sells a bond to a bank, the Government takes credit on the bank's books for an equivalent amount. In this way, additional bank credit is created at a time when the volume of consumer goods is declining relatively. Bonds sold to banks result in rapid expansion of bank deposits which have almost the same effect as the wholesale printing of money, a procedure which is universally opposed.

"On the other hand when the Government sells a bond to a private individual or to a non-banking institution, the purchaser either reduces his current income or past savings and no inflationary money is created . . . in order that the Government receive sufficient cash to carry on the war without augmenting dangers of inflation, a revision of present tax systems is imperative in order to draw off the excess purchasing power. A broad tax base such as that which might be provided by a general sales tax should be devised to supplement the already existing laws which are 'soaking' the rich and business to the limit. . . .

"The most serious results of inflation usually come in the post-war period. That was true in the United States following the Civil War and World War I, and it was true in Germany, France, Austria, Italy, Poland and other countries following World War I. The worst inflation occurs in post-war years when restrictions which are possible and accepted in wartime are suddenly withdrawn. While it is conceivable that we may develop a rigid system of price ceilings, a policy of 'rolling back' prices on producers and subsidizing the producers, it will be difficult to retain any or all of these in the post-war period. Then, runaway prices may wipe out all assets and savings. . . ."

The Securities Salesman's Corner

Your Best Prospects Are Your Customers

Sometimes it is even difficult for salesmen who appreciate the importance of making calls on established customers to set aside a few days each month for "servicing old accounts." Distant pastures always look more attractive. Besides, it requires considerable planning and some pre-call research of the customer's holdings on the part of the salesman, before such calls are made if they are to be effective. When there is no immediate business in prospect as a result of such calls, it therefore follows that old customers are usually neglected.

Of course there are some individuals who do not care to have the people with whom they do business make an occasional social call. The first thing to do then is to go over your customer list and try and select those who would appreciate having you drop in once in a whole. If you have ever had a customer say, "Hello there fellow, you must have something to sell today, because the only time I ever see you is when you've got another proposition to offer me," then you can mark it down that you had better get busy and do something to keep his good-will and his business.

During the past years when public interest in security investment was so dormant that most salesmen were doing all they could just to cover expenses, it s true that customer "radiation" also fell to a very low point. But now that public interest is expanding and more and more people are becoming security conscious, there are many more opportunities for a customer to recommend the services of a securities dealer or salesman.

Probably nothing pleases the average person more than to receive a call AFTER THEY HAVE BOUGHT something and have the salesman say, "I just dropped in to see if everything is O.K.—or, are there any questions you may have—and to let you know that I want to keep you posted and advised as long as you hold this investment." THAT'S THE KIND OF SERVICE CALL THAT BUILDS BOTH CONFIDENCE AND FRIENDSHIP.

There are some salesmen who may argue that you cannot secure active customer cooperation in the securities business. Yet, there are securities men who are doing it all over the country. There are salesmen who actually make most of their sales either to old accounts or to NEW ACCOUNTS THAT HAVE BEEN PRACTICALLY ALL BUT SOLD FOR THEM BY THEIR CUSTOMERS BEFORE THEY EVER MAKE THEIR FIRST CALL.

You may think this is stretching it a bit but there are such cases with which we are personally familiar. Next week we are going to tell you how one salesman gets this kind of customer cooperation. The plan he uses can be made adaptable to practically any territory with the possible exception of certain very large metropolitan centers. Meanwhile—DON'T FORGET THE REGULAR CUSTOMERS. If you do they are likely to forget about you, when one of their friends asks them someday, "Do you know where I can go to buy some stocks and bonds?" And this question is once again being asked on every main street in the country—we are very pleased to report.

U. S. Needs To Borrow $33 Billion More This Year—4th War Loan Drive Possible

Secretary of the Treasury Morgenthau said on July 22 that the Treasury will probably have to borrow $33,000,000,000 before the end of 1943 but that it has not yet been definitely decided whether or not a Fourth War Loan Drive will be needed in December.

Mr. Morgenthau told his press conference that another financing drive before the end of the year will depend on the rate of Government spending and on the amount to which the $15,000,000,000 Third War Loan Drive, starting September 9, is oversubscribed.

In Associated Press Washington advices it was also stated:

"The Treasury has already obtained $2,700,000,000 in notes and $900,000,000 in certificates from banking sources since July 1 and will add approximately $1,200,000,000 from its normal weekly bill operations, for a total of $4,800,000,000.

"Regular war-bond sales apart from the Third War Loan Drive, were expected to total $4,000,000,000.

"Thus, the September drive, if only the actual goal is reached, together with announced borrowing from banks and normal bond sales, would account for $23,800,000,000, leaving an additional $9,200,000,000 needed before Dec. 31—but only $3,200,000,000 if the War Loan drive hits the 40% over-subscription mark of the two earlier drives.

"The Treasury has estimated that its spending in the last six months of this year would be $52,000,000,000 as against $43,000,000,000 in the first half, and that its revenues would be $19,000,000,000, as against $14,500,000,000 in the January-June period.

"Should a December drive be decided upon, Treasury officials stressed that it would be intended to provide funds for a year-end carry over as well as to meet the 1943 deficit.

Sees No Need For Compulsory Savings

Secretary of the Treasury Morgenthau, in a letter to Col. Franklin D'Olier, President of the Prudential Life Insurance Co. and Chairman of the War Finance Committee of New Jersey, recently declared that one of the great advantages of the present voluntary method of selling War Bonds is that it is "flexible enough to permit Bond buyers to continue meeting vital commitments for life insurance, mortgage payments, and other non-inflationary investments, at the same time digging deeply into funds not needed to meet such requirements."

Secretary Morgenthau's letter, releasedJuly 21 in Washington, where Col. D'Olier had gone to confer with Mr. Morgenthau and the National Bond Sales organization on plans for the Third War Loan, was written in reply to a communication from the New Jersey chairman. In his letter, Col. D'Olier said that current publicity discussing compulsory savings is harmful not only to the sale of Bonds, but to the sale of other non-inflationary investments. He said that "to the extent that the discussion discourages the voluntary purchase of War Bonds, it is contributing toward inflation." He urged "that the premature discussion of compulsory savings, whatever its virtues, should not be permitted to hamper the great flow of voluntary anti-inflationary investments." Col. D'Olier also said "all voluntary savings where the proceeds are ultimately invested in Government Bonds, are very powerful anti-inflationary forces," and "nothing should be done to discourage such savings." He specifically listed the payment of life insurance premiums, mortgage payments and the payment of debts as anti-inflationary forces. He stated that "the discussion at this time of compulsory savings unquestionably would seriously affect voluntary savings. Patriotic incentives of voluntary effort should be maintained, if at all possible."

In his reply, Secretary Morgenthau stated that "Congress has made it clear that any tax bill passed in 1943 would not be retroactive on 1943 income. Even if Congress should decide eventually that a compulsory lending plan would help to control inflation, it seems only reasonable that serious discussion of such a plan should be postponed, in fairness to the millions of patriotic Americans who are supporting the voluntary system, until we are faced with some need to make a decision." The Secretary continued:

"As you no doubt know, many of us believe that consideration of any sort of legislative savings plan should wait until there is some indication that the same or better results in obtaining funds from non-inflationary sources **cannot** be achieved by the voluntary method. There is no such indication at this time. We have exceeded our goals in each of the two War Loan drives, and have raised $7,000,000,000 from individuals in the first six months of this year.

"One of the great weaknesses of a compulsory savings plan is its lack of flexibility. To get from a compulsory savings plan as much as we can get through the voluntary method would bear with crushing weight on those with fixed incomes and heavy commitments, who are least able to afford it. That is one reason people who have such savings should support the voluntary method to the fullest extent."

Canadian Securities

By BRUCE WILLIAMS

Reminiscent of the early development days in our great South West is the report last week from Northern Alberta. There the Athabasca test well of East Crest and Davies Petroleums "blew in" under its own pressure.

The well is now under control and will remain closed pending Conservation Board tests.

Gas pressure was reported to be very great and indications are that the well will be a substantial producer. The significance attached to this result lies in the successful completion of what promises to be the first producer in a new area.

In the light of this development it is interesting to contemplate the future of the Canadian North West, a vast, virgin territory rich in natural resources—the last great frontier on this continent.

* * *

Another phase of Canada's development reminiscent of this country's growing pains around the turn of the century is the present political controversy over Aluminium, Ltd. While Canada has never gone in for trust-baiting in a big way, the rapid growth of the Aluminum "Trust" is providing fuel for quite a political bonfire.

Under wartime pressure Aluminium, Ltd., has developed some of the greatest hydro-electric and aluminum producing properties in the world at Arvida and Shipshaw. Advance payments on aluminum purchased were made by the U. S., Great Britain and Australia to help finance these properties. The agreements, including one with the Canadian Government, are such that they permit the company to write off its entire wartime expansion in a period of 2½ years. When these write-offs are completed at the end of 1944, it is likely that Canada will be able to undersell the world in aluminum.

The assets of Aluminium, Ltd. have soared from a pre-war figure of $70 million to over $350 million. While the company has been prevented from reaping huge profits by operation of EPT, how much it will benefit from its new plant facilities after the war is anybody's guess. The figures show that the company's enterprises in Canada have been, since 1937, very profitable. That they should become even more profitable on an immensely expanded capital base after the war is a possibility which forms the crux of the present squabble.

* * *

J. Blyth Taylor, for the past year special assistant in the Department of Finance, Ottawa, has organized the firm of Taylor, Deale & Co., at 64 Wall Street, to specialize in Canadian securities. Mr. Taylor is well known among Canadian bond men and will have the best wishes of the group for success in his undertaking.

Canadian Economic Activities At Record

Canada has begun the second half of 1943 with her economic activities at the highest level in her history, the Bank of Montreal states in its July 22 "Business Summary." The bank states that the physical volume of business, according to the index compiled by the Dominion Bureau of Statistics, shows that in the first five months of 1943 productive operations advanced by about 20% over the level for the similar period of 1942, reflecting the influence of the continued expansion of the operations of war plants.

Continuing the bank says:

"Figures published by the Department of Munitions and Supply reveal that from July 14, 1939, to June 30, 1943, war contracts and commitments on British, Canadian and other accounts had reached a total value of $8,914,359,567, a figure which would be increased by some hundreds of millions of dollars if letters of intention and unvalued acceptances of tenders were included. To this total, the contracts, including plant extensions, placed on Canadian account, contributed $4,266,254,061, while contracts placed by the Civil Aviation division for the construction of airports for the Commonwealth Air Training Plan accounted for an additional sum of $47,895,869. Contracts placed and commitments made on behalf of the British Government for supplies and for the plant extension programme, plus orders for these plants, had an aggregate value of $3,702,964,187, while the value of contracts placed on other accounts was $897,245,450. It is estimated that at least 55% of the total national production is now devoted to war purposes and that 70% of the industrial output is required for them. This proportion is not likely to diminish much until the war ends but the effort to enlarge industrial capacity is being slackened and at present the Government's programme of plant extension is less than half what it was a year ago."

Pres. Cannot Commit U.S. To Post-War Intl. Bank Without Constitutional Amend., Says Dr. Spahr

(Continued from first page)

to obligations relating to the settlement of the war."

In setting out certain provisions of the Constitution, Prof. Spahr observes that "the weight of evidence would seem to be on the side of the view that the treaty-making power under the Constitution is limited by those restraints contained in the Constitution against the action of the Government or its departments and that such power does not extend so far as to authorize what the Constitution forbids."

Reference is also made in Prof. Spahr's paper to the section of the Constitution governing the power of Congress "to coin money, regulate the value thereof, and of foreign coin, etc.", as to which Prof. Spahr says: "Since the Constitution definitely reposes in Congress the power over our currency, this appears sufficient to prevent action by treaty which would remove from Congress its responsibilities under the Constitution for our monetary system. It is not necessary that the Constitution specifically forbid such action by treaty." Prof. Spahr further comments: "It seems reasonably clear, therefore, that the President, by treaty, with the consent of the Senate, cannot place in the hands of an international body a power which the Constitution specifically places in Congress."

In concluding his paper Prof. Spahr says:

"Few of those who are advocating or condemning current international banking proposals, such as the Keynes or Treasury plans, are dealing with this Constitutional issue. For example, few of those who support the Keynes or Treasury proposals are making clear whether their advocacy stands in the event that it should prove necessary to amend the Constitution in order to make one of those plans effective. At the same time, some condemnations of one or both of these plans suggest that the condemnation is solely or largely on the ground of Constitutional obstacles. Clarity on the point as to whether advocacy of a plan is dependent upon its constitutionality does not necessarily depend upon whether one expresses an opinion on the probable necessity of amendment to our Constitution."

Aside from this concluding paragraph, Prof. Spahr's paper follows in full:

Thus far in the discussions of the Keynes and Treasury plans for a post-war international bank little attention has been given to the question of whether, under our Constitution, this country, by treaty or executive agreement, can participate in such a plan without amendment of our Constitution.

First of all, our Constitution provides as follows with respect to treaty-making powers:

Article 2, Section 2, paragraph 2:

"He [the President] shall have the power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur. . . ."

Article 6, paragraph 2:

"This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under Authority of the United States, shall be the supreme Law of the Land. . . ."

63 **Corpus Juris**, page 829, sec. 5, has the following to say relative to the treaty-making power under the Constitution:

"**Scope of Power and Subjects of Treaties.** Generally speaking the treaty-making power extends to all proper subjects of negotiation between the governments of different nations. As expressed in the Constitution of the United States the treaty-making power is in terms unlimited, and subject only to those restraints which are found in that instrument against the action of the government or its departments and those arising from the nature of the government itself and of that of the states. To what extent it is thus limited has been considerably discussed without being definitely defined, no treaty having ever been declared by the courts to be void.* It would seem clear, however, that the treaty power does not extend so far as to authorize what the Constitution forbids, or a change in the character of the government . . . and, in general, that **the limitation on the treaty-making power is sufficiently comprehensible to include all acts which might seek or tend to impair or destroy the constitutional functions exclusively conferred upon the federal government and its several departments. . . .**" (Boldface mine.)

In the **Cherokee Tobacco Case**, 11 Wall. 620 (1870):

"It need hardly be said that a treaty cannot change the Constitution or be held valid if it be in violation of that instrument. This results from the nature and fundamental principles of our government."

In **United States v. Rockefeller**, 260 Fed. 347 (1919):

". . . This power [of the United States government to make treaties] extends to all subjects usual to treaties, to all within the international domain, to all of international concern and negotiation, but limited, nevertheless, to subjects and treaties not inconsistent with our system of government, with the relations of the states and the United States, with the federal Constitution. . . ."

In **Geofroy v. Riggs** et al., 133 U. S. 267; 10 S. Ct. 295; 33 L. Ed. 645 (1890):

"The treaty power, as expressed in the Constitution, is in terms unlimited except by those restraints which are found in that instrument against the action of the government or of its departments, and those arising from the nature of the government itself and of that of the States. It would not be contended that it extends so far as to authorize what the Government forbids, or a change in the character of the government or in that of one of the States, or a cession of any portion of the territory of the latter, without its consent."

The weight of evidence would seem to be on the side of the view that the treaty-making power under the Constitution is limited by those restraints contained in the Constitution against the action of the government or its departments and that such power does not extend so far as to authorize what the Constitution forbids. Nor can the treaty-making power, in the words of **Corpus Juris**, "impair or destroy the constitutional functions exclusively conferred upon the federal government and its several departments."

The Constitution, in Article I, Section 8, paragraph 5, provides that "The Congress shall have the power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

This provision would appear to come clearly within the interpretations and conclusions set forth in **Corpus Juris.** Since the Constitution definitely reposes in Congress the power over our currency, this appears sufficient to prevent action by treaty which would remove from Congress its responsibilities under the Constitution for our monetary system. It is not necessary that the Constitution specifically forbid such action by treaty. Specific assignment of duty and responsibility under the Constitution would appear to prohibit any other action. This view is supported by the basic constitutional principle that our central government is one of specific and delegated powers, and that all others are reserved by the people to the states and to themselves.

It seems reasonably clear, therefore, that the President, by treaty, with the consent of the Senate, cannot place in the hands of an international body a power which the Constitution specifically places in Congress. The Senate is not Congress. The President and the Senate are not Congress. If Congress could constitutionally pass a law to put this power over our currency in the hands of an international body, then the President and Senate, by treaty, could make effective the will of Congress. But it seems quite clear that Congress could not legally do this by statute under the Constitution.

All these observations apply to treaties.** The matter of Executive agreements raises another but relatively simple question. Senator Vandenberg recently stated the essence of the matter when he said that such agreements "lack authority of law until they are translated into ratified treaties." (**Congressional Record**, March 11, 1943, p. 1895.)

In recent debates on the reciprocal trade agreements, Congress took the position that the President could exercise the power to enter into these agreements only with the consent of Congress.

In the discussions of the lend-lease agreements, Senator Vandenberg, of the Senate Foreign Relations Committee, pointed out in substance that only the constitutional body elected by the people could make such agreements valid. "The Senate Committee on Foreign Relations," he said, "here registers its conviction—and I may add that the action of the committee was unanimous in respect to those in attendance—that these commitments do not bind our legislative bodies—as is the obvious constitutional fact. . . . The Executive has the unquestioned right to negotiate. Only the Congress can commit." (**Congressional Record**, March 11, 1943, p. 1895.)

From the **Congressional Record**, Dec. 3, 1942, pp. 9588-9589:

"MR. VANDENBERG. What I should like to ask the able chairman of the committee [Senator Connally] of Texas, is this—and, of course, I do not want to divert him from his immediate text: On the general subject of the extent to which the State Department is entitled to go in making commitments by agreement, rather than by treaty, I am wondering if the able chairman, for whose opinion I have great respect, would be willing to indicate to the Senate to what extent he believes the State Department can commit the United States by agreement, instead of by treaty, respecting the ultimate treaty of peace which will conclude the pending war.

"MR. CONNALLY. The Senator from Michigan does me great honor by asking me that question. Categorically, I should say, of course, that the State Department, and no one else other than the President of the United States, with ratification by the Senate, can bind the Government of the United States to obligations relating to the settlement of the war.

"I should advise the Senator from Michigan that when the World War came to an end—I do not think he was a member of the Senate at that time—it was officially terminated by a Republican majority in both the Senate and the House, not by a treaty, but by a joint resolution, which I opposed and which I resisted with such powers as I then possessed, but unsuccessfully. I am sure that the Senator from Maine will recall that at that time he and I were serving in the House of Representatives. In 1920 and 1921, after the failure of the treaty in the Senate, the Republican majorities in both the House of Representatives and the Senate sponsored a joint resolution declaring the war at an end, and seeking to claim in the joint resolution such benefits as the Government of the United States might obtain from the Versailles Treaty, and acquitting the United States from all obligations under the treaty.

"My view now is just what it was then.

"MR. VANDENBERG. I thank the Senator for his very frank statement. If he will bear with me for a moment further, I should like somewhat to amplify my question. I am not referring to this matter capriciously or critically.

"MR. CONNALLY. I understand.

"MR. VANDENBERG. I am greatly interested in the fundamental principle involved. I should like to know to what extent we are being committed by, and by the same token to what extent the United Nations can rely upon, agreements which are made in our name.

"The Associated Press, describing the new Canadian-American agreement, says:

"'The agreement, embodied in an exchange of notes made public tonight by the State Department, sets forth the principles which will guide the governments of the two countries in approaching the problem of economic settlements after the war.'

"The question in my mind is whether the State Department by an exchange of notes with a foreign power can commit the Government of the United States, without the advice and consent of the Senate, and without a treaty of peace, to economic settlements after the war.

"MR. CONNALLY. Of course, 'economic settlements' is a very broad term. If the Senator refers to tariffs, for instance, of course the State Department can not bind us by treaty with reference to tariffs, because tariffs must be enacted by the Congress. A tariff—if that is what the Senator refers to—requires action by the House of Representatives as well as by the Senate.

"MR. VANDENBERG. I thank the Senator. My opinion is the same as his own.

"MR. CONNALLY. I recognize, as the Senator must recognize, that there are certain executive agreements which do not rise to the dignity of treaties and do not impose obligations on the governments participating unless, in pursuance of such executive agreements, the governments do voluntarily, mutually, the things the executive agreement covers. There is the border line between a formal treaty and an executive agreement which provides, for instance, 'We will send our warships over to the Mediterranean if you will send us certain quantities of wheat from Canada,' and things of that kind. The line is somewhat shadowy; but the Senator from Michigan need not fear, so far as the Senator from Texas is concerned, that the Senator from Texas will not maintain what he thinks are the rights of the Senate in regard to the ratification of treaties and in regard to the conduct of our international relations. That is a pretty broad statement, but that is about as accurately as I can make it."

When the President, in his silver-purchase proclamation of Dec. 21, 1933, referred to the silver agreements entered into in London July 20, 1933, and to the separate and supplemental agreements entered into with certain other countries, he used these words: "Now . . . finding it proper to cooperate with other governments . . . and to carry out the understanding between the 66 governments that adopted the resolution hereinbefore referred to [resolution giving rise to London agreements of July 20, 1933]; by virtue of the power in me vested by the act of Congress above cited [Thomas amendment of May 12, 1933], the other legislation designated for national recovery, and by virtue of all other authority in me vested; I . . . [etc.]." Here the President was unable to assert that these agreements were part of the law under which he claimed that he was authorized to act.

The CHRONICLE invites comments on the views expressed by Dr. Spahr, 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.

*Relevant to this point, **Corpus Juris** says (63 C. J., p. 832, sec. 10): "Treaties may, of course, be modified or annulled or abrogated only by those in whom such authority is vested, and the courts may not modify, alter, or amend, or in the absence of a showing that a treaty provision violates the federal constitution, abrogate or annul or disregard a treaty provision. . . . Where the department of the government authorized to annul a voidable treaty deems it best that it shall continue in force, the courts may not declare it void. In the United States, although the treaty-making power is vested in the president with the consent and approval of the Senate, yet as an act of Congress is equally the law of the land, and, in case of conflict, will control a prior treaty, Congress may suspend or abrogate or render ineffective the provisions of a treaty, either directly or indirectly."

On the treaty-making powers under our Constitution, a recent and useful analysis, using materials and reaching conclusions similar to those presented above, is that found in **Memorandum on S. 469, prepared in pamphlet form by Frost and Jacobs, Attorneys for the United States Shoe Corporation (Union Central Life Building, Cincinnati, February 8, 1943).

Bill Proposed To Repay War Contractors

Senator Murray (Dem., Mont.), Chairman of the Senate Small Business Committee, announced on July 18 that soon after Congress reconvenes he will introduce legislation to guarantee war contractors early reimbursement of all funds spent on production.

In a report submitted to the Committee he said it is impossible for prime contractors to obtain immediate and final payment from the Government.

United Press Washington advices annearing in the "Wall Street Journal," further reported:

After the war, he said, almost $75,000,000,000 in contracts will be terminated which means that without adequate legislative machinery hundreds of contractors will have spent millions for which they have not been reimbursed.

Mr. Murray said his bill would incorporate these provisions:

1. Mandatory advance payments before settlement to contractors and sub-contractors.
2. Advance payment of at least 75% of the amount certified by the contractor or sub-contractor.
3. Advance payments to be made within 30 days after certification.
4. The authority for procurement agencies to make direct loans or provide loan guarantees against terminated contracts.
5. The right of a contractor to sue the Government if he does not receive the minimum amount within stipulated period.
6. The establishment of uniform contract termination policies by the chairman of the War Production Board.

The Stock Market Outlook and Investment Policy

(Continued from first page)

recommend common stocks with confidence. Common stocks have now recovered from the bargain levels; the risks are much greater, the appreciation possibilities much less and the average yield is on the low side. Current decisions must rest principally upon the outlook for the war and post-war prospects, judged against the background of a prudent policy under current conditions.

Outlook For the War

We have no right to assume that we can judge very accurately when the war will end. We actually have available few of the facts. Nevertheless, there are enough indications to justify investing as though the war with Germany will have terminated before the end of 1943.

Germany is in a situation today not unlike that of the Spring and early Summer of 1918. The submarine menace had been almost eliminated. Germany had completed a number of offensives but without much success, and it had become quite evident that she could not break the Allied lines. Germany had exerted her maximum offensive strength, while the Allies had gained in relative strength.

The last major German offensive started Monday, July 15th. It was apparent by the third day that the offensive could not make progress. A day later, the Allies counter-attacked with immediate success. It was quickly believed that the enemy could not attempt another offensive that year, and there developed a strong feeling of confidence in the outcome. Nevertheless, in late July, informed opinion held that to expect "that the invader will, or can, be driven out of France and Belgium during 1918 is the highest of improbabilities."

The German military tactics had been to conduct offensives after long waits between blows, during which they would reorganize and prepare sledge-hammer striking power. The Allies were now in position to attack continuously. Germany was unable to replace her casualties; she could not replace her material as fast as it was being destroyed. In contrast, the Allies were more than able to replace the loss of men and material. By late August, it had become apparent that the views toward the ending of the war held only a few short weeks earlier were completely wrong and that termination was approaching rapidly.

Germany's recognition of the weakened situation was conceded by a sudden change in her stated war aims. Previously, she was fighting to destroy her enemies. Now, her leaders proclaimed that their aim was defense, while that of the enemies was one of annihilation.

This review of the culminating phase of World War I helps us to interpret the phase of World War II that we are now in. As Franklin D. Roosevelt, then Assistant Secretary of the Navy, said while on a trip to England in August 1918: "As everybody now knows, the submarine has ceased to be a menace, and it has dropped down into the category of accidents so far as marine transportation of the Allies is concerned." So today, it is publicly announced that we have largely eliminated the destructive power of the submarine. While there have been times when we have had to allow for the loss of as much as one-third to one-half of our shipments, today we have the ships and our losses are relatively inconsequential. The submarines may return again, but surely their sting is gone.

It appears reasonable to say that Germany has largely, if not almost completely, spent her offensive strength. In this war, as in the previous one, Germany's military tactics have been to prepare for and make sledge-hammer blows. In this type of operation, the initial impact is the most powerful. They were overwhelming in 1940; almost so in 1941 and still mighty strong in 1942. Today, Germany is only effectively attacking the United Nations line in Russia and after almost two weeks of the new offensive, the report suggests little progress and at a high cost. Unless the offensive succeeds — and each day lessens its chances — it can probably be said with assurance that the enemy cannot break the United Nations line.

In contrast to this is the position of the United Nations. Their production of war materials allotted to the European War exceeds greatly that of the enemy. With the opening of the Mediterranean and the apparent victory of the North Atlantic, they are able to move the tremendous quantities of supplies and numbers of troops. Their stores have been built up. They are now probably able to continuously attack, and while waging attack on one or more European fronts, currently replace all losses and continue to build up their fighting power. It is likely that the enemy cannot replace fully her losses. Her absolute fighting power is almost certainly below a year ago. The wear and tare of almost four years of war and Allied bombing of production facilities and communications will prove to have been of decisive importance in the inability of the enemy to replace losses. Again, as in the Summer of 1918, the enemy is changing her announced war aims. Germany started out to destroy her enemies, but now she is fighting to defend herself, while her leaders proclaim to their subjects that the war aim of the United Nations is one of annihilation. To so alter her aims is to admit defeat of her cause.

In many ways, it looks as though it will take a long time to finish the fight. But, fundamentally, Germany is in a very vulnerable position:

1. Her battle lines are greatly extended. This spreads her forces widely and tremendous economic effort is needed to service them.

2. After almost four years of war, she must have used up great amounts of her limited resources. This curtails her ability to maintain sustained battle, and necessitates the choosing of when to exert her maximum effort. Such need for caution can be fatal.

3. She is rapidly losing in relative fighting strength, as discussed previously.

4. She is fighting wars on two sides, either of which could probably withstand all the fighting power Germany has left, and the growing forces in the West alone could in time defeat her.

5. Most of Germany's early victories were facilitated by political dissension, that she helped to create, and sabotage. The United Nations are now able to turn the war of propaganda and dissension against Germany and her satellites.

6. Germany is sitting on an explosive structure of subjugated peoples that at the given moment will rise up and help immeasurably in destroying the enemy. The paratroopers will hardly be necessary to disrupt the rear.

Once the enemy lines commence to break, it is likely that the sides will crush in like a punctured balloon. The subjugated interior will explode and the world will see that the "European Fortress" is but an imaginary vision of the Hitlerites. This would be a fitting climax for the blitzkreig beginning.

It seems impracticable to attempt visualizing at this time the final phase of the war in the Pacific. It will be influenced greatly by developments yet undeterminable. What will Russia's policy be toward Japan? If it could be assumed that she will join the fight, it would no doubt be an avalanche. When we consider that the security of the Empire of Japan is based upon the Sea, and that the combined navies of Great Britain and the United States alone will be more than five times hers; that Great Britain and the United States alone will have many times more war planes than Japan, and the ability to produce more in one month than she can in one year, it seems reasonable to assume that the problems of the post-war period will commence with the end of the European War.

Post-War Outlook

There are many reasons to support the opinion that in the period following the immediate-ending-of-the-war-readjustment, conditions could become more favorable for high stock prices than they were in 1936 and early 1937. The rise in stock prices since the portance. However, it would be by developments of long-term importance. However, it would be unwise to fix our vision upon the possible green pastures in the distance and then overlook the canyon in between until we were tumbling over the side. With the defeat of Germany, violent revolutions may spread over Europe. Harmonizing the objectives and desires of Russia on the one hand, and principally those of Great Britain and the United States on the other, may be difficult indeed. At home, we will have our problems. Between late 1937 and early 1938, the Federal Reserve Board index of industrial production declined from 120 to 80. As we remember, it was upsetting. As a minimum, that record will be shattered by the declining phase of business following the end of the European War. This will bring in its wake many difficulties. It would seem unreasonable to go into such a period of readjustment in other than a cautious investment position. If in the midst of the period of readjustment, the favorable longer-term possibilities appear dominant, we could then adjust our accounts accordingly and be on solid ground.

A Prudent Policy Under Current Conditions

A superior investment performance is not predicated necessarily upon our ability to judge accurately the pattern of business or the movement of the markets, but in being able to do about the right thing at about the right time. In early 1937, when corporate earnings were near their peak, and when investors were still looking ahead, the Dow Jones industrial average sold at about seventeen times that year's earnings. The high times earnings ratio for 1936 was about 18½. At current prices, the Dow Jones industrial average is at about 15½ times earnings. If the average were to advance to 160, it would be at 17 times our estimate of earnings. In view of the prospect that earnings have reached their peak for the war period, and that we are faced after the war with some difficult readjustments, it would seem reasonable to assume that the market would not exceed this level. The war low in the Spring of 1942 was about 95. Since then, the market has advanced about three-quarters of the distance toward this possible upside limit; (the word "possible" is used in place of "probable" because we cannot have more confidence than that in the figure.) It has been a little over fourteen months since the war low was made. If the market were to complete its upward move by the coming Winter, it would have already been in an upward phase for about three-quarters of the period of time.

We conclude that, looking at the situation in a general way, the market has probably completed at least three-quarters of the possible distance between the war-market-low and the war-market-high.

If we have completed this proportion of an important upward trend in the market, it is clear that investment accounts should be in a more cautious position than justified heretofore. The situation cannot be compared with 1937 and 1938. During that period of readjustment, the whole economic structure deteriorated. Except for a few industries, like the gold mines, everything moved downward. It is practically certain that the stocks of a number of companies can be held with assurance that the companies will soon be reporting satisfactory earnings, even though the over-all output of industry is declining. Balancing the possible influences, as we can at this time, it would seem reasonable to have our average account invest about 40% in common stocks on the basis of this approach alone. With our investments almost entirely in companies that are strong financially and are surest to do well in a period of deferred demand, the long-term risk at current prices would seem small.

The news of victories and the growing hopes that this dreadful struggle may soon come to an end, creates an atmosphere of cheerfulness and optimism. Unless stocks have advanced to where the ending of the war has been over-discounted, it would be quite natural for the stock market to advance. In view of this, and the possibility that this movement may have further time and distance to go, it would seem reasonable to invest a moderate additional amount in common stocks on the basis of this prospect alone. An additional 10% of the accounts would seem justifiable. This would give us a total position of about 50%, which is our current policy. It does not pay to have too fixed ideas about when we will make adjustments in the future. As a logical approach, however, it would seem wise to plan on selling the second unit of 10%, regardless of whether prices have advanced above these levels, once there develops definite signs of the Axis lines giving way on both the Eastern and the Western fronts. This could mean that the time element is very short and possibilities of a further advance would be lessened. This would be especially true if the market had not had a previous intermediate readjustment. Also, if by then the market has risen to 150-60 Dow Jones industrial average, we may wish to reduce the longer-term 40% position. The best stock becomes speculative at a price.

There is a third approach to be considered. The 40% and the additional 10% are approved on the basis of current prices in relationship to the longer-term outlook, and the possibility during the period of favorable war news that the market might advance somewhat further. If the stock market, judged by itself, looked as though it were in a strong position to move forward, some funds could be invested on this basis alone, possibly up to an additional 10%. The market does not justify the additional investment now, in our judgment. To justify investing additional funds in stocks, considering the phase of the market that we appear to be in, the possibilities of the trend of the market being up should be much more than 50-50.

We should review the individual securities in each of our accounts and make the adjustments necessary in order that our individual holdings will be in keeping with the general policy.

Byrnes Sees Hope For More Civilian Goods

James F. Byrnes, Director of War Mobilization, expressed the hope on July 21 that more supplies for civilian use may be made available.

In disclosing at his press conference that his office is conducting a survey of war production and procurement programs, Mr. Byrnes stated that the primary objective of the study was to assure the best use of available manpower and materials for the war effort. He explained that in the early stages of the war procurement officials may have placed large contracts which now are not required in such great quantity and that the changes in these programs may release some materials for civilians.

Reference was also made by Mr. Byrnes at his press conference on July 21 to the new Office of Economic Warfare, (created by the President) headed by Leo T. Crowley "must consult the State Department in every field to determine what is the foreign policy of the United States."

The new Office directed by Mr. Crowley combines the former activities of Vice President Wallace's Board of Economic Warfare and Secretary of Commerce Jones's foreign purchase corporations. The creation of the OEW was noted in our issue of July 22, page 332.

Minnesota Savings-Loan Ass'ns Have Maintained Steady Growth

By VERNON STAFFORD WELCH

General Counsel and Executive Vice Pres. Minnesota Savings & Loan League, Minneapolis, Minnesota

Endowed with enormously rich natural resources, Minnesota boasts a land of agriculture, mining and lumbering. It claims some 10,000 lakes and prides itself in being the vacation land of the nation. The geographical center of North America lies within its boundaries. The largest iron mines in the country are located here as well as the largest state park forest area.

Amid this rich background of wealth and beauty have settled a people from all the countries of the globe, a peace loving people who have retained that progressive and pioneering spirit which has helped to build and create this great nation and this great state. As business and industry have progressed, and as the farmers, laborers and capitalists have acquired wealth and prosperity, banking and financial institutions have prospered. As the people founded this newly created wealth, the desire for the security and possession of their own lands and own homes became dominant; and likewise, the desire to provide for their future. This progressive and forward-looking spirit has accounted for the establishment of state owned, permanent trust funds of nearly 124 million dollars. It is only natural that Savings and Loan should prosper, grow and develop in this environment.

Vernon S. Welch

Out of the years, Savings and Loan has taken its place in the community as a "commodity service" organization serving and encouraging those who wished to provide a savings for their future needs, and making it possible for others to own their own homes at a moderate cost—a truly American principle. For over 50 years, the statutes of the state of Minnesota have permitted the incorporation of savings and loan associations. The Legislature has always been kind to this type of business enterprise. Various amendments improving methods of operation have been offered to the original act and in 1939 the present Building and Loan Code was adopted. Your correspondent, who is a member of the Legislature, had a part in this effort.

Savings and Loan has progressed a long way since the first charter was accepted, prior to the turn of the century. The growth of these associations has been very slow and yet very positive. They are operated as mutual institutions and all investors and all borrowers are permitted a voice in the management of their associations. It is probably this mutual aspect and the incumbent responsibilities and duties imposed upon the management that accounts for the ultra-conservative methods of operation. The Boards of Directors are made up of outstanding citizens in their respective communities. The stability and integrity of these associations is evidence of the wide acceptance of this type of financial enterprise. Today there are some 76 associations operating throughout the state. Of these, 26 are federally chartered, and 30 operate under a state charter. They represent total assets in excess of $112,000,000. They have prospered in nearly every county of the state, in both large and smaller communities. In the Twin City area alone, comprising Minneapolis and St. Paul, three of the largest associations in the country exist, each with assets over $20,000,000. One of these associations is state chartered and the others Federal. A great many of the associations throughout the state are members of the Federal Home Loan Bank system, where is provided a home loan credit, mortgage reservoir of funds to which each member institution may apply as the occasion warrants. A great many other associations have become members of the Federal Savings and Loan Insurance Corporation in which the share accounts of its member institutions are insured against loss in the amount of $5,000. On June 30 of this year the associations in the Twin Cities alone distributed a semi-annual

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Minn. Savs. League Inducts Officers

At the annual meeting of the Minnesota Savings and Loan League, the newly elected officers and board members were inducted.

E. Raymond Hughes

E. Raymond Hughes, of the Mankato Building and Savings Association, became president. Other officers are: E. C. Duncanson, Home Federal Savings and Loan Association of Spring Valley, First Vice-president; Homer E. Chase, Albert Lea Building and Loan Association, a new member on the board, Second Vice-President; W. R. Mahood, Northern Federal Savings and Loan Association of St. Paul, Treasurer; Miss Louise A. Barker, Steele County Building and Loan Association of Owatonna, Secretary.

Other members of the board are Vernon Stafford Welch, Executive Vice-President, and Stanton H. Dahlon, Past President of the League.

The Minnesota League is affiliated with the United States Savings and Loan League, of which the majority of the state members are also members.

Real Estate Lenders Warned Against Estate Tax Lien Ruling

The Mortgage Bankers Association on July 25 warned institutions and individuals lending money on real estate that they face a serious and heretofore unforeseen threat to their real estate mortgage investments if they lend on the security of real estate which has theretofore been owned, either wholly or in part, by an individual who has died within the ten years preceding the making of the loan. Under a recent ruling of the Supreme Court, it is held that the Federal Government's lien on real estate for unpaid estate taxes can be enforced against a mortgagee or a purchaser under foreclosure even though the lien has never been recorded.

"Stripped of legal phraseology, a Government lien against a property for unpaid Federal estate taxes is superior to the rights of a mortgage holder—even though the Government's lien was not recorded; and, in fact, it need not be recorded, as the Supreme Court decision indicated," said Charles A. Mullenix, Cleveland, Association President. "The lien for Federal estate tax continues for ten years. Thus it would seem that a lender, under this new interpretation, may walk into a trap because he cannot foresee that the Government may, in effect, have a secret lien for unpaid estate taxes. The matter is greatly complicated by the fact that there are so many regulations and methods by which the Government determines the property upon which estate taxes shall be paid."

Mr. Mullenix said the Association was studying the problem further with the hope of being able to offer some constructive suggestions as to how the matter might be corrected. The most obvious solution, he added, would seem to be to amend present law to require filing of Federal estate liens as any other lien must be. He added that, based upon his present understanding of the matter, he could not see why this could not be done. Because of the special conditions and regulations under which they are made, the hazard does not affect mortgage insurance on FHA loans, it has been established, Mr. Mullenix added.

New Savings And Loan Group Organized In NY

The new Insured Savings and Loan Council of New York State held its organization meeting at the Hotel Commodore in New York City on July 8. Represented at the meeting were 43 insured associations out of a total of 108 in the State. These associations have assets upwards of $184,753,610, or almost 56% of the assets of all insured savings and loan associations in the State.

E. Clinton Wolcott, of Rochester, Chairman of the Organizing Committee, presided at the sessions.

John H. Fahey, Commissioner of the Federal Home Loan Bank Administration, spoke at the dinner-meeting on "Opportunities and Obligations Confronting In-

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sured Savings and Loan Associations."

Graph charts and figures as explained by John E. Farwell, President of the Geneva Federal Savings and Loan Association, showed the percentage of net increase over Dec. 31, 1937, in amounts of savings held by principal type of savings institutions in the State of New York as follows:

87 insured savings and loan associations had an increase of 97% over this period.

147 uninsured savings and loan associations had an increase of 17%.

Postal savings had an increase of 8%.

All mutual savings banks had an increase of 6%.

Further study of the charts showed the estimated proportion of mortgage loans made by savings and loan associations in the State of New York for the year 1942 was 20% of all the loans.

In an address made by Homer N. Calver, Public Relations Counsel and former Secretary of the New York State Savings and Loan League, it was interesting to note that in a public opinion poll taken by him that only 55% of the public knew or had ever heard of savings and loan associations, and in further inquiry it was remarkable to know that 56% did not know that there was any difference between a savings and loan and a building and loan association.

Gardner Taylor, President of the First Federal Savings & Loan Association of New York, who was just appointed Chairman of the Post-War Planning Committee of the United States Savings and Loan League, spoke on "Post-War Planning" and stressed the important part to be played by the insured savings and loan associations of this State. The associations pledged to finance new building construction under the post-war plan in this State to the extent of $250,000,000 a year.

The election of a Governing Board of the Council was announced on July 13, composed of the following:

George Bliss, President of Railroad Federal Savings and Loan Association, Chairman; Leon Fleischmann, President of the Ninth Federal Savings and Loan Association; Arthur Knapp, President of Nassau Savings and Loan Association; Selden W. Ostrom, President of New Rochelle Federal Savings and Loan Association; Joseph Holzka, President of Northfield Savings and Loan Association; Ernest Courette, President of First Federal Savings and Loan Association, Syracuse; Richard A. Greer, Secretary of White Plains Federal Savings and Loan Association; Frank A. Nolan, President of Colonial Federal Savings and Loan Association, and Floyd Cramer, Vice-President of Washington Heights Federal Savings and Loan Association.

It is reported that the Council will soon appoint a full-time salaried President to manage the new organization.

President Signs Bill To Limit War Fees

A bill to prevent the payment of excessive fees or compensation in connection with the negotiation of war contracts was signed by President Roosevelt on July 14. The legislation, an outgrowth of an investigation conducted by the House Naval Affairs Committee, subjects earnings of the agents, in excess of $25,000 to Government scrutiny and renogotiation if found to be too high.

The bill passed the House on April 20 and the Senate on July 7. It is a substitute for a bill introduced last year which would have prohibited the payment of any contingent fees for services in procuring Government contracts.

Savings And Loan Ass'ns Have High Earning Rates, Low Operating Cost

By W. W. McALLISTER

Putting money to work through the channel of a financial institution sooner or later focuses the spirit of inquiry on the earning power of that institution. Most financial institutions which have weathered many decades in the American economic system have evolved a general pattern of earnings and expenses which by now seems inherent in their particular type. For the savings and loan associations there has evolved an inherently low cost of keeping shop which combined with an inherently high gross earning power of the assets explains why their dividends manage to stay on a higher basis than investments of comparable quality. This is true even at a time like the present when their rate of dividends is lower than it has been and will quite probably go lower still in the wake of the continued abundance of savings.


W. W. McAllister

The operating expenses of an average savings and loan association drain off 26.39% of the gross operating income. This is the figure for 1941 recently computed by the Federal Home Loan Bank Administration in its survey of operating ratios of nearly 4,000 member institutions of the Federal Home Loan Bank system. A comparable figure for member commercial banks of the Federal Reserve system shows that their operating expenses in 1941 ate up 50.6% of the earnings. Just released figures on the 1942 ratio (not yet available for savings and loan) place it at 50.4% for the commercial banks.

What are the physical facts of the operation of a savings and loan association which enable it to pare down the cost of putting the investor's dollars to work? The savings and loan association has fewer transactions to handle, per dollar of assets, than other types of financial institutions. Anyone can see that there would naturally be less activity on a savings and loan share account than on a checking or savings deposit in a bank for example. Fewer transactions to handle in relation to income result also from the fact that the chief earning assets of these institutions consist of monthly amortized mortgage loans, averaging somewhere between $2,400 and $3,000. Thus the entire loan portfolio of an average-sized savings and loan association ($1,000,000) necessitates transactions on only 300 to 400 loan accounts.

Moving into the sphere of their inherently high earning power as institutions, we find that savings and loan association have the advantage of substantial earnings on a larger proportion of their assets than is customary in the non-speculative financial world. First mortgage loans, practically the highest yielding all-round security today, plus real estate contracts, also relatively high-yield investments, brought in 90% of the income of the associations in 1941. Concentration on the real estate loan field brings advantage as far as operating costs are concerned. The necessity is eliminated for the savings and loan association to maintain complete departments for investment analysis, studies of the market and other current investment data which an institution must have to do more diversified types of lending.

Another phase of the relatively substantial earning power of a savings and loan association has to do with the percentage of its overall resources which it can keep at work. Benefits come to the association on this score because of the contractual relationship with the borrower which provide for monthly payments on the principal. Because of the regular inflow of payments on loans, the institution can get along with less balance sheet liquidity (which is costly in terms of idle funds), and at the same time maintain a liquidity relationship with the investors comparable to that of an institution with considerably more non-earning cash on hand. A further advantage here, of course, is the nature of the savings and loan investment. There is no mixing of the concepts of savings accounts and active accounts, so that except in emergencies, such

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Mich. S. & L. League Elects New Officers

At its recent annual meeting held in Detroit, the following were elected officers of the Michigan Saving and Loan League:

President, Thomas C. Mason, Grand Rapids Mutual Federal Savings and Loan Association; First Vice-President, Joseph G. Standart, Detroit Surety Savings and Loan Association; Second Vice-President, Don W. Seaton, Detroit and Northern Michigan Building and Loan Association of Hancock; Secretary-Treasurer and Executive Manager, Grant H. Longenecker, Lansing, Mich.; Directors, W. R. Crissey, Midland Federal Savings and Loan Association; Walter Gehrke, First Federal Savings and Loan Association of Detroit; Wendell C. Gates, Industrial Savings and Loan Association of Battle Creek; and James I. VanKeuren, Capitol Savings and Loan Company, Lansing.


Thomas C. Mason

Leaves Lend-Lease Post

John Cowles, special assistant to E. R. Stettinius, Jr., the Lend-Lease Administrator, has resigned his post to return to private life as President of the Minneapolis "Star Journal and Tribune," it was announced on July 21.

Mr. Cowles, who had been with Lend-Lease since January, went to North Africa and England last Spring on a Lend-Lease survey mission for Mr. Stettinius. He said that in his opinion "Lend-Lease has done an outstanding job."

Labor Draft Plan Is Being Readied: McNutt

Paul V. McNutt, Chairman of the War Manpower Commission, declared on July 19 that a compulsory labor draft bill will be ready "if and when" it seems necessary and the Administration is ready to demand that national service legislation be enacted.

Mr. McNutt told his press conference that the WMC is "working on" the subject now, as it was before, and that "if the need arises, the machinery will be ready." He declined to say whether the Administration would back a labor draft bill but there have been hints that renewed consideration will be given to such legislation after Congress reconvenes in September.

War Responsibilities Of Savs.-Loan Ass'ns To Be Subject Of League Conference In Chicago

The second war conference of the United States Savings and Loan League will be held in Chicago, November 30 and December 1, with two full days devoted to the war time responsibilities of the savings and loan institutions and no time off for socializing. This is the announcement made by Ralph H. Cake, Portland, Oregon, President of the League.

He indicated that a session on these institutions' purchase of government securities to help finance the war would occupy equal prominence on the program this year with the discussions of their loans for war housing and of their sale of war bonds to the public. Government officials in charge of these activities in which savings and loan contributes to the war program will be asked to address the conference.

Ralph H. Cake

Belief that it is not too early for the associations to start discussing what their part can be in maintaining a maximum of employment in the home building industry after the war was expressed by Mr. Cake. He said that the war conference would probably touch upon the postwar planning in savings and loan which looks in that direction, and for which a committee has already started functioning.

In line with policy adopted last year by the League board of directors the savings and loan business is sidetracking its regular convention set-up and instead calling together for this conference the leaders in the various localities who will have the responsibility of maintaining the war program of the business full speed ahead for the duration. State chairmen of the drive for investment of $300,000,000 this year in Government securities will be among those in attendance as will also the savings and loan men who have served on bond selling committees, Victory Fund committees, and in local war housing responsibilities. Mr. Cake pointed out that the associations are already assured of going considerably over their goal in Government security purchases this year and that they have sold an estimated $600,000,000 of war bonds to the public.

The board of directors and executive council of the national organization will meet November 29 for a full day's session.

Savings-Loan Ass'ns Operating Costs Low

(Continued from page 415)

as the 1933 crisis, the associations can form a pretty accurate estimate of what money will flow out and in (from borrowers) during a given month. Meanwhile its liquidity line in emergencies has been enhanced by the creation of the Federal Home Loan Bank system which has been in operation the past ten years.

Finally a savings and loan association's rate of return is attracted away from the floor level of the capital market by the nature of its distribution of earnings. Holders of share accounts get all the earnings over and above an adequate allowance for anticipated losses. Because it is a cooperative financial institution, the savings and loan association has no residual owner to be rewarded with an equity dividend. There is no one class of investment in use by the association which would benefit by a reduction of the earnings paid on the rest of the money in use by the association. Therefore the only factors which are taken into consideration in gauging dividend rates in the association are its actual earnings and its needs for reserves. Reserves have been increased substantially in the associations the past few years and this policy has been one of the bases for the smaller sum of money distributed as dividends this June 30 than last June 30, $71,000,000 as against $81,000,000, according to reliable estimates. It is interesting to note that the reserves of savings and loan associations were an estimated 8% of assets on December 31, which means that these protective accounts in the associations had reached a position of equality with the capital, surplus and undivided profits accounts of all insured commercial banks which were 7.3% as of Dec. 31, 1942. Bear in mind that the reserve has no claim on any future earnings of the association. There are associations in this country which have such substantial reserves that their earnings on the dollar volume of reserves are sufficient to pay their entire operating expenses. In such situations net earnings, except for small additions to reserves, can be distributed in toto to the holders of share accounts.

While it is true as mentioned above that savings and loan association dividend rates have been undergoing a downward adjustment for the past three or four years because of lower interest rates generally and the extra emphasis on building up strong reserves and undivided profits, it seems to me that some margin of the savings and loan investment's rate of earnings over alternative investments will be maintained. Certainly it will be if all the factors discussed above retain their present influence in the picture.

Satisfactory Progress For Canadian Crops

The Bank of Montreal, in its July 22 crop report, states that with moderate weather and beneficial rains, crops generally in the Prairie Provinces are progressing satisfactorily, but they are late and, where moisture is sufficient, warmer weather is required to stimulate growth. The bank's report further states:

"Rain is urgently required in many sections. The best prospects are in Manitoba. In the dry areas of Alberta and Saskatchewan recent rains have improved prospects but yields will be light. Coarse grains are making good progress. Flax is in bloom, with weed infestation heavy in some fields and rust reported in parts of Saskatchewan. There have been hail losses in some districts. Insect damage is small. Sugar beets are in fair to good condition. In the Province of Quebec, crops are making good progress and the outlook is favorable for average yields in most districts. Harvesting of an excellent hay crop is under way. Pastures continue in very good condition. Roots are progressing favorably and average yields are anticipated. Apples are sizing well and small fruits are promising. In Ontario, crops generally continue to show good growth under satisfactory weather conditions, although rains are needed in a few eastern areas. Cutting of fall wheat has commenced in some districts; while the yield will be below normal, the quality is good. Spring grains are heading out well but straw is short and returns will be considerably less than average. Corn and roots are making satisfactory progress. In the Maritime Provinces, satisfactory progress is being made by the crops, and though the season is late, prospects for average yields are favorable. In British Columbia, crop prospects generally have been much improved by warmer weather. Yields indicated for cherries, prunes and black currants are high; for apples, pears and grapes fair; and for peaches and apricots low. Root crops are showing good growth."

Minnesota Savings-Loan Associations Have Maintained Steady Growth

(Continued from page 414)

dividend to over 100,000 members, of earnings amounting to $1,094,936 and have shown a net increase of assets the first six months of 1943 of over seven and three-quarter million dollars ($7,732,650). During this same period these associations have established tremendous reserve accounts. This, it is hoped, will provide a back-log for the ultimate demands that will be made upon this type of thrift and home financing institution for home construction needs in the post-war period. Since the entrance of this nation into the war, savings and loan institutions have been deprived of financing new construction home loans. Governmental regulations and restrictions, of course, have curtailed mortgage loan volume. However, despite these conditions, our associations have maintained a favorable mortgage loan level and from indications, most of the associations have maintained their mortgage portfolio as of June 30, favorable to that of December last. This is true largely in metropolitan areas and is due to increased activity in the sale and purchase of older homes.

Savings and Loan has been a stimulating factor in carrying out the Government's war program and in encouraging thrift and savings during this war period. Our institutions have provided a counter force against the inflationary spirals that threaten our economy. In addition, most savings and loan institutions in this state have qualified for the sale of War Bonds. While the public was putting more money into savings and loan associations than ever before in their history, they were also buying War Bonds at a record rate. Minnesota associations have sold nearly $10,000,000 worth of War Bonds and Stamps since the first of the year and have themselves purchased an equal amount of Government bonds and securities. They have made a further contribution to the war effort in sending over fifty of their young men into the different branches of military service. The jobs that these young men have left will remain open for them on their return. All the benefits that they have enjoyed in their employment, remain secure. Most associations are continuing their salary payments on an adjusted scale and those that have pension funds are keeping up payments for these young men and women while they are away.

Many problems related to the war effort and war conditions have confronted our management in the past months. Management in turn has had to revise its thinking along many different lines. As we look to the future, we are today planning and providing for the time that we may enjoy the fruits and benefits of a prosperous post-war era when private enterprise may again take its rightful place in our economy. Every indication of Governmental planning and of business research points to a vigorous post-war housing program. Advertising firms have been quick in recognizing this factor in their emphasis on the "House of the Future" in their advertisements. Civic groups, in their planning, have likewise recognized the great need for home construction. A recent survey estimated that 66% of the people of this nation plan on owning their own homes after the war. Much of the savings now accumulated in our associations will be diverted to financing the purchase and construction of new homes. The tremendous sums available in banks and savings and loan institutions, together with an ever-increasing high national income forecasts a period of brisk business activity immediately following the war. Savings and loan management is preparing for these changes and will be ready to meet the challenge when it comes.

Savings and loan associations offer the opportunity for personal initiative, private capital and free enterprise. One of the four freedoms for which this country is fighting, is the right to own a home and the land upon which it rests. Our institutions through their 112 years of existence have stood out as the guardian of that right. What could be more appropriate than the motto: "The American Home, the Safeguard of American Liberties." This is the key, the basic and fundamental principle, upon which savings and loan associations in this state and throughout the nation have prospered.

Much of the activity of the savings and loan industry in the state is centered around the Minnesota Savings and Loan League, a state-wide, trade organization. The League celebrated its 29th anniversary at its annual meeting on June 17 with a one day streamlined war-conference, at which present day policies and post-war planning were featured. All but 10 of the associations in the state are members of the League and up to the present time, it has been the policy of the League to service all of the associations regardless of membership. Rather elaborate executive offices are maintained in Minneapolis under the direction of your correspondent. Besides the annual meeting, a mid-winter conference is held each year in February and district meetings are conducted in the fall.

May Non-Farm Mtg. Recordings Higher

During May, recordings of non-farm mortgages of $20,000 or less amounted to $327,092,000, a 6% gain over April and marking the third consecutive month in which mortgage activity has increased, the Federal Home Loan Bank Administration reports. The May total was about 6% below the figure for the same month last year and 25% less than in May 1941, largely reflecting the shrinkage in construction loans, the announcement (issued July 10) explained; it added:

"Mutual savings banks reported the largest proportionate gain for the month, which was 16%; other types of lenders experienced rises of 4% to 9%. Savings and loan associations accounted for about ⅓ of the May recordings. Individual lenders and the bank and trust company groups followed with 21% and 20% of the aggregate.

"For the first 5 months of 1943, recordings were nearly 19% below last year and 24% less than in 1941. Declines of more than 26% from 1942 were reported by insurance companies, commercial banks and mutual savings banks, while the total for individuals dropped only 1%. Among institutional lenders, savings and loan associations showed the greatest resistance to the general decline with an amount only 14% less than in 1942.

"The number and amount of mortgages recorded during May, by type of lender, are as follows:

	Number	Amount	%
Savings and loan associations	36,161	$107,221,000	33
Ins. companies	4,781	24,435,000	8
Banks and trust companies	18,738	65,688,000	20
Mutual savs. bks.	3,463	12,940,000	4
Individuals	31,260	70,054,000	21
Oth. Mortgagees	13,279	46,754,000	14
Totals	107,682	$327,092,000	100

Celebrates 20th Birthday

Twin City Federal Savings & Loan Association of Minneapolis, Minn., have published a handsome illustrated booklet entitled "20 Million In 20 Years" showing its growth to $20,029,211.87 as of March 19, 1943.

Officers are A. M. Blaisdell, Chairman, Roy W. Larsen, President, Henry Rines, Vice President, B. N. Bell, Secretary-Treasurer. Copies of this booklet may be had from the Association on request.

Smith & Gallatin To Admit

Smith & Gallatin, 11 Wall Street, New York City, members of the New York Stock Exchange, will admit Blanche A. Smith and Prentice K. Smith to partnership in their firm as of August 5.

Senator Vandenberg Criticizes Views Of Wallace—Other Comments On Latter's Speech

At Grand Rapids, Mich. on July 27, Senator Vandenberg (Republican of Michigan) said that Vice President Wallace's Detroit speech suggested an "official administration premise" that "our only patriots are those who swallow globaloney with a gulp." Mr. Wallace in his Detroit Speech July 25 declared against opponents of the domestic policy of President Roosevelt and, as was noted in the Associated Press he stated that some call these groups "isolationists," others call them "reactionaries" and still others, seeing them following in European footsteps, call them "American fascists." He defined them as "small but powerful groups which put money and power first and people last."

As to Senator Vandenberg's views anent the remarks of Mr. Wallace, the New York "World Telegram" printed the following (Associated Press) from Grand Rapids:

The Senator said Mr. Wallace's speech invited the inference that any American "who does not support his (Mr. Wallace's) total, post-war international philanthropy" and "his galloping domestic dreams" is a "sort of subversive Fascist."

Mr. Wallace, speaking Sunday, described the world as "one family with one future" and attacked what he called "American Fascists," though naming no individual.

"An American," Mr. Vandenberg said, "can faithfully support legitimate and sympathetic post-war co-operation — indispensable to effective victory—and still fall short of sharing all the Wallace schemes to give America away."

Commenting on the assertions of Vice-President Wallace, Senator Gerald P. Nye of North Dakota told reporters at Washington on July 26 that it seemed clear to him that Mr. Wallace was attempting to shape the vital issue of the next Presidential campaign between so-called interventionists and isolationists. The Associated Press, from which we quote, further reported in part:

"Such an issue would at least let the Administration take the public mind away from the embarrassing messes the Administration has left in its path during these late years," Mr. Nye declared. "But as one non-interventionist I would be quite willing to go to bat on what Mr. Wallace called the isolationist front. . . .

While Senator George L. Radcliffe of Maryland said that he supported Mr. Wallace's idea that Americans must begin now to plan for peace and to shoulder their responsibilities toward rehabilitation of the post-war world, he added that there was nothing to be gained by impugning the patriotism of the so-called "isolationists."

"I'm not prepared to assume that because a man has isolationist views that he is putting money and power ahead of human rights," said the Senator, who has in the past supported the Administration's foreign policies. "I don't think it is helpful to say that because a man doesn't agree with my views he is selfishly inclined." . . .

Senator Ellison D. Smith of South Carolina, a critic of the Administration's domestic policies, said he thought that the Vice-President had shot "the wrong bird" when he defined "American fascists."

"The people of this country are going to get a chance to decide which group put power and money before the best interests of the American people," he said.

Wm. Perry Brown Nominated To Head NSTA Again; Program For Chicago Meeting

The nominating committee of the National Security Traders Association announces the following slate of nominees for the term 1943-44:

President: Wm. Perry Brown, Newman, Brown & Co., New Orleans; 1st Vice President: B. Winthrop Pizzini, B. W. Pizzini & Co., New York; 2nd Vice President: Jerome F. Tegeler, Dempsey, Tegeler & Co., St. Louis; Secretary: Edward H. Welch, Sincere & Company, Chicago; Treasurer: Russell M. Dotts, Bioren & Company, Phila.

The Arrangements Committee has also announced the following program for the Association's annual meeting to be held on August 20-21 at the Palmer House in Chicago:

Friday, August 20—
- 9:00 A.M.—Registration.
- 10:30 A.M.—National Committee Meeting.
- 1:30 P.M.—Municipal Meeting (speaker to be announced).
- 4:00 P.M.—Railroad Forum, Speaker — Patrick B. McGinnis, Pflugfelder, Bampton & Rust.
- 6:00 P.M.—Cocktails.
- 7:00 P.M.—Dinner.

Saturday, August 21—
- 10:30 A.M.—National Committee Meeting Election of Officers.
- 1:00 P.M.—Luncheon.
- 2:15 P.M.—Corporate Forum (Speaker to be announced).
- 4:15 P.M.—Cocktail Party.

The Committee on Arrangements is composed of: Edward H. Welch, Sincere and Co., Chairman; Leo J. Doyle, Doyle O'Connor & Co.; Larry Higgins, Hulburd, Warren & Chandler; Henri Pulver, Goodbody & Co.; Ralph Randall, Mason, Moran & Co.; Richard Simmons, Lee Higginson Corp.; and Thompson Wakeley, A. C. Allyn and Co.

Mid-Continent Airlines An Interesting Situation

The current situation in Mid-Continent Airlines, operator of the "Great Plains Route," a strategically situated air route likely to become an important beneficiary of post-war global air line expansion, offers attractive possibilities according to a memorandum issued by Ward & Co., 120 Broadway, New York City. Copies of this interesting memorandum discussing the prospects for Mid-Continent in detail may be had upon request from Ward & Co.

A. F. Gooding With Dain

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Arthur F. Gooding has become associated with J. M. Dain & Co., Rand Tower. Mr. Gooding was recently with Goldman, Sachs & Co. in Chicago. Prior thereto he was with Smith, Barney & Co. and Otis & Co. in Cleveland. In the past he was connected with Blair & Co.

Jacques Le Bermuth In Army

Jacques C. Le Bermuth, formerly in the investment brokerage business in New York City, has been inducted into the U. S. Army and is now stationed at Fort Benjamin Harrison, Indiana, where he has begun basic training at the Finance Replacement Training Center.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Two weeks ago this column tabulated the indicated earnings of leading New York City banks, as calculated from their mid-year statements, and compared the results with the six months' indicated earnings in 1942. This week, similar comparisons are made for some of the leading banks in other Reserve cities.

As in the case of New York City banks, these banks also show improved earnings over 1942, and again the reason is found in the rapid expansion of earning assets resulting from the Government's war financing program. The following table shows the changes that have taken place over the past year and a half in the principal assets of Federal Reserve member banks, as reported from the Federal Reserve districts noted.

(In thousands of Dollars)

District	Commercial Loans	Total Loans	Gov't Securities	Total Investments	Total Loan & Investments
BOSTON DISTRICT—					
Jan., 1942	432	788	591	703	1,491
June, 1942	451	796	750	887	1,683
Jan., 1943	363	656	1,381	1,491	2,147
June, 1943	379	597	1,872	1,981	2,578
Increase	---	---	$1,281	$1,278	$1,087
			217%	182%	73%
PHILA. DISTRICT—					
Jan., 1942	291	551	589	856	1,407
June, 1942	290	537	644	899	1,436
Jan., 1943	250	454	1,075	1,315	1,769
June, 1943	236	438	1,480	1,688	2,126
Increase	---	---	$891	$832	$719
			151%	97%	51%
CLEVELAND DIST.—					
Jan., 1942	425	880	1,203	1,473	2,353
June, 1942	430	867	1,377	1,651	2,518
Jan., 1943	386	757	1,988	2,259	3,016
June, 1943	374	741	2,633	2,895	3,636
Increase	---	---	$1,430	$1,422	$1,283
			119%	97%	55%
CHICAGO DISTRICT—					
Jan., 1942	964	1,433	2,227	2,793	4,226
June, 1942	929	1,370	2,706	3,283	4,653
Jan., 1943	858	1,247	4,508	5,059	6,306
June, 1943	865	1,228	5,252	5,841	7,069
Increase	---	---	$3,025	$3,048	$2,843
			136%	109%	67%
SAN FRAN. DISTRICT—					
Jan., 1942	497	1,157	1,167	1,496	2,653
June, 1942	493	1,111	1,282	1,577	2,688
Jan., 1943	463	1,006	2,189	2,487	3,493
June, 1943	443	949	2,866	3,172	4,121
Increase	---	---	$1,699	$1,676	$1,468
			146%	112%	55%

It will be observed that in all districts commercial loans and total loans have declined, but that investments in Government securities have expanded enormously, while total loans and investments show very substantial growth. It is of interest to compare the increases shown for each district with the increases experienced by New York City member banks over the same period, as follows:—$6,433,000,000 in Governments, or 92%, and 50% in total loans and investments.

We now turn to indicated earnings of individual banks in the various districts, as disclosed by their statements of condition.

	Indicated Earns. Per Share —First Six Months— 1942	1943	Book Value 6-30-43	Half Year Div.
BOSTON—	$	$	$	$
*First National	1.17	1.42	42.87	1.00
National Shawmut	0.51	0.55	38.83	0.50
PHILADELPHIA—				
Corn. Exchange National	1.18	2.26	62.72	1.00
Fidelity Philadelphia Trust	6.75	11.26	303.24	4.00
†Girard Trust	1.73	2.61	38.70	1.00
‡Pennsylvania Co.	0.92	1.20	27.45	0.80
Philadelphia National	3.21	3.38	69.26	2.50
CLEVELAND—				
National City	0.91	1.50	35.14	0.60
CHICAGO—				
Continental Illinois National	3.11	4.46	83.12	2.00
First National	9.50	11.48	282.67	5.00
Harris Trust & Savings	8.98	11.57	330.11	6.00
Northern Trust	13.55	14.23	495.24	9.00
SAN FRANCISCO—				
American Trust	1.33	1.60	48.48	1.00
Bank of America	1.98	2.16	31.07	1.20

*Includes Old Colony Trust. †Seven months ending June 30. ‡Six months operating, ending May 31.

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Managing A Business For Stockholders Through The Vicissitudes Of Inflation

(Continued from page 402)

Treasury in handling the war financing, and this organization should have authority.

(8) The Federal Government, each State, each County and every business should be obliged to set up a strong, capable organization to have ready workable plans for the return to peacetime enterprise under private initiative and individual responsibility.

(9) Every cost possible should be lifted from the backs of the individual and from private business, and every encouragement given to the greatest possible production under free, independent and private enterprise.

(10) Re-educate Government officials and employees, college professors, State and local officials, labor leaders, farm leaders, business men, editors, bankers and brokers in the simple and truthful fundamentals of sound money and credit; the necessity for the best interest of all concerned of paying all debts in sound money; the economics of production, costs, trade and international exchange values.

I wish we would adopt an economic and financial policy as sound as Prime Minister Churchill outlined for England in his radio address March 21.

I trust that these hasty notes will in some measure give you my ideas of what should be done immediately. Of course, if we could go back to 1932 or even to 1939, I believe that many of the present economic and social problems and future difficulties could have been avoided, but now we must accept conditions as they are and go on from here.

Very sincerely yours,

IVAN WRIGHT.

BRADFORD H. WALKER
President,
The Life Insurance Company of Virginia, Richmond, Virginia

I have just read the article by Dr. Ivan Wright, entitled "Managing a Business for Stockholders Through the Vicissitudes of Inflation."

Bradford H. Walker

I think Dr. Wright hit the nail on the head when he said: "Most new eras have finally turned out to be old mistakes."

The terrific taxes, combined with the high cost of living during inflation, history shows have brought poverty to the mass of consumers. This has been followed by severe deflation, as happened after our last two wars.

As I see it, the great problem we will face after the war is the probably continued high cost of doing business. After the pent-up demand has been satisfied there will naturally be a gradually lowering sales volume, which in turn will be followed by lower prices caused by keen competition.

We went through one "New Era" where we were told many managed prices, etc., would prevent another depression. This was followed by the worst depression in our history.

So far I believe no country has been able to completely control inflation, for which we apparently are surely headed.

Must corporations, financial institutions and individuals carry this crushing load of public debt without any relief? It seems to me it is like a man with a heavy sack of meal on his shoulders—he can carry it just so long before the weight beats him down.

One solution is compulsory saving by non-negotiable certificates. This would spread the debt over all taxpayers and freeze it for a determined length of time. After this the law could be written to arrange that a certain percentage of these non-negotiable certificates would be redeemable annually, beginning five years after date.

After this war comes a great problem of factories geared to an enormous production, with high labor costs. Of course, there will be a great demand from people with savings accounts or bonds. After this the excess production will have to fight declining prices caused by keen competition.

Can this country live on its own fat, so to speak, and if not how are we going to meet foreign labor competition?

To attempt to hold our own wage scale must the answer be a 30-hour week?

Then again where will we come out in the long run, after foreign factories begin to produce on their low wage scale?

The attitude of many people is like the man who has taken off half the roof of his house and sees black clouds appearing on the horizon, and then hopefully tells his family he is sure the storm will not come over that way.

My constant business trips take me over a large part of the United States, and I am both surprised and alarmed at the complacent way that many people are facing the future, saying: "Oh, everything will be all right after the war."

C. H. PHINIZY
President, Georgia Railroad Bank & Trust Company, Augusta, Ga.

I read it with a great deal of interest and was very much impressed with his presentation of both sides of the question, which is very perplexing. The conservatism recommended is in accord with our policy, maintaining strong liquid position and no long-term commitments, due to our inability to determine what may happen at the cessation of hostilities.

C. H. Phinizy

HENRY M. BACH
Steiner, Rouse & Company

I have been much interested in reading the article by Dr. Ivan Wright entitled "Managing A Business for Stockholders Through the Vicissitudes of Inflation." I note that page 9 contains the following:

"No doubt you have read that corporations producing raw materials such as copper and oil are good inflation hedges. They may be and they may not be at all. If such a producer of raw materials, which has rich deposits, is out of debt and is strong with cash and can avoid debts during the period of rising costs and prices, it may be one of the best inflation hedges. But how many such companies do you know? There are almost none."

I'm wondering if Kennecott Copper would not meet the Doctor's requirements in every respect. According to their balance sheet of Dec. 31, 1942, current assets amounted to $220,972,967, of which cash and Government securities totaled $155,931,654, as against current liabilities of $61,630,699.

The company has no funded debt, and is the largest producer of copper in the United States. Reserves for depreciation are over one-third the listed value of mining properties, railroads, steamships, plants and equipment. It is my impression that depletion charges are very much on the conservative side insomuch as New York State refuses to recognize deductions in dividends received on account of depletion.

I appreciate that it is not easy to find too many companies that will fill all of Dr. Wright's requirements but it does seem to me that Kennecott Copper is one of them, and while International Nickel and Anaconda Copper are not quite as strong, they also shape up pretty well.

Editor's Note: When shown the above letter Dr. Wright commented as follows:

"Mr. Bach is quite right. Kennecott is strong enough and has ample liquid resources to pay its taxes and costs for a long time and avoid financial trouble during a period of depression such as is sure to follow a major inflation. At what price the stock would sell during this period, his guess is as good as mine. But the company should be able to survive. Anaconda and International Nickel are likewise companies with natural resources and amply strong financially to survive."

HON. CLIFFORD R. HOPE
Representative in Congress from Kansas

"Managing a Business For Stockholders through the Vicissitudes of Inflation" is a masterpiece and I am putting it out for further study and reference during the Congressional recess.

C. R. Hope

R. E. WOODRUFF
President, Erie Railroad Company

Dr. Wright's article, "Managing a Business for Stockholders Through the Vicissitudes of Inflation," is interesting and includes a great deal of food for thought upon the possible effects of inflation.

Robert E. Woodruff

G. L. JENKINS
Commissioner of Finance, State of Idaho

I am very much impressed with the article and I feel that it sets forth the devastating effect of inflation in its true light.

EDWARD C. ROMFH
President,
The First National Bank of Miami

Dr. Wright's article sets forth lucidly and impressively the evils of inflation, and I wish we had more such sound thinkers.

E. C. Romfh

Condemns Proposal To Wipe Out Over-The-Counter-Markets

I have read with great interest in your issue of July 22 the letter written to Congressmen and Senators by Mr. Taylor, President of the Baltimore Stock Exchange, urging the abolition of the over-the-counter markets and also the very strong article written by Mr. Vernon Hughes in support of the over-the-counter market. For the sake of millions of investors, small and large, as well as for the benefit of hundreds of investment dealers who are engaged in serving the needs of these investors, it is very important that this subject be clearly understood by the public as well as by the legislators and regulatory bodies.

It would be a sad day for the investor if the over-the-counter market should be eliminated. The National Association of Securities Dealers is doing a commendable job in policing transactions to see that unreasonable profits are not made in such transactions. It is my observation that booms and panics in the market prices of securities originate almost entirely in the listed markets. High-speed, speculative, trading creates the unhealthy boom which always carries in its wake the makings of a distressing panic, and the non-professional investor is always the "goat."

The natural and sensible way to market anything is by negotiation. It is well known in financial circles that large blocks of even the most widely distributed stocks can neither be purchased nor sold on the Exchange at the market without distortion which creates a loss to both the purchaser and seller. This fact may not be known to the members of Congress in general, nor to the public, but every one certainly knows that the public auction block is the poorest way to secure a fair and orderly price for anything that is to be sold.

If this subject could be thoroughly analyzed and fairly considered, the decision, no doubt, would be that if anything should be eliminated by legislation or regulation, it would be better for the investing public to have the Stock Exchanges eliminated and the over-the-counter business allowed to continue with reasonable supervision and regulation.

It is obvious to every one that the large individual or institutional investor must turn to the over-the-counter market to buy or sell large blocks of securities. It is also well known that the small investor, with a few hundred or a few thousand dollars to invest, is seldom—if ever—welcomed to the list of customers of the large Stock Exchange houses, and he is the one who is most in need of careful personal attention. The average investor who buys listed securities is influenced more by technical positions of the market as interpreted by chart makers than he is by fundamental values of investment; and if it were possible to compare statistics showing the percentage of such investors who consistently lose money by this process, it would be a startling disclosure.

If we are to make our security markets orderly and sound, the trend must be away from the feverish glamour and excitement generated by rapidly fluctuating quotations which are influenced almost entirely by premature "news flashes," "tips," and disorderly haste to buy or sell securities because of fear of what might happen to "the market" without regard to investment values or long-term prospects.

This all adds up to the conclusion that any laws or regulations imposed upon security dealings should be directed to encourage orderly markets for the reason that every one would benefit except those who make their living by high-speed trading accounts which jump in and out of the market with great frequency as "tips" and "flashes" are passed around with lightning speed.

A. W. Smith & Co., Inc.

Boston, Mass.
July 23rd, 1943

Wide Red Cross Aid To Soviet Union Reported

Relief supplies for the war wounded and homeless civilians in Soviet Rusia to the amount of $20,000,000 have already been provided, Norman H. Davis, National Chairman of the American Red Cross, announced July 14. Mr. Davis said that more than $10,000,000 worth of medical supplies, surgical dressings, clothing, blankets, soap and other necessities have been sent to the Alliance of Red Cross and Red Crescent Societies of the USSR. He added that arrangements have also been made for shipment of another $5,000,000 worth of hospital and medical supplies and a further $5,000,000 worth of clothing, shoes and other civilian items.

Future Money Of The World

"The Future Money of the World" is the title of an attractive 54-page booklet prepared by R. V. Klein Company, 170 Broadway, New York City. This booklet concerns a vital problem affecting every owner of securities during the post-war period, and discusses the questions of what money is, how it works, how the Morgenthau-Keynes plan will affect us, and how we will pay a rational debt of probably 350 billion dollars. Copies of this interesting booklet may be had upon request from R. V. Klein Company.

Bank & Insurance Stocks

(Continued from pafe 417)

It will be noted that dividends for the half year have been covered by generous margins, except for National Shawmut of Boston which shows a relatively slim coverage. The conservative dividend policy indicated by these figures seems likely to continue for the duration of the war. For one thing, this policy allows gradual increases in capital funds to be achieved, thereby minimizing the development of a top heavy ratio of deposits to capital funds, i.e.: capital, surplus and undivided profits.

Survey of Distribution Of Bank Deposits In New York Federal Reserve District

The Research Department of the Federal Reserve Bank of New York recently made a survey of the distribution of the increase in bank deposits which occurred between December, 1941 and March, 1943, covering a limited number of the larger member banks, especially member banks outside New York City where the most marked percentage increases in deposits have taken place. The relative magnitude of the increase in deposits in the City was considerably less than in the remainder of the district, the Bank points out in its July "Monthly Review." In presenting its survey the Bank says:

"An interesting feature of the situation in New York City is that most of the increase in deposits of individuals, partnerships, and corporations during the 15 month period occurred during the first quarter of 1943. That appears to have been true not only of the banks from which these reports were received, but of New York City banks generally. Published data for 16 weekly reporting New York City member banks showed an increase of only 7% in their 'adjusted' demand deposits during all of 1942, but an increase of about 20% during the first quarter of 1943."

As to the showing in the case of the local banks the Reserve Bank states:

New York City Banks

"Reports from four large New York City banks concerning the character of the increase in their deposits between December, 1941 and March, 1943 confirmed the indications given by reports received from banks outside New York City. The relative magnitude of the increase in deposits in the City, however, was considerably less than in the remainder of the District. These four banks, which held slightly more than half of the total demand deposits of individuals, partnerships, and corporations in all New York City banks at the end of 1941, showed an increase during the fifteen months ended March, 1943 of approximately $1,300,000,000 or about 23% in such deposits—a percentage increase less than half as large as was shown by the reporting banks in other cities of the District.

"But the distribution of the increase by type of owner, while differing somewhat in detail, showed striking similarity in its general characteristics to the increase in reporting banks in other cities of the District. Classified deposits represented about two-third of the total dollar volume in the reporting New York City banks, and a slightly larger proportion in other reporting banks. In both cases nearly 70% of the total increase in demand deposits of individuals, partnerships, and corporations was in the accounts of 'nonfinancial' businesses. The proportion of the total increase in deposits attributable to enlarged deposit balances of manufacturing, mining, and construction concerns was somewhat greater in New York City than outside, while in other cities of the District deposits of public utilities and retail and wholesale businesses accounted for somewhat larger percentages of the increase in all deposits than in New York City. Insurance company deposits in each case accounted for about 15% of the total increase. Large personal deposits and accounts of nonprofit associations, clubs, churches, etc., each accounted for only 1% of the total increase in reporting banks outside New York City, and showed an actual reduction in the City."

The Bank also presented the following as to the showing outside the City:

Banks Outside New York City

"Total deposits of individuals, partnerships, and corporations with the cooperating group of banks outside New York City increased about $196,000,000, or 51% over this period. (The group of banks covered accounted for over a quarter of the demand deposits of individuals, partnerships, and corporations of all banks in the District outside New York City.) Of the deposits classified, those of concerns in the fields of manufacturing, mining, and construction accounted for 47% of the total growth in deposits. This represented an increase of 79% for this class over December, 1941.

The public utilities group accounted for 11% of the total expansion; wholesale and retail trade and dealers in commodities for about 8%; insurance companies for 15%. Altogether, the increase in deposits of business concerns accounted for 83% of the total increase.

"The pronounced increase in the manufacturing and construction group probably represents to a considerable extent enlarged working capital requirements associated with war activities. In trade, inventory liquidation undoubtedly was a dominant factor. The indicated increases in public utility balances and some of the increases in other groups doubtless reflect accumulation of depreciation reserves which cannot at this time be used for replacements. Insurance company deposits reflected the accumulation of funds for investment during the Second War Loan campaign."

The following table shows comparisons for the distribution of classified deposits between December, 1941, and March, 1943:

GROWTH IN DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS BY TYPE OF OWNER

(Dollar figures in thousands)

	New York City Banks				Banks outside New York City			
	Dollar amount		% increase	Percentage distribution of total increase in deposits	Dollar amount		% increase	Percentage distribution of total increase in deposits
	December 1941	March 1943			December 1941	March 1943		
Financial business—								
Insurance companies	293,070	446,469	52.3	15.5	24,367	54,524	123.8	15.3
Investment trusts & investment companies	69,254	61,447	—11.3	— 0.8	1,805	1,209	—33.0	— 0.3
Security brokers and dealers	57,097	47,946	—16.0	— 0.9	2,354	2,159	— 8.3	— 0.1
Trust funds of banks	31,435	32,321	2.8	0.1	9,519	10,827	13.7	0.7
All other	70,771	69,062	— 2.4	— 0.2	6,065	5,594	— 7.8	— 0.2
Total	521,627	657,245	26.0	13.7	44,110	74,313	68.5	15.4
Nonfinancial business—								
Manufacturing, mining and construction	1,105,048	1,687,731	52.7	59.0	116,395	208,035	78.7	46.4
Pub. util., transp. and communications	429,103	451,927	5.3	2.3	34,639	56.321	62.6	11.0
Retail & whole. trade & deal'rs in commod.	179,130	230,541	28.7	5.2	27,927	43,302	55.1	7.8
All other	136,731	169,970	24.3	3.4	10,276	14,318	39.3	2.1
Total	1,850,012	2,540,169	37.3	69.9	189,237	321,976	70.1	67.5
Nonprofit associations, clubs, churches, etc.	69,457	42,664	—38.6	— 2.7	7,202	10,044	39.5	1.4
Personal	212,091	200,235	— 5.6	— 1.2	23,376	25,519	9.2	1.1
Total classified deposits*	2,653,187	3,440,313	29.7	79.7	263,925	431,852	63.6	85.4
Total unclassified deposits	1,574,638	1,774,769	12.7	20.3	121,834	150,580	23.6	14.6
Total demand deposits of individuals, partnerships and corporations	4,227,825	5,215,082	23.3	100.0	385,759	582,432	51.0	100.0

* In New York City banks, all accounts over $250,000 in one bank, those over $100,000 in the second bank, and all accounts in the third bank; in banks outside New York City, all accounts over $10,000 except for one bank where accounts over $25,000 were classified.

Tomorrow's Markets Walter Whyte Says—

Warnings of last week justified by market action of last few days. Nearby support still some distance away. So suggest sidelines.

By WALTER WHYTE

If axioms could be applied to this business of trading it would be almost axiomatic that a market which can't or won't go up on good news will go down on either bad news or an intensification of the good news. The latter, probably on the assumption that the news is too good and too rich for it's blood.

* * *

It seems almost a heresy to call the fall from grace of the "Sawdust Ceasar" bad news. Yet that is the way the market interprets it. Some circles claim this market debacle was due to the beginning of the end of this war. Be that as it may, all of us recall the pontifical statements to the effect that war was bad for business. How you can square one statement against the other is something for somebody else to worry about. This column is not interested in reasons or causes. It is interested only in effects.

* * *

For the past three weeks when the market was strong and making new highs almost daily this column warned that the end to the whole cycle was close. This was not an easy statement to make for not only was optimism riding high but the Dow averages were confirming the presence of a bull trend. Yet underneath all this optimism the market itself was trying to say that it was tired of the whole thing and wanted a rest. Inasmuch as markets seldom rest after sustained advances the resultant decline was inevitable.

* * *

As last week's column went to press the presence of new but poor buying became more and more apparent. The stocks which had given such good performances, performances which indicated more strength, refused to live up to their promises. In advancing markets it is important to watch not the market but individual stocks for top tendencies. And the stocks to watch are those which have given better than average performance; it is such stocks that don't go down as far as the market and go up further when the market itself turns up. In a bull market such are the stocks to have. Conversely these are the ones which are barometers of an impending decline. Last week I mentioned such a group. They were Armstrong Cork, Bethlehem Steel, Borg Warner, Commercial Solvents, National Cash Register and Yellow Coach. I said all these looked higher but to "live up to their promises 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."

* * *

There is no point in harping on this. What has happened in the last few days is now history.

* * *

Readers of this space while they lost some money on the decline were warned far enough in advance to avoid serious losses and sleepless nights.

* * *

What will happen from here on is something else. Markets in the throes of declines don't pay attention to previously determined support levels any more than panic stricken mobs listen to reason. When suport appears and the market recognizes it I shall recommend re-entry. Until then I advise standing by with your hands in your pockets.

* * *

As of last week this column had advised the following. Reynolds Tobacco B bought at 31½ was to be stopped at 30. Having broken that figure you are now out of it. Fairbanks Morse should have been sold last week at 39 or so.

* * *

Flinkote is still above it's 20 stop price. If it breaks it act accordingly.

* * *

National Distillers bought at 31 was sold last week at about 34.

* * *

Newport just managed to shave the 17 figure at which it was to be sold. Keep your stop at 14.

* * *

Off hand the following stocks should start to act better when as and if they hit the following prices. Canada Dry 20-21; Colgate Palmolive 20-21; Crucible Steel 32-33; Republic Steel about 16-17 and U. S. Steel about 52.

* * *

It is possible that the market may firm long enough so that none of the above mentioned stocks will get as low as the prices now show. But if that is the case I'm afraid that the subsequent decline will be greater than now indicated.

* * *

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.]

Situation Attractive

The 4% stock of Beach Creek Railroad offers interesting possibilities, according to a circular being distributed by Adams & Peck, 63 Wall Street, New York City. Copies of this circular discussing the situation in some detail may be had upon request from Adams & Peck.

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.

Attractive Prospects

First mortgage income 6s of 1954 of Oklahoma City-Ada-Atoka Railway and the first mortgage fixed and income 6s of 1954 of Oklahoma City Shawnee Interurban Railway offer interesting possibilities at current levels, according to a memorandum issued by Lilley & Co., Packard Building, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of this circular may be had from Lilley & Co. upon request.

Reorganization Rail Outlook Interesting

The outlook for rail reorganization bonds offers interesting possibilities according to special letter being distributed by Raymond & Co., 148 State Street, Boston, Mass. Copies of this letter may be had from the firm upon request.

Municipal News & Notes

With many bridge commissions experiencing difficulties in meeting their obligations, due to tire and gasoline rationing, the State Bridge Commission of Ohio announced today that it will meet in full and on time all bonds maturing and interest due this year.

A report to Governor John W. Bricker by Ray Palmer, Secretary-Treasurer of the Bridge Commission, covering the first six months of 1943, shows that the Commission already has in its various bridge sinking funds sufficient balances to meet the bonds and interest due in 1943 on three of its four bridges. The fourth bridge is expected to be in a similar position by Oct. 1 when the bonds are due.

Bonds to be retired Oct. 1 are: Sandusky Bay Bridge, $125,000; East Liverpool-Chester Bridge, $125,000; Steubenville - Weirton Bridge, $90,000. The Commission also expects to pay off $40,000 of Pomeroy-Mason Bridge Bonds, which are not due until 1956.

Sinking fund balances of these bridges on July 15 were: Sandusky Bay Bridge, $188,293.80; Steubenville - Weirton Bridge, $145,523.74; East Liverpool - Chester Bridge, $117,734.15; Pomeroy-Mason Bridge, $31,618.88.

The Commission paid off $48,000 Pomeroy-Mason bonds in April and the anticipated Oct. 1 retirement will make $88,000 for the year.

In addition to the large sinking fund balances, the report shows balances far in excess of requirements in the Special Maintenance Reserve Funds and the Tax Reserve Funds. These surplus funds may also be used for bond retirement.

Reductions this year of $300,000 in West Virginia's valuation of the Commission's three Ohio River bridges, and a reduction of $290,000 last year in the valuation will mean a savings of nearly $11,000 annually in taxes. About 80% of the Ohio River bridges are inside the West Virginia border.

Following is a table showing the condition of the various bridge sinking funds and the relation of each sinking fund to Oct. 1, 1943 debt-service requirements:

Bridge	Bal. in Sinking Fund July 15, '43	Bonds & Int. Due Oct. 1, '43	Over or Short
Sandusky Bay Bridge	$188,293	$132,810	†$55,483
Steubenville-Weirton	145,523	97,393	†48,129
Pomeroy-Mason Bridge	*31,618	4,060	†27,558
East Liverpool-Chester	117,734	139,875	‡22,140

*$48,000 Pomeroy-Mason bonds were retired April 1, 1943. †Over. ‡Short.

In a covering letter to Governor John W. Bricker, which accompanied the complete detailed results of the bridge operations for the six months ended June 30, 1943, Secretary-Treasurer Ray Palmer, stated in part as follows:

"The foregoing table shows that three of the four State operated bridges already have in their sinking funds more than enough to pay Oct. 1, 1943 obligations. The fourth bridge — the East Liverpool-Chester Bridge — is primarily a tourist bridge, but at this time is only $22,140.85 short of its Oct. 1 requirements.

"In the Special Reserve Funds and the Tax Reserve Funds of all four bridges are large excesses — balances beyond requirements—which may be used for debt service in an emergency. We call attention to these surplus funds in the case of the East Liverpool-Chester Bridge only, because it is the only one of our bridges which may ever need them.

"The June 30 balance in the Special Reserve Fund of the East Liverpool-Chester Bridge was $32,191.70. This is a contingent fund as well as a reserve fund for special maintenance, and most of this $32,191.70 balance may be used for debt service by resolution of the Commission and with the approval of the consulting engineers. This fund increases $1,500 monthly.

"The June 30 balance in the East Liverpool-Chester Bridge Tax Reserve Fund was $14,548.87. This represents an excess of $8,874.37, which is available for debt service.

"It is clear that all bridges will not only meet 1943 obligations, but will carry over into 1944 good balances to help pay the bonds and interest due next year.

"In addition to the favorable balances shown, the Commission has a backlog in the Appropriation Act for the 1943-1944 biennium. The Appropriation Act gives legislative authority for loans to the Bridge Commission by the State Emergency Board of $25,000 in 1943, and $125,000 in 1944, for debt service in case of an emergency. Such a contingency appears much more remote now than it did when the legislature was in session, but the backlog is there if needed."

Municipalities Of 19 States Permitted To Establish Post-War Reserves

Municipalities of three more states—Florida, Maine and New Hampshire—were given authority by their State legislatures recently to build up cash reserve funds for public works construction after the war. This action, added to similar steps taken by seven States earlier this year, brings to 19 the total number of States whose local governmental units now have legal authority to lay aside money for the future.

Maine's legislation is unusual, the American Municipal Association said, in that it provides for a tax stabilization reserve fund in addition to the postwar cash reserve fund. The latter may be established for the construction or acquisition of capital improvements by direct appropriation or transfer of unencumbered surplus funds, with no limit on existence of such reserve funds.

Under the tax stabilization fund procedure, a city may set aside up to 5% of its total tax levy. Thereafter, if there is a deficit in the budget at the end of the fiscal year it may be made up out of the tax stabilization fund; if there is a surplus, the fund remains intact.

The New Hampshire postwar reserve law is similar to Maine's in that it authorizes municipalities to set aside funds for future capital improvements, though the authority may be exercised only by a majority vote of the legal voters present at the annual or a special town meeting. No money may be appropriated nor any surplus money transferred to the fund after July, 1945.

Besides Florida, Maine and New Hampshire, States enacting legislation this year allowing municipalities to establish cash reserve funds include Arizona, Connecticut, North Carolina, North Dakota, Minnesota, Pennsylvania and Rhode Island. The nine states enacting such legislation previous to 1943 were Oregon, California, Nebraska, New York, Michigan, Washington, Kentucky, New Jersey and Massachusetts; three of these — Michigan, New Jersey and Oregon — broadened their statutes this year.

Broadest of the laws allowing cities to set up reserve funds are those of California, Connecticut, Maine, Minnesota, New York and Washington. California cities, under a 1937 statute, may set up cash reserve funds by ordinance which specifies their use, with no limit on the amount of tax levied for the purpose; Connecticut cities may use surplus funds to build up a reserve, or they can make special levies up to 2 mills on the dollar; Minnesota cities may levy taxes, also, for support of reserve funds.

Municipalities in several States, including Wisconsin, have been setting up reserve funds for several years by charter amendment, an action authorized under home rule provisions of the states, the association pointed out.

Baltimore, Md., Tax Revenues Higher

Revenue collections of the City of Baltimore rose 4.10% to $38,503,311 for the first six months of this year, from collections of $36,989,224 in the comparable 1942 period, a report received from Herbert Fallin, budget director, showed.

Collections for the first half represented 67.76% of the $56,820,981 which the city had estimated it would obtain in 1943 from tax sources, and compared with a ratio of 64.82% of collections to estimates of a 1942 collection totaling $57,067,680.

Real estate tax collections aggregated $19,030,567 in the first half of 1943, or 72.59% of the $26,218,048 that the city expects to collect from this source in the entire year. In the first six months of 1942, real estate tax income amounted to $16,771,735 or 61.55% of estimated receipts of $27,250,503 for the entire 1942 year.

Other revenue sources included a rise in collection of delinquent taxes to $1,579,148, or 83.11% of estimated collections of $1,900,000 from this source for 1943 in full, compared with collections of $1,330,864 in delinquent taxes the first six months of 1942, which represented 57.86% of the $2,300,000 which the city expected to collect in the entire 1942 year.

California Municipal Bond Prices At New Highs

Prices of California municipal bonds continue to advance, new highs having been registered for the fifth consecutive week, according to the index compiled by the William R. Staats Company which stood, on July 23, at 138.108, equivalent to a yield of 2.15%. A week earlier the price was 137.954, the yield unchanged. The index now is comparable to the all-time high of 2.14% which was established in the latter part of 1941, just a few weeks before Pearl Harbor. Most of the issues used in the compilation of this index are now selling at prices in excess of their preceding highs, while a few are slightly under preceding peaks.

Twenty Cities Report On Utility Management

How city-owned utilities are organized and serviced, the extent of services outside city limits and ways in which utilities contribute to municipal general funds have been determined by a study of utility management in 20 municipalities.

The city-owned utilities in 13 of the council-manager cities are directly under the control of the manager, and in three cities the manager has limited control. In the two mayor-council cities included, utilities are operated by a council committee in Columbia, Mo., and by a board of public works appointed by the Mayor in Hannibal Mo., and in the commission-governed cities, Chanute and Kansas City, Kan., by department heads appointed by the mayor in the first and by a five-man board of public utilities elected by the people in the second.

Fourteen of the cities have all utilities in one department while six have a superintendent in charge of each utility according to information to the International City Managers Association.

Auxiliary services of purchasing, financial records, recruitment and personnel matters are handled by a central office for all city departments including the utilities in more than one-half of the 20 cities reporting. In general, cities in which auxiliary services are provided by the utility department instead of by a central city office are those with a separate board as in the case of Albany, N. Y., Hannibal, Mo., Kansas City, Kan., and Knoxville, Tenn.

Nearly all cities covered in this study supply some utility services outside city limits, but there is no set pattern or policy and the revenue received generally is a small percentage of the total, the association reports. Neither is there a set pattern for contributions which utilities make to municipal general funds.

For example, Albany, Ga., Ames, Ia., Austin, Tex., Chanute, Kan., Hamilton, O., Hannibal, Mo., Long Beach and Pasadena, Cal., provide free water to other city departments. In 15 cities the utilities make regular annual contributions to the general fund or pay the city an amount equal to taxes that would be paid if utilities were privately owned, and a few cities do both.

Most officials in reporting cities believe operation of city-owned utilities should be integrated with other municipal services and that grouping of two or three utilities in one department directed by a competent superintendent results in special economies from the use of central auxiliary services.

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.

(Special to The Financial Chronicle)

CANTON, Ohio—**Edward U. Thatcher** has become associated with **Otis & Co.,** Terminal Tower, Cleveland, Ohio. Mr. Thatcher was formerly local manager for Merrill Lynch, Pierce, Fenner & Beane for a number of years.

(Special to The Financial Chronicle)

CHICAGO, Ill.—**Gordon D. McFarlane** is now affiliated with **Cruttenden & Co.,** 209 South La Salle Street. Mr. McFarlane was in the past with Shearson, Hammill & Co. for a number of years. Recently he was with the U. S. Government Rubber Reserve in Chicago.

(Special to The Financial Chronicle)

CHICAGO, Ill.—**Lawrence J. Lindsay,** for many years with C. W. McNear & Company, has joined the staff of **Harriman Ripley & Co., Incorporated,** 135 South La Salle Street.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—**Charles Collins** is now with **Goffe & Carkener, Inc.,** Board of Trade Building.

(Special to The Financial Chronicle)

LAWRENCE, Kans.—**Clifton C. Calvin** has become connected with **Seltsam & Company, Inc.,** 117 West Seventeenth Street, Topeka, Kans. Mr. Calvin was formerly manager of the Lawrence office of Estes, Snyder & Co.

(Special to The Financial Chronicle)

PORTLAND, Maine.—**Frank H. Miller** has been added to the staff of **J. Arthur Warner & Co.,** Chapman Building.

(Special to The Financial Chronicle)

SEATTLE, Wash.—**Edgar B. MacLeod** has become associated with **Earl F. Townsend and Company,** Dexter Horton Building. Mr. MacLeod was formerly with Wm. D. Perkins Co., Inc. and prior thereto was with Dagg & Co., Inc. In the past he was with the Seattle Trust & Savings Bank.

President Hails Belgians

The White House made public on July 22 a message which President Roosevelt sent to Prime Minister Hubert Pierlot of the Belgian Government-in-exile in London, on the occasion of Belgium's national holiday.

The President expressed admiration for the suffering Belgians and confidence in early liberation. The message follows:

"On this anniversary of your country's national independence the people of the United States wish to renew the expressions of their friendship and admiration for the people of Belgium. The suffering which they have endured for more than three years under Nazi occupation inspires awe and humility in the world still free.

"There is likewise appreciation of the resources of the Belgian Congo, which have been pooled in the common struggle. I take this opportunity to extend to Your Excellency and to the members of your Government my best personal wishes, and to express my confidence in the early liberation of your country."

In a radio address directed at occupied Belgium, Prime Minister Pierlot said on July 21 that "victory is on the march," and presented a plan for liberating Belgians after the arrival of Allied armies.

These liberation steps, he said, according to Associated Press advices from London, would be taken, accompanied by Belgian military civil missions to act as intermediaries:

"Food supplies will be distributed with the arrival of the armies; contact will be made with Belgians 'above reproach from the national point of view,' with others sidetracked or arrested; the government will be transferred to the liberated zone as soon as possible to maintain order; food supply services of the army will be co-ordinated with distributing agencies existing in Belgium.

"Public administrations will be cleaned of traitors and collaborators with 'swift, exemplary punishment for all who have given criminal help to the enemy'; the King, now 'a prisoner among his people,' will again exercise constitutional powers; parliament will meet again; the government will submit for approval reports to the King and parliament on actions taken since the occupation, and ministers will submit resignations to facilitate formation of the new government, including in it men who lived through the occupation."

Named "Alaska Highway"

In an exchange of notes between the United States and Canada, an agreement was announced in Washington on July 22 on "Alaska Highway" as the official name for the highway from Dawson Creek to Fairbanks, Alaska. Associated Press advices from Washington July 22 said:

"Secretary of State Hull proposed the name as 'suitable and in harmony with popular usage,' at the suggestion of Anthony J. Dimond, Alaskan Delegate in the House of Representatives. Leighton McCarthy, Canadian Minister to Washington, replied that his Government 'concurs in the proposal.' Heretofore, the project has been known generally but unofficially as 'the Alcan Highway.'"

Plans for the change in the name were noted in our July 1 issue, page 33.

Bert Fish Dies

Bert Fish, United States Minister to Portugal since February, 1941, died on July 21 in Lisbon. He was 67 years old. Mr. Fish had been in the diplomatic service since 1933, when he was appointed Minister to Egypt, a post he held for eight years. During part of his service in Cairo he also served as Minister to Saudi Arabia. Mr. Fish went to Lisbon from Cairo, presenting his credentials as Minister to Portugal to President Carmona on March 26, 1941. He was Chairman of the delegation to the Capitulations Conference, held in April and May, 1937, in Montreaux, Switzerland.

Thanks Idaho Farmers

Lord Halifax, British Ambassador to the United States, on July 17 thanked the farmers of Idaho for producing food for the United Nations and urged them to greater efforts.

The Ambassador, who is touring the West, stopped off in the rural country of Boise Valley on July 17 to talk with farmers.

In Associated Press Boise advices, the following was reported:

He predicted that Great Britain and the United States, working together and "on terms of complete equality with China and Russia," would build a new world after the war.

"We're in this job (the war) together and must try to work together to save what we win," he said.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York City

152ND COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock and Common Stock B of THE AMERICAN TOBACCO COMPANY, payable in cash on September 1, 1943, to stockholders of record at the close of business August 10, 1943. Checks will be mailed.

EDMUND A. HARVEY, *Treasurer*

July 28, 1943

Borden's
COMMON DIVIDEND
No. 134

An interim dividend of thirty cents (30¢) per share has been declared on the outstanding common stock of this Company, payable September 1, 1943, to stockholders of record at the close of business August 14, 1943. Checks will be mailed.

The Borden Company
E. L. NOETZEL, *Treasurer*

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., July 22, 1943.
DIVIDEND No. 141

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50. per share, payable September 27, 1943, to holders of such shares of record at the close of business at 3 o'clock, P.M., on September 7, 1943.

JAS. DICKSON, Secretary & Treasurer

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, July 23, 1943.
Common Stock Dividend No. 86.

The above company has declared a dividend of $1.00 per share on the Common Stock of the company to stockholders of record at the close of business July 24, 1943, payable August 10, 1943. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

UNITED GAS CORPORATION
$7 Preferred Stock Dividend

At a meeting of the Board of Directors of United Gas Corporation held July 28, 1943, a dividend of $3.50 per share was declared on the $7 Preferred Stock of the Corporation for payment September 1, 1943, to stockholders of record at the close of business August 6, 1943.

E. H. DIXON, Treasurer.

FINANCIAL NOTICE

MIDLAND VALLEY RAILROAD COMPANY
Interest Payable September 1, 1943 on
ADJUSTMENT MORTGAGE SERIES "A" AND "B" BONDS

Philadelphia, Pa.
July 22, 1943

The Board of Directors has ascertained, determined, and declared that for the year ended June 30, 1943, 4% is payable on the Series "A" Adjustment Mortgage Bonds and 4% is payable on the Series "B" Adjustment Mortgage Bonds, under the terms of the Plan of Debt Adjustment dated January 11, 1943, as amended March 31, 1943.

On and after September 1, 1943, the Fidelity-Philadelphia Trust Company, Philadelphia, Pa., will pay the following amounts for coupons surrendered:

Series "A" Bonds—Coupon No. 27—$40. on $1,000 Bonds and $20. on $500. Bonds.

Series "B" Bonds—Coupon No. 23—$40. on $1,000 Bonds and $20. on $500. Bonds.

C. JARED INGERSOLL,
CHAIRMAN OF THE BOARD.

Bullitt Quits As Knox Aide

Secretary of the Navy Frank Knox announced on July 23 the acceptance of the resignation of William C. Bullitt as his special assistant, a post he has held a little over a year. Mr. Bullitt, former Ambassador to Russia and France, has announced his candidacy for the Democratic nomination for Mayor of Philadelphia. Mr. Bullitt has been the Navy Department's representative on an interdepartmental committee on "co-ordination of the economic activities of United States civilian agencies in liberated areas." He also was the Navy's member of another interdepartmental committee assigned to a study of oil reserves throughout the world.

Calendar of New Security Flotations

OFFERINGS

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).

In an amendment to its registration statement filed with the Securities and Exchange Commission on July 22, Celotex Corp. gives the offering price to the public on its proposed issue of $3,000,000 12-year 3¾% debentures at 100½ plus accrued interest from July 1, 1943, to date of delivery.

Names of underwriters and amounts they have agreed to purchase are stated as follows: Paul H. Davis & Co., Chicago, $400,000; A. G. Becker & Co., Inc., Chicago, $300,000; Central Republic Co., Inc., Chicago, $300,000; Hornblower & Weeks, N. Y., $300,000; Laurence M. Marks & Co., N. Y., $300,000; Milwaukee Co., Milwaukee, $300,000; F. S. Moseley & Co., Chicago, $300,000; Paine, Webber, Jackson & Curtis, Chicago, $300,000; Union Securities Corp., N. Y., $300,000, and Kebbon, McCormick & Co., Chicago, $200,000.

Registration Statement effective 3:30 p.m. EWT. on July 24, 1943.

Offered July 27, 1943 at 100½ and int. by Paul H. Davis & Co. and associates.

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.

Bonds Awarded through competitive bidding to syndicate headed by The First Boston Corp.

Offered July 28, 1943, $20,000,000 1st mtge. bonds 3⅜% series due 1973 at 104.21 and int. by The First Boston Corp., Lehman Bros., Blyth & Co., Inc., Harriman Ripley & Co., Inc., Smith, Barney & Co. and associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (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.

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).

MONDAY, AUG. 2

LATHAM SQUARE CO.

Wm. Cavalier, Frank E. Cronise, Raymond F. Gill, and Benedict Fleisher, all of San Francisco, and George P. Lauinger, of San Mateo, Cal., trustees of Latham Square Company voting trust of April 1, 1943, have filed a registration statement for voting trust certificates for 1,773 shares of non-par capital stock of Latham Square Co.

Address—Room 611, 582 Market Street, San Francisco.

Business—Operation of a building.

Underwriting—No underwriters.

Offering—Immediately after registration statement becomes effective on or about Aug. 5, 1943. Voting trust is for seven years from and after April 1, 1943. However, the agreement may be amended any time under certain conditions.

Purpose—To ask deposit of stock under voting trust agreement.

Registration Statement No. 5181. Form F-1. (7-14-43). Original filed in San Francisco.

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).

SATURDAY, AUG. 7

WOODWARD & LOTHROP

Woodward & Lothrop filed a registration statement for 27,500 shares of common stock, par value $10 per share. The shares are already issued and outstanding.

Address—11th and F Streets, N. W., Washington, D. C.

Business—Owns and operates a department store.

Underwriting — The underwriters and amounts they have agreed to purchase are as follows: Merrill Lynch, Pierce, Fenner & Beane, 7,013; Alex. Brown & Sons, 7,012; Johnston, Lemon & Co., 3,850; Brown, Goodwyn & Olds, 1,925; Ferris Exnicios & Co., 1,925; Robert C. Jones & Co., 1,925; Mackall & Coe, 1,925; Robinson, Rohrbaugh & Lukens, 1,925. All but the first group are located in Washington, D. C.

Offering—Price to the public will be supplied by amendment.

Proceeds—The shares of common stock registered are issued and outstanding shares owned by Brainard W. Parker and the Washington Loan & Trust Co. as executors of the estate of Donald Woodward. The proceeds will go to the sellers as transaction does not represent new financing on part of Woodward & Lothrop. The securities of Woodward & Lothrop owned by the sellers are listed as follows: 39,899 shares of common, par $10, and 2,333 shares of preferred stock, 7% cumulative, par $100 per share. Of said securities only 27,500 shares of common are offered under registration statement.

Registration Statement No. 2-5183. Form S-2. (7-19-43).

TUESDAY, AUG. 10

WALTER E. HELLER & CO.

Walter E. Heller & Co. has filed a registration statement for $3,000,000 serial notes, due serially $600,000 on Aug. 1 in each year from 1949 to 1953 inclusive. Interest rates on maturities are given as follows: 1949, 2½%; 1950, 2⅝%; 1951, 2¾%; 1952, 2⅞%, and 1953, 3%.

Address—105 West Adams Street, Chicago.

Business—Engaged principally in financing the sales and other current operations of manufacturers, distributors, dealers, merchants and others, by purchasing or making advances on their accounts, notes, acceptances or other documents, also in making direct loans or advances against inventory, machinery, equipment, real estate or other assets, and in otherwise lending funds and giving financial aid to business concerns.

Underwriting — Underwriters with amounts to be purchased are given as follows: Harris, Hall & Co., Inc., Chicago, $1,500,000; First Boston Corp., N. Y., $1,000,000, and Goldman, Sachs & Co., N. Y., $500,000.

Offering—Price to public to be supplied by amendment.

Proceeds—To be applied in part to retire $2,400,000 term loans from banks and balance to be used for general working funds.

Registration Statement No. 2-5184. Form A-2. (7-22-43).

WEDNESDAY, AUG. 11

HOOVER COMPANY

Hoover Company has filed a registration statement for 20,206 new shares of 4½% preferred stock, cumulative, par value $100 per share, and 110,000 common shares, par value $5 per share. The common stock is issued and outstanding.

Address—North Canton, Ohio.

Business—Engaged in the manufacture and sale of vacuum cleaners. At present company is doing an extensive business in war products.

Underwriters — Smith, Barney & Co., Hornblower & Weeks and Field, Richards & Co. head the group of underwriters. Others will be named by amendment.

Offering—Company is offering 20,206 of its 4½% preferred shares, share for share, in exchange for a like number of its 6% preferred shares now outstanding. Exchange offer expires at 1 p.m. on the fourth day following the date of the prospectus after registration becomes effective. The underwriters have agreed to purchase any of the new preferred stock not exchanged which may be offered publicly at a price to be filed by amendment. The bankers also may purchase some of the new 4½% preferred shares from holders who received them in exchange for their 6% preferred. The common stock to be purchased from certain large stockholders also will be offered at a price to be filed by amendment.

Proceeds—The company will not receive any of the proceeds from the sale by holders of 4½% preferred and common stock to the underwriters which will go to the selling stockholders. Net cash proceeds received by the company for the 4½% preferred stock to be sold by the company to the underwriters will be applied, together with other funds of the company, to the redemption on a date not later than Oct. 1, 1943, of all unexchanged 6% preferred shares, at the redemption price of $100 per share plus accrued dividends.

Registration Statement No. 2-5185. Form S-1. (7-23-43).

THURSDAY, AUG. 12

KANSAS-NEBRASKA NATURAL GAS CO., INC.

Kansas-Nebraska Natural Gas Co., Inc., has filed a registration statement for 12,500 shares of $5 cumulative preferred stock, without par value.

Address—Phillipsburg, Kan.

Business—Is an operating public utility company engaged in the purchase, primarily, of natural gas in the State of Kansas, and in its transmission and wholesale and retail distribution in the States of Kansas and Nebraska.

Underwriting — Underwriters are First Trust Co. of Lincoln, Neb., 5,625 shares; Beecraft, Cole & Co., Topeka, Kan., 2,250; Harold E. Wood & Co., St. Paul, 1,875; United Trust Co., Abilene, Kan., 1,500; Rauscher, Pierce & Co., Dallas, 625 and Bigelow-Webb, Inc., Minneapolis, 625 shares.

Offering—Offering price to public $105 per share plus accrued dividends.

Proceeds—of the net proceeds, estimated at $1,275,000, the retirement of the company's outstanding 9,824 shares of $6 cumulative preferred stock at $105 per share will require $1,031,520. All of the $6 preferred stock has been called for redemption on Sept. 15, 1943. Balance of net proceeds, estimated at $243,000, will be added to the company's working capital.

Registration Statement No. 2-5186. Form S-1. (7-24-43).

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.

Business—The 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 20 fixing offering price to stock holders at $40 per share, unsubscribed portion to public at $40 per share or more as may be fixed by board of directors.

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 redeem 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.

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).

Hearing before SEC Aug. 2, 1943 to determine whether stop order should issue against the statement.

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).

Hearing before SEC Aug. 2, 1943 to determine whether stop order should issue against the statement.

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 19, 1943, to defer effective date.

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 in 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.

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—405 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.

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 first mortgage 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).

Issue Approved—The SEC on July 27, 1943 granted company permission to offer for sale by competitive bidding $45,000,000 1st mtge. bonds, series C. Interest is not to exceed 3¼%.

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 July 19, 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 share of its preferred stock, provided that 75% in amount of the issued and outstanding preferred stock accept the same and tender their stock in exchange on or before Sept. 1, 1943, but time may be extended by the board. The bonds of this issue shall only be exchanged for preferred stock or sold to raise money to purchase and retire preferred stock or to reimburse the company for preferred stock which it may purchase before plan becomes effective, and which it does not retire and shall not be disposed of for any other purpose. Should company acquire an amount of bonds not exceeding $120,000 through the exchange of preferred stock purchased by it, Johnson, Lane, Space & Co., Inc. has agreed to buy any such bonds which Riverside Mills desires to sell at 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.

SEARS, ROEBUCK & CO.

Savings and Profit Sharing Pension Fund of Sears, Roebuck & Co. Employes and Sears, Roebuck & Co. have filed a registration statement for 20,000 memberships and 160,000 shares of capital stock, without par value, of Sears, Roebuck & Co.

Address—Sears, Roebuck & Co., 925 South Homan Street, Chicago.

Business—Profit sharing pension fund.

Offering—The 20,000 memberships in the pension fund represent the maximum estimated number of memberships which may be offered to eligible employees, during the 12 months following the effective date of registration statement, upon their becoming eligible for membership. The 160,000 shares of capital stock of Sears, Roebuck & Co. represent the maximum number of shares which, it is anticipated, may be purchased by the fund for its members during said period in accordance with the rules of the fund.

Purpose—To permit employees to share in the profits of the company; to encourage the habit of saving, and to provide a plan through which each eligible employee may accumulate his own savings. Company each year contributes to the fund certain moneys out of its net profits for the year and each member contributes a certain percentage of his salary or service allowance and these contributions, with other moneys received by the fund, are, if invested, invested in shares of the capital stock of the company. Recently certain funds were invested in obligations of the U. S. Government.

Registration Statement No. 2-5153. Form A-2 (6-15-43).

Registration statement effective 4:30 p.m. EWT on July 22, 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 $5.32 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 24, 1943, to defer effective date.

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).

Amendment filed July 19, 1943, to defer effective date.

June Living Cost Down In Industrial Cities

The cost of living for wage earners and lower-salaried clerical workers in June declined in 36 of 65 industrial cities surveyed by the National Industrial Conference Board. Living costs were higher in 23 of the cities, and remained unchanged in six of them.

The Board's announcement of July 28 further said:

"The largest decline, 2.6%, occurred in Youngstown, but there was a decline of 1% or more in five other cities. The largest increase, 1.8%, occurred in Baltimore, but there were seven other cities in which the rise was 1% or more. For the United States as a whole, the cost of living rose 0.1%.

"Living costs were higher this June than in June, 1942 in all cities for which comparable figures are available. Baltimore recorded the largest increase during the twelve-month period with an advance of 9.6%. The smallest was shown in Houston, where it rose only 4.4%. The cost of living for the United States as a whole stands 7.1% higher than a year ago, and 21.3% above January, 1941."

Special Senate Group To Tour War Areas

A special group of five Senators will leave soon for a tour of the war zones to make a study of the American war effort.

The committee consists of Senators Russell (Dem., Ga.), as Chairman, representing the Appropriations Committee, Chandler (Dem., Ky.) and Lodge (Rep., Mass.), from the Military Affairs Committee, and Mead, (Dem., N. Y.) and Brewster (Rep., Me.), from the Truman Senate War Investigating Committee. Plans for the trip were discussed with President Roosevelt at the White House on July 23 by Senators Russell and Mead.

On July 25 Senator Mead issued a statement saying that he and Senator Brewster hoped to bring back information which "will result in improvements and efficiencies in the administration of activities abroad."

The war effort at the fighting fronts, Senator Mead added, will be scrutinized with the same approach the War Investigating Committee has used at home. Senators Mead and Brewster will be armed with data collected by the committee staff and augmented by recent conferences at the State, War and Navy Departments and with officials of the Lend-Lease Administration, the new Office of Economic Warfare, the Office of War Information and other agencies. Senator Mead, in his statement released by the Chairman, said no specific complaints would be investigated, but listed these subjects on which the committee members will seek background and information:

"1. Transportation and supply by sea, air, highway and rail.

"2. Landing facilities for airplanes in foreign areas developed by the United States and the rights of this country in those facilities now and in the post-war period.

"3. Administrative activities in foreign fields (not relating to military strategy), and particularly any confusion of functions.

"4. Arrangements for the distribution of American supplies among civilian populations.

"5. The committee also instructed the Senators to obtain assurance that the goods which are now being produced in an ever-increasing flow reach the fighting fronts quickly and in good condition and are what the fighting forces asked for and need."

Washington advices July 23 to the New York "Herald Tribune" said:

"The plans were discussed with President Roosevelt at a White House luncheon today by Senators Russell and Mead. The President suggested, Senator Russell said, that the group give particular attention to the 'transportation difficulties,' with reference to both lend-lease and the movement of American supplies."

FDR Pledges Efforts To Save Europe Jews

President Roosevelt, in a message read on July 25 to the Emergency Conference to Save the Jewish People of Europe, in New York City, promised that this Government would not cease its efforts to save those who could be saved.

This message and another from Secretary of State Cordell Hull, with which the President concurred, were read at the closing session of the conference. Mr. Hull said the final defeat of Hitler and the rooting out of the Nazi system were the only complete answer to the problem of saving the Jews in Europe.

The message from President Roosevelt, addressed to Dr. Max Lerner, Chairman of the panel on international relations, was given as follows in the New York "Times" of July 26:

"In reply to your telegram of July 15, 1943, asking a message to the Emergency Conference to Save the Jewish People of Europe, I am glad to transmit a message from the Hon. Cordell Hull, Secretary of State, which has my full concurrence. You are aware of the interest of this Government in the terrible condition of the European Jews and of our repeated endeavors to save those who could be saved. These endeavors will not cease until Nazi power is forever crushed."

The same paper also reported Mr. Hull's message as follows:

"The rescue of the Jewish people, of course, and of other peoples likewise marked for slaughter by Nazi savagery, is under constant examination by the State Department, and any suggestion calculated to that end will be gladly considered. An intergovernmental agency has been created designed to deal with these problems. You will readily realize that no measure is practicable unless it is consistent with the destruction of Nazi tyranny; and that the final defeat of Hitler and the rooting out of the Nazi system is the only complete answer. This Government in cooperation with the British Government has agreed upon those measures which have been found to be practicable under war conditions and steps are now being taken to put them into effect."

Former President Herbert Hoover, speaking by telephone from California, told the meeting on July 25 that the world today needs an outlet for the persecuted of all lands and all faiths, not Jews alone. As a place where these people may build a new civilization, Mr. Hoover suggested development of the uplands of Central Africa.

He also said that this "great human problem" must be met as part of the reconstruction of the world and that the "United Nations undertake to finance and manage a real solution as part of the war."

Cotton Spinning For June

The Bureau of the Census announced on July 22 that according to preliminary figures, 23,438,038 cotton spinning spindles were in place in the United States on June 30, 1943, of which 22,777,328 were operated at some time during the month, compared with 22,788,058 for May, 22,893,630 for April, 22,925,194 for March, 22,859,160 for February, 22,889,954 for January, and 23,094,560 for June, 1942. The aggregate number of active spindle hours reported for the month was 10,701,938,401. Based on an activity of 80 hours per week, the cotton spindles in the United States were operated during June, 1943, at 129.7% capacity. This percentage compares, on the same basis, with 134.1% for May, 133.2% for April, 134.4% for March, 135.9% for February, 138.8% for January, and 133.7% for June, 1942. The average number of active spindle hours per spindle in place for the month was 457.

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"Our Reporter On Governments"

By S. F. PORTER

Well, the reaction came, before, not after Mussolini's downfall. . . . The decline which was forecast in this column, which you were warned about. . . . It's never good sense to be "complacent"—especially about a market which has been in a protracted upswing. . . . It's never a good idea to be sure you're on a one-way street, because there's no such thing. . . . There's always a turn some where along the line. . . . And this observer points with what it is hoped you'll excuse as pardonable pride to the predictions printed here during the last few weeks about the imminence of a turn in the trend. . . . A breathing spell. . . . A drop "sponsored" and "approved" by the official sources. . . . The timing was right for it. . . . The price level demanded it. . . . And the complacency—remember that word and guard against the state of mind—made it inevitable. . . . But now let's get on to the background of the reaction which carried the tax-exempt 2¾s of 1965/60 down to 112 last week and to some of the inside stories. . . .

This wasn't a shake-out. . . . It was a shake-down. . . . A prime and highly significant distinction. . . . There was virtually no trading in the long-term tax-exempts on the way down last week. . . . Reports were heard all over the Street about the inability of dealers to liquidate blocks of 25 bonds! . . . The market suddenly closed down. . . . Bids disappeared. . . . Prices were marked down without an accompanying absorption of supplies of bonds. . . .

And then Secretary Morgenthau came along and in a letter transmitted through the Federal Reserve Banks to Government bond dealers, denied the story that was the basis for the rumor. . . . Did his best to knock down the report which had been the basis for the whole thing. . . . And the reaction was over—just as the world received the news that Mussolini had fled from his untenable position and his government had fallen. . . . Only, Morgenthau tried to keep the newspapers from printing the story, so it's not generally known that the Secretary of the Treasury actually stepped in to kill the grapevine tale. . . .

But let's go back—to something this observer considers of tremendous importance. . . . Namely that the reaction in the tax-exempts had all the ear-marks of a "phony" . . . And blunt as that seems, all that's asked is that you read the following and then draw you own conclusions. . . .

(1) According to the story, the reason for the drop in the tax-exempts was the rumor started by a writer on Government bond movements from Washington to the effect that the exemption clause was going to be made less favorable by Congressional action. . . .

(2) It's all vague as can be but the tale was that the Treasury was going to recommend a lowering of the corporate normal tax from 24% to some unmentioned figure in order to eliminate the advantage of the exempts. . . .

(3) If the exemption was made ineffective by this, the rise in such an issue as the 2¾s, for instance, since last year would be without foundation and a prolonged decline would be justified. . . .

(4) Had you heard that story from any authoritative source?

(5) Had you seen it in the newspapers? Did or do you believe the rumor? . . .

(6) Outside of that rumor, the market had no adverse influence to battle. . . . It was tired, sure. . . . That was clearly told in these columns weeks back. . . . It deserved a shake-out. . . . But a shake-down? . . . That's somehting else again. . . .

And to top it all off, after the market had been shaken down Morgenthau felt it necessary to come along and write the dealers—via the Reserve Banks—that:

"I feel there is a contract which stands between the Federal Government and the holders of these Federal tax-exempt securities and I don't intend to directly or indirectly circumvent it." . . .

Maybe we're being unfair but we wouldn't be surprised to learn in the future that some of the bigger dealers around Wall Street "make a killing" on this one. . . .

Maybe we're being unduly suspicious, but the comeback in the quotations—especially on the 2¾s—was a little too easy to have been completely natural. . . .

And now as for the news from Italy and the market's uneasiness, that's to be taken for granted and is entirely logical. . . .

We're simply witnessing that correction in the market which was essential and which had to come to permit individuals and institutions to buy with confidence again. . . .

THE SEPTEMBER DRIVE

That's good news Secretary Morgenthau gave us on the September drive. . . . Good bonds chosen for the basket and unless things go completely haywire, the campaign should be a successful one. . . . $15,000,000,000 isn't too much if the drive is properly handled and judging from the unprecedented preparations, it's going to be. . . . It'll come from individual investors, corporations, insurance companies, savings banks, trust funds, etc. . . . And the banks in the commercial classification will be able to come in right after the drive officially closes and pick up a few billions of new 2s and new ⅞% certificates. . . .

Incidentally, that might mean real trading in the securities won't begin until after the commercial bank subscriptions are in. . . . For the commercial banks make the market and their activities are essential for an active, colorful session. . . .

Essentially, the "basket" will be the same as in the second war loan drive. . . .

Series E, F and G war bonds, of course. . . . Apparently, the Fs and Gs are here to stay despite persistent rumors to the contrary. . . . Comment from authoritative source is that Treasury has no desire to eliminate a list of people who are buying happily and steadily. . . . Fs and Gs have their followers, have built up definite favor in specific groups. . . . So regardless of the disadvantages of a "demand" bond, they're here indefinitely. . . .

Series C savings notes. . . . For tax anticipation purposes. . . . Large corporations may buy these with confidence and thus pursue their own pay-as-you-go plan. . . .

2½% bonds of September 15, 1969/64. . . . The fourth of the "on sale" series of 2½s, identical in every respect—except exact due date—with most recent issue of 2½s of 1969/64. . . . The June 15 2½s are selling at 100.10-12 at this writing. . . . The 1968/63 2½s are holding around the 100.16-100.18 level. . . . The 1967/62 2½ are at 100.30-31. . . . And now these are coming in. . . . They should be attractive, should get up to the 100.8 or 100.10 level without any trouble shortly after closing of the subscription books. . . . But commercial banks can't buy. . . . And so the big play that ordinarily follows an issue bought by the banks will not be there. . . .

2% bonds of September 15, 1953/51. . . . Also designed to slip right into growing list of 2s in the intermediate classification. . . . Various 2% issues due in the 1951/49 group are selling between 101.5 and 101.14. . . . 2s of 1952/50 group are selling between 100.21 and 100.30. . . . 2s of 1955/51 are at 100.20. . . . So here come these 2s of 1953/51, destined for a ½ to ⅝ premium after market settles down. . . . Should be the best bond to play with. . . . Should arouse the most speculative interest. . . . Commercial banks can't buy these during the drive but after the drive is over, banks will be getting their own flotation of 2s and ⅞s and the 2s well may be the same as these. . . . Or only slightly different. . . . So keep your eye on this one, particularly. . . .

And ⅞% certificates. . . . The usual thing. . . . Secretary Morgenthau also sold $2,509,000,000 ⅞% certificates last Thursday and Friday to refinance the $1,609,000,000 maturing certificates of indebtedness and to raise an extra $900,000,000. . . . With this extra $900,000,000 in the form of new ⅞s, the Treasury has the huge sum of $17,461,000,000 certificates of indebtedness outstanding. . . . All due within the year. . . .

And now that the ⅞s have been taken care of and, as forecast last week, Morgenthau has raised another $900,000,000 along with this refunding, he still must sell new issues to take care of the $279,000,000 1% notes due September 15 and the $1,401,000,000 3¼s up for payment October 15. . . . Unless he chooses to use up his hard-raised cash from individual subscriptions to pay these off. . . . The 3¼s are holding at 100.22, indicating a refunding offer is expected. . . .

INSIDE THE MARKET

One rumor around is that the Washington service that spread the story about the lowering of the normal corporation tax came to New York to check the story, then went back to Washington and sent the story out from there! . . . An odd enough way to find "official" information. . . .

No doubt about it. . . . The weakness in the exempts created some wonderful trading opportunities and now that the clouds have been cleared away, there should be marvelous possibilities in those 2¾s and 2⅞s. . . .

It's hard to imagine how Congress could explain to the public any move lowering the normal tax rate, even though it raised the surtax rate at the same time and tried to show how it would eliminate tax-exemption on Governments. . . .

J. J. Flanigan With Buckley Brothers

LOS ANGELES, Calif.—John J. Flanigan has become associated with Buckley Brothers, 530 West Sixth Street, members of the New York Stock Exchange, as manager of the trading department. Mr. Flanigan has been identified with the security business in Los Angeles and San Francisco for a number of years.

Fed. Machine & Welder Situation of Interest

Federal Machine & Welder Co. offers attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. An interesting basic report upon the company may be had from Reynolds & Co. upon request.

Situations Of Interest

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