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John T. Barry With Public Nat'l Bank

E. Chester Gersten, President of The Public National Bank and Trust Company of New York, has announced the appointment of John T. Barry as Assistant Vice President of that institution. Mr. Barry, who has been connected with the St. Louis Office of the General Motors Acceptance Corporation for the past eleven years, will be identified with the Correspondent Bank Division and will devote the major part of his time to the Middle-West, in which territory he is well known.

John T. Barry

He is a native of Illinois and a graduate of the University of Chicago. He started his business career in 1924 with A. G. Becker & Co. and became associated with the General Motors Acceptance Corporation in 1927 and served as Manager of the St. Louis office since 1932.

PENNSYLVANIA

Corporates—Municipals

Special material and items of interest with reference to dealer activities in the State of Pennsylvania appears on page 502.

For index see page 516.

Reopening Trade Channels Will Solve Import-Export Problems

J. C. Rovensky Of Chase Bank Regards Opportunities Lying Ahead As Stupendous

With his return to private business after serving in Washington for several years as Assistant Co-Ordinator of Inter-American Affairs, Joseph C. Rovensky declared on July 28 that "I've come back with a greater regard for our form of government and our way of life than I ever had before." Mr. Rovensky, who is Vice-President of the Chase National Bank of New York, made this statement in speaking at a testimonial luncheon given in his honor by the Latin-American Section of the New York Board of Trade. He further said: "Don't forget that Washington is the head office of your country and today it's the head office of the world. Giving Washington the absent treatment just doesn't get you anywhere, unless you know your Congressmen and Senators and tell them your views; unless you know where and by whom matters affecting your business are being decided—not after—but before the fact." He likewise observed that "everybody in Washington isn't a new dealer or a crackpot, and a lot of men from private business have done an excellent job."

Joseph C. Rovensky

According to Mr. Rovensky "already signs show that big changes are in the making. The Americans are no longer menaced. Our home plate is safe; that Great Britain is safe from invasion." He went on to say:

"The Russians will not only hold but on the soil of Russia the Nazi war machine has broken its back. We know that Africa is firmly in the hands of the Allied forces.

"We know that the submarine menace is licked. The Nazi and Jap vermin of the ocean is being destroyed.

"And we know that the supremacy of the air is ours. And we have seen that this means for the success of our fighting forces in Tunis and Sicily. Italy has cracked. Once more in Mussolini we see another idol with feet of clay. Yes and we see it in Russia and in the Far East.

"And so we enter into new phases. Many of the jobs which were so difficult and so important will from now on ease off. Our plants for war work are built and in production. We know how much material we need and where to get them.

"The shipping problem looks much better. We are building ships at an astonishing rate and the sinkings are diminishing; freeing the Mediterranean has added Great Britain capacity to the Allied cause. More and more we liberate additional areas whose resources become available, while the noose narrows around the enemies' throats.

"We can now get our materiel more safely and speedily. Slowly

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Ford Says More Industry Needed To Build Basis Of Good Society

Calls Money Secondary To Helping General Public

Henry Ford, in a statement on the eve of his 80th birthday, declared on July 29 that business and industry "must build the physical basis of the good society" and called for "more and more industry" to serve America's needs or the world's needs.

Stating the principles that have guided him in his business career, Mr. Ford said that money was never his main object, regarding it as "one of the by-products of business," and that it "must always remain secondary where anything really useful is done." He asserted that "a business will not lack money as long as it produces something that really helps people," adding that "the only real profit is the general benefit."

Henry Ford

Declaring that only industry can abolish poverty, Mr. Ford stated that more industry "is essential to political and economic freedom, and anything that hinders industry is harmful to the American ideal."

Mr. Ford's statement follows:

"By doing things that need to be done, we have found that the necessary means come along as a by-product.

"We never made money our main object. We regarded it as one of the tools, one of the raw materials, one of the by-products of business, and as a result we always found that we had enough.

"Money is just a part of a practical life—it saves time in exchanging goods—and is no good for anything else.

"People who desire to live off money, thinking that money is wealth, easily become parasites. It is the desire to create something useful that makes them workers.

"The profits we are most interested in are those the public gets from using the commodities that industry produces. After all, the only real profit is the general benefit.

"We never have believed that we could be prosperous alone. Real prosperity is prosperity for all.

"Young men should understand that a business will not lack money as long as it produces something that really helps people.

"But if you make money the object, you are likely to miss it altogether, because money just is not big enough to be the main object. It must always remain secondary where anything really useful is done.

"Our business has been free from all stockholder and financial control, and therefore we could do many things that needed to be done.

"When wages were lowest in this country, we made them high-

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Never Ending Tariff Controversy

Editor, Commercial & Financial Chronicle:

In your July 22nd issue, Dr. Ivan Wright comments upon the tariff problem as follows:

"After World War I . . . we became the world's great creditor nation. But we held on to our high tariff policies. Investors demanded protection from the low cost production of foreign countries; labor demanded that their jobs be protected from the cheap goods of European and Asiatic labor. The farmers demanded protection from the low prices of South America, Australia, and Canada, and we proceeded to shut the door to the collection of the proceeds of our foreign investments in the only way they could be collected—in foreign goods.

E. S. Pillsbury

"After this war . . . foreign countries will need plenty of our capital and consumer goods, provided we are willing to sell them on credit. If we do sell to foreign countries on credit, we know that we cannot collect in gold. The proceeds must be invested in the capital and productive facilities of the foreign countries, and we must accept pay in the goods produced. All of this will make for lower prices and **a more abundant supply of goods in the United States and the whole world for that matter.**" (Emphasis ours.)

I tage it that, if carried through to successful conclusion, the policy here advocated would make USA the major loan shark—the chief absentee landlord of the world. The Mexican Government, through its confiscation policy, has recently given us a practical illustration of what that part of the world thinks of the absentee owner. Have we any reason to think that the rest of the world will look upon such a foreign investor very differently if we proceed to become such?

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War, Inflation and The Stock Market

The War

War is bearish and peace is bullish and the price path of our common stocks naturally reflects this. Once the markets took a realistic view of World War II in 1939, the Averages started down from above 155, with the first signs of a permanent upturn about the time of the victory at Midway. Stocks were worth more later that year when the British attacked in Egypt and they have been worth more as we have moved to Tunisia and then to Sicily. The elimination of Mussolini brought some selling into stocks but they should recover quickly as people understand the real significance. In one manner of speaking, the lows under 93, established between the British loss of Singapore and our loss of the Philippines, can be forgotten as phenomena of the past until the war is won and new factors gain the ascendency.

It is the progress of the war that will fix our tax policies, the degree of control on our way of living and, also, the course of the next national election. Stocks today are being appraised mainly by the composite judgment of their theoretical postwar earnings, but if the war against Germany is not won this autumn or by the latest early next spring, all our criteria become meaningless, and a very sharp downward readjustment in stock prices is inevitable.

The basis for expecting such an early victory is simply one of mechanical superiority against shortages and exhaustion. If we misjudge the problem and are involved in an old fashioned land battle of millions of men, resembling the war on the Russian front, then it may take years instead of months to bring the final decision.

From a stock market standpoint, the problem of the war in the Pacific is much less important. In fact, its continuation after the conclusion of hostilities in Europe will tend to ease the reconversion to a peace economy.

Inflation

Many people erroneously think that "inflation" and not war is

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Panhandle Oil Co. To Enter Investment Field

The Panhandle Producing & Refining Co. is planning to extend its activities to include the field of general investment in addition to its integrated operations in the petroleum industry according to an announcement regarding the special meeting of stockholders called for Aug. 20 at Wilmington, Delaware. A charter amendment authorizing transactions in securities of other corporations will be voted upon at this special meeting.

According to a proxy statement sent to stockholders, the company intends, so that the investment phase of its business will not become subject to the Investment Company Act of 1940, to restrict the maximum value of securities owned at any one time to 35% of total assets, exclusive of cash and government securities, on an unconsolidated basis (amounting to $5,760,573 on Dec. 31, 1942).

Stockholders will also vote on a proposal to indemnify officers and directors against liabilities and expenses in connection with proceedings to which they may be made parties. However, the company, the amendment states, will not indemnify anyone "finally adjudged liable for negligence or misconduct in the performance of his duties."

Albert Quist Now Is With Eastman, Dillon

Albert J. Quist has become associated with Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other Exchanges. Mr. Quist was recently with the U. S. Navy. In the past he was manager of the municipal department of Mackay & Co. and conducted his own investment business under the firm name of Quist & Co.

Wm. Fuller Co. Admits Cavanaugh, J. Fuller

CHICAGO, ILL.—Audran J. Cavanaugh and Joseph T. Fuller have been admitted to general partnership in the Chicago Stock Exchange firm of William A. Fuller & Co., 209 South La Salle Street, it is announced. Both were formerly with Fuller, Cruttenden & Co. and joined William A. Fuller & Co. at organization. Other partners include William A. Fuller, Wallace T. Combiths and Jerome F. Marquardt.

Carl Hartwig Joins Staff Of Brailsford

(Special to The Financial Chronicle)

CHICAGO, ILL.—Carl A. Hartwig has become associated with Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange. Mr. Hartwig was previously with Dempsey-Detmer & Co. in charge of the trading department.

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Byfield Co. Opens New Dept. Under Waldman

Byfield & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce the establishment of an advisory department to handle problems in trust management and afford counsel on general economic and investment matters for individuals and corporations.

The new department will be under the managmeent of N. E. Waldman who was formerly Chief, Analysis and Statistics Section, General Industrial Equipment Division of the War Production Board. Previously he was head of an investment counsel firm under his own name from 1932 to 1940. Mr. Waldman has been chairman of the Bondholders Committee in reorganization of Philadelphia and Reading Coal and Iron Company since 1937.

Impact Of Events On Investment Policy

The impact of events on investment policy is discussed in the current Bulletin issued by Strauss Brothers, 32 Broadway, New York City. Copies of this interesting bulletin with a list of suggestions may be obtained upon request from Strauss Brothers.

OUR REPORTER'S REPORT

Institutional portfolio managers are being severely squeezed these days between the dearth of new and suitable "legals" on the one hand and the heavy calls for redemption of corporate bonds on the other hand.

The shortening of the field of operation open to such interests is not widely appreciated until something like the North American Company's plan for breaking up its system to meet the requirements of the "Death Sentence" order of the Securities and Exchange Commission brings it into bold relief, temporarily at least.

Under the program of dissolution just filed with the Commission, North American Company proposes to split its remaining properties up into four regional groups integrated so as to meet the requirements of the Public Utility Holding Company Act.

To do this it is planned to retire the remaining 3¾ and 3½% debentures of the parent company now outstanding, through the use of proceeds of a $34,881,500 bank loan, carrying a 2% interest rate, for which arrangements have been completed.

As a further indication of what institutions are up against, it is estimated that savings banks throughout the country will show a reduction approaching $300,000,000 in holdings of corporate obligations due to retirements and redemptions this year.

Post-War Reserves

Another factor in the growing trend toward debt retirement is the disposition on the part of corporations engaged primarily in war work to set aside portions of their earnings as reserve for reconversion needs and other possible contingencies.

Naturally it would not be economically justifiable to hold such funds in cash, so the urge is to put these monies to work. This is done largely, it is assumed in one of two directions.

Either the corporation puts such funds into war bonds of the Treas-

(Continued from page 509)

Likens Flood of Purchasing Power Being Stored Up To Boulder Dam

Urges Extension Of Controls To Avert Post-War Boom

Editor, The Commercial & Financial Chronicle:

As you invite comments on Dr. Ivan Wright's second article on inflation, I submit the following.

There is impounded behind the 726-foot wall of Boulder Dam the largest artificial lake yet created by man. If for some reason it were necessary to empty this reservoir, the engineers would increase the outflow so that it exceeded the inflow and over a period of time the level of the lake would gradually be lowered and the flood waters would harmlessly run to the sea.


Richard C. Lilly

There is now impounded behind the economic dam created by the war the greatest flood of purchasing power ever known to have been stored up. In Dr. Wright's article it seems to me he accepts the thesis that when the war is over the engineers will blast the dam, releasing a great tidal wave of purchasing power on a parched valley of production. This tidal wave will carry with it a rise in prices that will be unheard of in this country and in a short period of time will have expended itself and the valley will be subjected to a drought of deflation.

I cannot understand why no attempt is made to educate the American public to a procedure of scientifically reducing this impounded purchasing power. There seems to be great timidity about vigorously continuing controls of business into the peace period. As soon as this is suggested, and Dr. Wright does indicate that an effort may be made in this direction, there is an attempt to place a New Deal label on any such proposal. The thought behind this seems to be that the conservatives have accused the New Dealers of instigating controls during

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NASD Refutes Contentions Of Those Advocating Listing Of All Securities

The National Association of Securities Dealers, Inc. takes exception to the views expressed by Howard R. Taylor, President of the Baltimore Stock Exchange, and others advocating listing of all securities on exchanges. (Mr. Taylor's statement is carried in full in the "Financial Chronicle" of July 22nd, page 298.) The NASD, in an article which will appear in the next issue of the "NASD News," a reprint of which the Association will send to every member of Congress, declares:

NASD has never believed that constructive ends result from public exposition of the securities business' internal differences. But it feels compelled to answer charges that have been made against the character and responsibility of the business of the vast majority of its members. Apparently several spokesmen for small stock exchanges have gone to Congress or to the press with statements and arguments that can and must be refuted. One such spokesman is Howard R. Taylor, President of the Baltimore Stock Exchange. In June, he wrote a letter to every member of Congress, circulated copies among the press; followed this up some time later with a press release; in July addressed another appeal to members of Congress. In the following, which is a reprint of a reply which NASD has sent to every Congressman, certain of the statements made by Mr. Taylor in his first letter are in bold face and NASD comment in Roman immediately under each passage:

* * *

"Do you know that any and all securities may be bought and sold in any public or private place, while by Congressional Act a large percentage of the securities purchased by the public every day are barred from being traded on the supervised stock exchanges?"

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Says SEC Should Be Administered By Men Sympathetic To Our System Of Free Enterprise

Seward M. Lawson, Stoetzer, Carr & Co., Penobscot Building, Detroit, addresses the following letter to Senator Homer Ferguson of Michigan in which he advocates, among other things, that Congress make it mandatory that executive officers of the SEC be men with actual experience in the securities field:

"Recent hearings before the House Committee on Interstate and Foreign Commerce wherein certain members of the Securities and Exchange Commission staff were questioned as to their financial, and certain of their past political affiliations, developed the amazing fact that most of them had never had any practical experience in the business that they are empowered by Congress to regulate. Good business wisdom should determine that before Congress appropriates any more funds for the upkeep of the SEC, that it should amend the Securities Acts so as to at least make it mandatory that executive officers of that Commission should have a certain amount of actual experience in the business over which they are given so much authority.

"In the revival of private business, which is anticipated after the war, much new public financing and refinancing will be required to repay present Government loans, and provide for the development and manufacture of new products. The investment banking business is a most important link in the chain of private enterprise.

"If such agencies as the SEC are to regulate without destroying the creative energies of the industries in this country, these particular grants of delegated power should certainly be administered by men whose background is sympathetic to free enterprise, and our traditional institutions.

"The industrial communities of this city, and of the country at large, have demonstrated their ability to deliver the goods, and would like to feel that they can trust you to see that such commissions as the SEC are governed by the experience of practical men with first-hand knowledge of the business involved.

"May we count on you?"

Allen Elected Pres. Of Detroit Bond Club

DETROIT, MICH. — Alonzo C. Allen was elected the 28th President of the Bond Club of Detroit for the year 1943-44 at a special meeting of the Board of Directors.

A. C. Allen

Mr. Allen has been engaged in the securities business in Detroit since his graduation from the University of Michigan in 1926, having started with Halsey, Stuart and Co. In 1936 he opened the local office of Blyth and Co., Inc., and is still associated with that firm. He has been active in many security and investment banking activities for several years, having previously served as Secretary-Treasurer, and Vice-President of the Bond Club, and is at present Vice-Chairman of the Michigan Group of the Investment Bankers Association.

Other officers elected are William M. Adams of Braun, Bosworth and Co., Vice-President, and Howard L. Parker of M. A. Manley and Co., Secretary-Treasurer. These officers together with Charles C. Bechtel of H. V. Sattley and Co., Douglas H. Campbell of The First of Michigan Corp., John L. Kenower of Miller, Kenower and Co. and Bert F. Ludington of Watling, Lerchen and Co. will comprise the Board of Directors for the coming year.

N.S.T.A. Advertising Notes

With approximately two weeks left, we have signed contracts equivalent to the total business secured last year. With a small amount of individual time devoted toward developing ads for our special edition of "The Commercial and Financial Chronicle," we could easily double last year's return to our National Treasury.

Los Angeles reports that President Donald E. Summerell of Merrill Lynch, Pierce, Fenner & Beane is covering their membership and, with business already sent in, hopes to substantially increase these amounts in the near future.

Gene Hussey, First Boston Corp., President Boston Securities Traders Association, informs us that in addition to Dayton Haigney, Chairman, Carl Jordan of R. W. Pressprich & Co. and Sumner Wolley of Coffin & Burr complete their local advertising committee.

Our New Orleans affiliate has named Jerry Glas of Glas & Crane Chairman, and their President, J. W. Kingsbury of Kingsbury & Alvis is assisting Mr. Glas.

I know we are all busy and most offices are short of help, but I'm sure all will recognize the fact that a call or two on the phone will ring our National cash register.

Harold B. Smith, Chairman
NSTA Advertising Committee
Collin, Norton & Co.
30 Pine Street
New York, N. Y.

Urge Making NSTA Reservations Early

The National Security Traders Association announces that it has been able to reserve a block of rooms at the Palmer House for members attending the Annual Election Meeting to be held in Chicago on Aug. 20 and 21. In order to confirm accommodations, those planning to be in Chicago are urged to get in touch with Larry A. Higgins, Hulburd, Warren & Chandler, Chicago, who is in charge of hotel reservations. Registration blanks should be sent, with check, to Leo J. Doyle, Doyle, O'Connor & Co., 135 South La Salle Street, Chicago, as soon as possible as it is more important than ever to have advance registrations in order to provide for luncheons and dinners under the ration requirements.

Every member of the Association is invited to attend every session held during the Annual Meeting, which will be outstanding in many respects and one of great importance. The Association wants the support of the membership and it is hoped that as many members as possible will arrange to be present.

Nathan Sharp Now With R. S. Dickson In Cgo.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Nathan S. Sharp has become affiliated with R. S. Dickson & Company, Inc., 135 South La Salle Street. Mr. Sharp, who has recently been with the War Production Board in Chicago, was formerly manager of the municipal bond department of Bacon, Whipple & Co., was Chicago manager for R. W. Pressprich & Co. and was with Brown Brothers Harriman & Co. and Central Republic Company.

Amott, Baker Opens Branch In Boston

BOSTON, MASS.—Amott, Baker & Co., Inc. have opened a branch office at 30 State Street, under the management of Wayland M. Minot. Mr. Minot was formerly with H. C. Wainwright & Co. and in the past was local manager for Allied Distributors, Inc. and Distributors Group, Inc.

A. J. Morison Heads Cohu & Torrey Dept.

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, announce that A. J. Morison has become associated with them as manager of their syndicate department. Mr. Morison for many years conducted his own investment business, under the firm name of A. J. Morison Co.; this firm has been dissolved.

Railroad Securities

At least from a trading angle the day-to-day war developments have become the completely dominating factor in railroad securities. Investment sentiment has not been altered by the rcent favorable trends of the war—bonds of the caliber of Louisville & Nashville, Great Northern, and Pennsylvania junior mortgages and the senior bonds of somewhat weaker credits have been notably firm at or close to their highs. There has also been a very consistent good demand for the maturities of up to ten years of all but the weakest credits. The speculative sections of the bond market and virtually all sections of the stock market, on the other hand, have been highly nervous.

The week-end announcement that Mussolini had been ejected as head of the Italian government heaped fuel on the fire of an incipient peace psychology which earlier had fed on the failure of the German offensive in Russia, the strength of the Russian counterdrive, and the speed of the United Nations drive in Sicily. There was a sharp drop in prices for speculative rail securities characterized by a withdrawal of bids. Offerings were just as scarce a few days later when announcements from Rome indicated that the Italians might continue to fight with the assistance of Germans. This rally was short-lived, however, and peace sentiment was again to the fore at the close of the week.

There is every reason to believe that the flow of war developments will continue as the major factor in speculative price movements, at least for the time being. This peace psychology might well hit its peak with the final surrender of Italy. If this brings another sharp break in speculative bond prices it will, in the opinion of many rail men, afford an excellent opportunity for the accumulation of the better situated reorganization securities at bargain prices. These analysts contend that while the selling pressure was, and is, to be expected in view of the previous sharp advance and the large speculative trading following that this type of bond had attracted, it is by no means justified on the basis of the fundamental value of, and long term prospects for, the securities.

For some time past the speculative appeal in the general run of reorganization securities has rested mainly on the implications inherent in the large accumulations of cash. This cash is already in the respective treasuries, and is not merely a hope of what may come from a continuation of the traffic boom. Even an immediate end to the war would not cause the present substantial balances to evaporate, and reorganization capitalizations have been set up in such a manner as not to cause a cash drain even in depression periods. Therefore, to the extent that strong finances may have justified bullishness in individual reorganization roads two weeks ago, they are still elements of value today regardless of the favorable war trends.

Aside from the cash consideration, it is also being pointed out that no realistic appraisal of the situation can support the theory that railroad traffic and earnings will decline precipitously on completion of the European phase of the war. Presumably such a development would mean intensification of the drive in the Pacific theatre, which in turn would mean complete utilization of at least the transcontinental rail facilities. Even if the end of the war in Europe should come within a relatively short time and if this should be the signal for reduced production of war materials, it would not likely have a serious effect on rail traffic.

If plants were released from war production and there was an easing of the tight situation in raw materials, production for civilian use would almost certainly be correspondingly increased, thus taking up any slack that might develop in overall industrial activity. As a matter of fact, such a development would be fundamentally very constructive from the point of view of the carriers. It would mean a gradual conversion from war to peace activity, rather than the sudden changeover that will be necessary if peak war production is continued right up to the final end of all hostilities. Gradual rather than sudden conversion would obviate the temporary very sharp contraction in rail traffic which is generally expected at the war's end. On the basis of all of these considerations it is difficult to recognize any valid excuse for continued bearishness toward the well situated reorganization rails at this time.

Morris-Essex Interesting

The current situation in Morris & Essex offers attractive possibilities, according to a circular issued by Raymond & Co., 148 State Street, Boston, Mass. Copies of this interesting circular may be had from the firm upon request.

Pennsylvania Brevities

Tractions Remain In Favor

Philadelphia Transportation Co., although required by the Office of Defense Transportation to operate at a restricted mileage as a means of conserving metals, rubber and fuel, is carrying the highest passenger load in the history of the system.

Each normal weekday, an average of 3,350,000 passengers are using the trolleys, buses, subways and elevated lines, an increase of 100,000 in the last six months, with indications that the passenger load will go higher. Industrial Philadelphia, attracting thousands of war workers, has placed a heavy burden on transit facilities.

In the opinion of most local dealers, P.T.C. securities have have not fully reflected the steadily improving financial affairs of the company. John Ruchdeschel of Stroud & Co., who has a penchant for such things, has calculated that, since reorganization in 1940, almost $9,000,000 in senior debt has been retired. In addition, equity in equipment issues has increased over $3,000,000. These betterments are equivalent to something over $380 per bond on each Philadelphia Transportation Co. 3-6, 2039.

Pittsburgh Keeps Pace

Although no progress can be currently reported in unscrambling the corporate entanglements of the Pittsburgh Railways Company system, the fare registers continue to click in crescendo. As of the mid-year, the company held approximately $11,000,000 in its treasury. Net earnings for the six months to July 1 are understood to be about $2,200,000, or slightly larger than the net figure for the entire year of 1942. Bondholders have received no interest since operation was taken over by Trustees in 1938 and there appears to be no concerted disposition on the part of the management or of the Philadelphia Company, owner of the equity, to press for consumption of a plan of reorganization. Although only a minority of the underlying securities are publicly-held, it might well be that the Philadelphia Company doesn't wish to run the risk of being 'Deep Rocked' out of its equity by precipitating a showdown.

With earnings and cash steadily mounting, holders of the senior issues can afford to be patient.

* * *

George H. Williams, President of the Investment Traders Association of Philadelphia, will head the Quaker City delegation which will attend the annual meeting of the National Security Traders Association to be held at Palmer House, Chicago, August 20 and 21. Russell Dotts, Bioren & Co., and R. Victor Mosley, Stroud & Co., have volunteered to second "Doc the Raconteur" in an inevitable and off-the-record contest between the Philadelphia champ and Sidney Spritz, Cincinnati titleist.

* * *

Popular among Smoky City dealers is the common stock of West Penn Power Co., a unit of American Water Works & Electric Co., supplying electricity to the highly industrialized area surrounding but not including Pittsburgh. The company is a low-cost producer, obtaining its fuel requirements direct from subsidiary mines. Earnings, which are well stabilized, should hold around the 1942 level of $1.60 per share and maintenance of the present indicated $1.00 dividend rate is expected with a larger payment possible later in the year.

* * *

Sharing in the prosperity of the Pittsburgh area, the stock of **Peoples Pittsburgh Trust Company** is gaining in investment interest in Eastern bank stock circles. Earnings for the first quarter of 1943 were reported equivalent to $0.60 per share, thus indicating a substantial coverage for the $1.60 annual dividend rate. The company was incorporated in 1930 as a consolidation of Peoples-Pittsburgh Trust Co., Metropolitan Savings Bank & Trust Co. and Peoples Trust Company of Pittsburgh. Conducts a general banking and trust business. Operates seven branches and is a depository for public funds. Also owns a stock interest in the First National Bank of Pittsburgh and controls Dormont Savings and Trust Company.

* * *

Although, throughout 1942, the entire output of the storage battery department of Philco, was absorbed by the armed forces and essential civilian users, it was not until the latter part of the year that full conversion of other divisions was

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Pennsylvania Municipals

By EDWARD W. KLING

The Delaware River Joint Commission refinancing has come and, for most Pennsylvania Municipal Dealers, gone. For all who participated it was a fine piece of business. It was a little disheartening in some cases not to be able to fill customer's orders in full, but on the other hand, this slight deficiency in supply is on of the best reasons for the excellent market the bonds have had since issuance.

It was the largest piece of local financing since the Philadelphia Gas Revenue bonds and one of the largest of all time. The Gas Revenue Bonds were taken in large blocks by the various State Funds but only a meager amount of the bridge bonds were absorbed by them. The demand from the local institutions was considerably greater than anticipated and accounts to a great extent for the success of the loan. It was very fortunate for the Bridge Commission, for the dealers in the syndicate and for the investing public that the two bidding groups combined at the last moment. It undoubtedly made a better price possible and the selling strength of such a group put the deal on ice. It is a fine tribute to the excellent management that the bridge has continuously enjoyed that a project entirely dependent on gasoline and rubber could refund so advantageously at a time which we hope and believe to be the low ebb of rationing.

The dearth of supply of new issues seems to be particularly applicable to Pennsylvania. There have only been two issues issues of any moment in the last few weeks. Lower Merion Township School District, one of the best credits in the State, sold an issue of 1-10 year serial bonds at an interest cost of .74%, an all time high. Although the winning bid was for a 1% coupon with a substantial premium, there were several bids for a ⅞% coupon and out of eleven bids made, the lowest was also for a 1% coupon. The School District of the City of Scranton also sold a block of 10½ year average bonds as 1¾s at a 1.60% basis. Several new issues are in the offing but none of any great magnitude. It is extremely hard to accumulate an inventory of any size in Pennsylvania Municipals and practically impossible without recourse to the over-the-counter market. The floating supply of these latter bonds although lately augmented by substantial blocks of Pittsburgh and Allegheny County Bonds on the average is fairly slim and the turn-over is very rapid at top prices. As a matter of fact, prices are considerably higher than in late 1941 with no top in sight.

The condition of the market of **City of Philadelphia** bonds is slightly different. Although they have had a reasonable rise this year, they continue to be much more attractively priced than of smaller communities throughout the State. Due to the refunding program, the second phase of which is now in operation, exchanges have been and are being made from a large variety of old issues into new ones which tend to consolidate the old ones into fewer but larger new ones. The result is that there are presently available several large blocks of a few maturities at currently attractive prices.

Revenue Bonds, such as the **Delaware River Joint Commission** bonds and **Local Housing Authority Bonds** have certainly been a God send both to the dealer and the investor since the curtailment of new issues. Pennsylvania institutions, as usual, have been very cautious in their approach but are gradually and slowly looking more favorably on both. Without such bonds and without what selling there has been for replacement in government issues, it is almost impossible to imagine what the lack of supply would have done to prices which are bad enough as it is. It would make a nice nightmare for an investor with a million-dollar income.

Louisville Bond Club Elects New Officers

LOUISVILLE, KY. — At its annual meeting and election, the Bond Club of Louisville elected the following officers for the coming year:

President: H. Allan Watts, W. L. Lyons & Co.

Vice-President: Otto C. Ruth, James C. Willson & Co.

Secretary: Russell Ebinger, Smart & Wagner

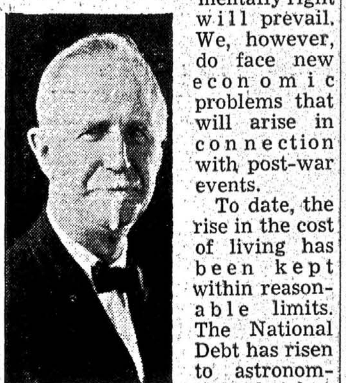
Treasurer: Albert C. Brocar, Jr., J. J. B. Hilliard & Son.

End Of An Era

Roger W. Babson Appeals For Small Communities

The end of Mussolini's twenty-one-year rule over Italy came so suddenly that its significance has yet to be appreciated. It marks, however, a definite end of an era of confusion. The sands of all dictators are now running out. Whether governments of Fascists, Nazis, Revolutionists, Socialists or New Dealers, or city dictators—their ends are in sight. We shall return to Religion and Democracy.

We also face a return to "Relief"—not to New Deal relief, but to relief coming from one more demonstration that what is fundamentally right will prevail. We, however, do face new economic problems that will arise in connection with post-war events.



Roger W. Babson

To date, the rise in the cost of living has been kept within reasonable limits. The National Debt has risen to astronomical heights; but it is being adequately serviced. Money in circulation per capita is the highest in our history. Consumer goods inventories are holding up pretty well; and we should now see more, rather than less, such goods. For the time being, however, there is relatively less for which the average wage worker can spend his money. Hence, Secretary Morgenthau's continued efforts to switch the bulk of War Bond buying from banks to the individual—from the cities to the towns. Any high degree of inflation is likely to come after the War, rather than now.

It thus becomes essential that everything possible be done to prevent a post-war scarcity of goods and resulting uncontrollable prices. This should be the basis of our post-war recovery plan. Russia, North Africa, Latin America, Denmark, Norway and Holland may provide a good deal of food. It becomes more apparent, however, that we shall have to feed, as well as help clothe, several hundred million people outside of our own, beginning with North Africa, Sicily and Italy. For two or three years, we may be obliged to produce much more food and merchandise than ever before.

Small-Town Opportunities

Henry Ford may live to see a revival of his ideas for small factories and processing companies located in towns near raw materials and foodstuffs sources. When 30,000,000 war workers and 10,000,000 service men are demobilized, the larger cities will feel the effect of unemployment and depression the most. Plant owners and labor will fight over wage and production schedules just as they did in 1918-21. Hundreds of large city plants may be idle. It is possible for unemployment to reach new heights unless people return to their birthplaces during the post-war period.

The smaller communities hold the key to solving the problem. The total population of small towns exceeds that of our large cities. If the businessmen, bankers, editors, farmers and other leading citizens of our small cities and towns can get together and operate, by themselves or through government loans, small and efficient plants they can absorb the unemployment slack. I anticipate that 75% of post-war unemployment will be taken care of by existing consumer goods plants and by reconverted war plants. Taking care, however, of the remaining 25% of unemployment may spell the difference between the American way of living and a more drastic planned economy.

World Markets Important

One of the biggest battles at the Peace Table will be over the question of tariffs, shipping and air routes. Whether we can long compete with certain other nations in the cost of manufacturing goods, in the cost of growing and processing foodstuffs, in wage rates and in shipping costs remains to be seen. Foreign trade competition will be unprecedented after the war. To gain an edge on this, we can at least, while the war is on, assure ourselves of surpluses far and beyond our own needs. Foreign demands for our goods and services will be great and we must be prepared fully to meet them. To do this may require a temporary lower standard for wages and living for all groups. This would be better than unemployment.

No other nation is so fundamentally equipped to expand as we are. Control of the post-war world markets would put us at the head of the Peace Table regardless of any question as to whether we, England or Russia had done the most to knock out Hitler. But we can accomplish little without the industrial development and help of 80,000,000 consumer-producers of the American rural hinterlands. In the hands of this group—rather than our large cities—lies the physical salvation of much of the world and certainly the winning or the losing of the coming economic battle on our own postwar home front.

Advice to Young People

Several conclusions may be reached from the above analysis. The chief one is that those now living in towns and small cities should stay where they are and not seek the large cities. Those now in the larger cities should plan to get back to their "home towns" just as soon as the war is over. Following World War II the best opportunities for both young and old will be on good farms and in spiritually minded small communities.

The Stock Exchange Official Year-Book

The 1943 edition of the Stock Exchange Official Year-Book, published in London, England, has just been released in this country, thus making its fourth appearance during the period of the war, conditions continuing to be highly unfavorable.

In most respects the book follows the familiar lines of previous editions containing the complete financial particulars of thousands of companies and securities. The current edition also has particulars of the Joint Advisory Committee of Stock Exchanges and a list of "Marking Names" recognized by the market. A list of local authorities in England and Wales authorized to issue local bonds, which appeared in earlier editions of the book, has been reinstated.

Of particular use and interest, due to the war, is a special list of emergency addresses of companies, registrars, etc., dealt with in the book.

The current issue, which is published by Thomas Skinner & Co. (Publishers) Ltd., London and New York, under the sanction of the Committee of the London Stock Exchange, contains 3,144 pages, and costs $25 per copy in the United States and Canada (duty paid).

Pennsylvania Brevities

(Continued from page 502)

accomplished. Philco's wartime capacity has been estimated at more than double its peacetime output, or above $155,000,000 annually. Earnings for the first quarter of 1943 were reported at $0.56 per share compared with $0.43 in the corresponding period of 1942. The completion of engineering work on additional Army and Navy equipment is expected to add to production and sales during the balance of the year. Philco is a leading supplier of radar and electronics equipment to the government and is planning to continue to service the Army and Navy in the post-war period as well as to develop industrial applications.

* * *

American Lime & Stone Co., a wholly-owned subsidiary of **Warner Company**, has called its outstanding issue of first mortgage 5½s, 1951, for payment at 103 on September 1. Warner Company's new government-financed magnesite plant, in operation since May, is expected to add materially to the company's current earnings and to provide for a diversification of activities in the post-war period.

* * *

The SEC's sour reflections on the proposed plan of reorganization of the Philadelphia & Western Railway found no sympathy from Judge Kirkpatrick in the U. S. District Court, who last week approved the plan and referred it to bondholders for acceptance or rejection.

Shipments for the first seven months of 1943 of **Electric Storage Battery Co.**, it is estimated, will run 25% ahead of the 1942 period, with orders about 35% greater. Backlog is approximately 60% larger than at the end of July, 1942.

* * *

Pretty is as pretty was the verdict of the Public Utilities Advertising Association in awarding first prize for excellence in public relations advertising to **Philadelphia Electric Company.**

* * *

United Gas Improvement Co. reports consolidated net earnings of $9,366,231 for the first half of 1943, compared with $8,074,485 a year ago. These earnings included dividends actually received from Philadelphia Electric Co. and Public Service Corp. of N. J., major portions of which are in the process of distribution under U.G.I.'s plan of divestment.

* * *

The next most probable distribution to **U.G.I.** stockholders, subject to the SEC's favorable consideration, is likely to be the parent company's holdings of **Delaware Power & Light Company.** The proposal involves the acquisition, by U.G.I., of the common stock of Eastern Shore Public Service, merger of that company with Delaware Power & Light and distribution of the stock of the consolidated company.

* * *

R. Conover Miller, E. W. & R. C. Miller & Co., has been appointed Chairman, Quotations Committee, NASD District No. 12. "Connie" will supervise the preparation of unlisted quotations furnished the press in Philadelphia. He is known among close friends as one of the few Philadelphia marines who ever learned to read and write.

* * *

York Corporation, formerly York Ice Machinery Corp., in a report to stockholders, reports completed sales for the first nine months of 1943 of $15,921,651 compared with $11,095,507 as of the same date in 1942. Reserves for estimated taxes were slightly over three times as great as in the preceding comparable period, resulting in estimated net profit of $789,922 compared with $735,928. The management discloses placing of what it believes to be the largest single order for refrigeration in the history of the industry, received after books for the third quarter had closed. This equipment, the use and destination of which are military secrets, will have a cooling capacity equivalent to the melting of a block of ice weighing 23,440 tons, every 24 hours.

* * *

Pennsylvania was second only to New York in internal revenue collections for the fiscal year ended June 30, the Treasury Department has announced. The local 'take' was reported as $1,993,466,069, compared with $1,163,720,211 for the previous year.

Buckley Bros. Opens New Pittsburgh Branch

Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, have opened a new branch office in Pittsburgh, Pennsylvania, in the Union Trust Building, under the management of Horace C. Moffet. Associated with Mr. Moffet in the new office will be M. Peirce Cook. Both were formerly with Craigmyle, Pinney & Co. and R. E. Swart & Co.

Buckley Brothers have also opened a New York office at 63 Wall Street, under the direction of Tracy R. Engle. Opening of the New York branch was previously reported in the Financial Chronicle of July 29th.

The firm's main office is in Philadelphia and branches are maintained also in Los Angeles and Hagertown, Md.

NASD District No. 13 Appoints Geo. Rieber

The Executive Committee of District No. 13, National Association of Securities Dealers, Inc., announces the appointment of George E. Rieber as Assistant Secretary of the District. In this capacity he will act as aide to Frank L. Scheffey, who has been Executive Secretary of the Thirteenth District since the inception of the Association. Mr. Rieber will also act as Secretary of the District Uniform Practice Committee and the District Quotations Committee.

Mr. Rieber has spent his entire business life in the financial district, where for 26 years he had been connected with several leading brokerage firms. He has also acted as instructor on Brokerage Procedure in the Columbia University School of Business and the New York Institute of Finance. Mr. Rieber joined the staff of the National Association of Securities Dealers, Inc., in 1941.

Investment Trusts

Results Of Questionnaire

In his search for the answers to questions vitally affecting the American people, Dr. Gallup appears to have overlooked a fertile field of informed opinion. It has remained for Hugh W. Long & Co., Inc., well-known investment company sponsor, to find out what investment dealers throughout the country believe will be the pattern of our post-war economy.

In a survey of dealer opinion covering 36 States, the Long Company questionnaire produced the following results:

1. Investment dealers generally believe that post-war business will show a substantial advance over present volume.

2. About two-thirds think that present or higher income and corporation taxes will be continued after the war and that price controls will not be abandoned for some time after victory.

3. Roughly 75% believe that living costs will continue to rise after the war, but that private industry will be able to prevent a dangerous degree of post-war unemployment.

4. Industries regarded as having the best post-war outlook rank as follows: Automobile (with a vote of 64%); Chemicals (37%); Airlines (32%).

5. Industries regarded as having the poorest post-war outlook: Machine Tool (with a vote of 49%); Railroad (48%); Aircraft Manufacturing (44%).

6. Germany's ultimate defeat will come next year in the opinion of 69% of the dealers and 51% believe that Japan will collapse in 1945.

Other questions dealing primarily with conditions in the investment business and its outlook brought the following response:

1. 98.5% of the dealers are now keeping their offices open one or more evenings a week for the benefit of war workers.

2. Wartime shifts in population have helped business for 37%, hurt 20% and have had no apparent effect on 43%. However, 41% of dealers' former staffs have been absorbed by the war effort.

3. Only 33% have lined up the men they want for associates after the war, while 73% believe that most of their former associates will return to the investment business. (We're checking this one!)

4. And finally, 86% believe that post-war conditions will be such as to encourage investments.

* * *

The writer of this column should not take a vacation. On returning from a short one, we find the accumulation in our mailbag so large as to prohibit more than summary notices on the items of interest.

First on the list we should like to mention the July issue of Calvin Bullock's **Perspective.** This bulletin contains a "Comparative Study of Economic Conditions—World Wars I and II." Replete with Charts, the discussion reaches the following conclusion:

"While granting that the market after a rise of the degree and duration which it has experienced to date might be vulnerable to such temporarily disquieting news as may develop with the war approaching its climatic phase, we continue of the opinion that, regardless of near-term fluctuations, the investor should be placing major emphasis in his current portfolio on carefully selected and broadly diversified, dividend paying common stocks in view of the strong inflationary environment now prevailing and in prospect, as well as the favorable outlook for business in the post-war period."

* * *

A recent issue of Keystone Corp.'s **Keynotes** asks, "Is an uninvited guest going along on your vacation?" The "guest" in question is worry about the effect of war and change on your investments. There is a simple solution according to the bulletin—put your funds in diversified lists of those classes of securities which fit your requirements and arrange for continuing supervision by an experienced research staff. In other words, Keystone Custodian Funds.

The latest issue of **Keynotes** lists the 30 stocks in the Dow-Jones Industrial Average and shows their individual performance during the first half of 1943. The gains ranged from a high of 53.6% for Goodyear down to 2.9% for Corn Products, as compared with a net gain of 20.0% for the average. Since the mathematical odds against your picking the best stock in the list are 29 to 1, the bulletin concludes that adequate diversification and continuous supervision are the intelligent answer.

* * *

"The 'Group Method' is Growing!" announces Distributors Group in a special letter to active dealers in Group Securities. As evidence of this statement, the letter reports that in the past 6 months dealer sales of Group Securities have exceeded $6,500,000. Dealer concessions on this business have totalled more than $400,000.

"We wrote you on April 28, 1943, 'Leading steel stocks are drastically undervalued' — **and wish to re-emphasize it now!"** To support this statement Distributors Group has recently mailed to affiliated dealers reprints of articles on the post-war outlook for the steels. One, taken from the New York "Times," is by George W. Wolf, president of the United States Steel Export Company; another appeared in Moody's Stock Survey of July 19. Both are strongly bullish on the steels and, as Distributors Group puts it, add two more voices to the swelling chorus of qualified observers who are turning bullish on steel stocks.

* * *

An interesting innovation by Lord, Abbett is its "Message to Shareholders" containing news about Affiliated Fund. This well-prepared goodwill builder was apparently mailed out to shareholders in advance of the regular June 30th Report.

* * *

National Securities & Research Corp.'s series of articles in its **Investment Timing** service dealing with post-war backlogs and business of various industries have recently dealt with Radio, Steel and Office Machines. These articles are carefully prepared and should be highly stimulating to investors interested in these industries.

The most recent sales folder to issue from this sponsor is an attractive leaflet on National Securities Income Series. As the name implies, the management aim is for a high return, which the folder estimates at approximately 6.8% of the current offering price.

* * *

Striking is the word for the latest industry study in the current Hugh W. Long & Co. series. "Electronics on the March!" is the title of the folder which gives a stimulating picture of the electrical equipment industry. Westinghouse Electric has contributed some dramatic photographs to the lay-out.

* * *

"Corporate Profits" and "Post-War Reconversion" are the subjects discussed in two recent issues of **Brevits.** The former is based on a new series of statistical studies by the U. S. Department of Commerce and shows that while 1942 corporate profits after taxes were slightly less than in 1929, a new peak in net corporate profits will likely be reached this year.

* * *

Hare's, Ltd. is out with a new folder on bank stocks showing that earnings are up sharply. Earning assets of leading New York City banks have increased from $13.2 billions on June 30, 1942 to $17.8 billions as of June 30, 1943.

Interstate Aircraft And Engineering Corporation

One of the finest precision plants in the West . . . now on a war footing. . . . BUT A FLEXIBLE FOOTING . . . capable of quick change. This pre-war engineering organization is now geared to war . . . but its FLEXIBILITY . . . gives it a bright post-war outlook.

Starting as a precision plant, in war it turned to making all types of hydraulic actuating equipment—from the smallest valve, to the largest gear mechanisms—bomb shackles capable of handling up to the largest bombs—mechanical and hydraulic gun chargers—and a myriad of diversified precision items. Then, and only recently, the completed L4 Liason plane for the army—and now a new twin engine job, engineered in conjunction with the Navy from blue prints to prototype in less than nine months. This new plane appears destined to make aviation history and its details will shortly become public knowledge. To reach the production required a new Defense Plant Corporations in De Kalb has been outfitted and first step production should be reached in September. With Interstate's engineering staff numbering approximately 300, no task or problem is unnecessarily delayed and production is maintained 24 hours per day, 7 days a week.

CAPITALIZATION
June 30, 1943

No Bonds No Preferred
Only 128,000 shares $5 par value Common Stock outstanding

CURRENT POSITION

Current Assets	$3,582,509
*Current Liabilities	1,808,150
Total Asset Value	4,012,726
Backlog of Orders	56,000,000

This company's fiscal year ends April 30: Year-end statement for this 12 month period to be released shortly. Indications unfold that the common per share earnings, after all charge-offs will be between $1.25 and $1.50 per share. However the earned surplus account was debited with the $5 per share stock dividend paid in March 1943 indicating that the unadjusted net must have been somewhat near this figure.

Dividends: 50c cash March 1942—$5 stock March 1943.

Earnings for May and June are running at the annual rate of $3 to $4 per share and July will show an improvement over June. After September with the new De Kalb plant's earnings included the earnings, on the current computed basis, should show between $6 and $8 per share. These projected earnings are after taxes as established. Renegotiation does not appear as a problem because the bulk of the volume is on a cost-plus fixed-fee basis.

This company has excellent post-war prospects inasmuch as its entire plant in El Segundo is free of debt and is excellently equipped with modern precision tools and machines. The Wilshire and De Kalb plants are under Defense Plant Corporation contracts which entail no liability. Post-war planning is being ardently studied and the company has in various stages of development, a number of articles, any one of which can show an excellent return on the small stock capitalization of only 128,000 shares common stock.

*The company also has $1,865,543 in V-loans which can be construed to be a Current Liability.

Miles Burgess V.-P. Of Distributing Group

Distributors Group, Inc., 63 Wall Street, New York City, underwriter and national distributor of Group Securities, Inc., announced the appointment of Miles Burgess as Vice President.


Miles Burgess

A graduate magna cum laude of New York University's Department of Banking and Finance, Mr. Burgess was previously connected with Van Cleef, Jordan & Wood, where he was engaged in management of advisory accounts and other specialized work. Prior to his association with this firm he conducted his own business as a registered investment advisor, having severed an association of five years with Hugh W. Long & Co., Inc., to engage in his own practice. He came to Wall Street in 1933 and, before entering the investment company field in 1936, was engaged in investment work for the Manufacturers Trust Company.

Mr. Burgess has had wide experience in the financial field as a security analyst and investment advisor and as a writer on financial and economic subjects.

F. J. Weller In N. Y. C.

Francis J. Weller is engaging in a securities business from offices located at 70 East 45th Street, New York City.

Should Italy Be Granted Neutrality?

Babson Says Mussolini Has Saved Us $15,000,000,000

In a special letter to his investment clients, Roger W. Babson says in part:

(1) "When Mussolini last visited Hitler he asked for military aid and permission to withdraw Italian troops from other countries. Hitler flatly refused Mussolini. * * * Mussolini was greatly upset by the Rome bombings and labor uprisings and especially by the refusal of the Vatican to protest such bombings. These events caused him to crack.

(2) "The King of Italy was asked by the Vatican and the conservative army and navy interests of Italy to appoint Badoglio. His first act will be to get Italian soldiers back into Italy and the German soldiers out of Italy. Then he will try to make an honorable trade with the United Nations. * * * Roosevelt and Churchill are now discussing whether 'unconditional surrender' applies only to a Fascist regime or to the nation at a whole.

(3) "Withdrawal of Italian troops from the Balkans should have a profound psychological effect on these satalites which should be a direct help to Russia. * * * Other countries will follow the lead of Italy. Russia will use this opportunity to push her gains. * * * Hitler will then realize that he will lose his Russian campaign. * * * Turkey is in a very strong position to help Russia and all the United Nations if she will join them.

(4) "The most serious problem facing Hitler is oil. He relies much upon the Roumanian oil fields. Much depends upon whether the United Nations get the airfields of northern Italy and the Italian ports and navy. If Italy would turn these over to us now she can enjoy an honorable peace. * * * The duration of the European conflict, therefore, largely depends upon what trade the United Nations can make with Italy.

(5) "China is not getting on well while Japan is digging in. The U. S.'s 'great victories' in the Pacific are largely in the newspaper headlines. Of course, we can make much faster gains against Japan later when we have the help of England (possibly aided by German planes and submarines), but Russia holds the trump hand in the Pacific. Russia can dictate the peace terms there. This means World War II will not be over until after the elections of 1944. Yet, the events of the past ten days have shortened the war by at least three months. * * * The collapse of Mussolini will save many American lives and probably $15,000,000,000.

(6) **"If we permit Italy to become neutral, how can we refuse the same privilege to France, Belgium, Holland, Denmark, Poland, Slovakia, Hungary and Yugoslavia? This would result in Germany being protected by a ring of neutral states. Is this what President Roosevelt had in mind when he talked about the war possibly not ending until 1949 which would be after the elections of 1948?"**

Treasury Makes Sav. Notes Easier To Cash

Secretary of the Treasury Morgenthau has announced that any owner of Treasury Savings Notes of Series C who desires to redeem such notes for cash prior to maturity will no longer be required to give 30 days' advance notice of his intention to redeem.

"Accordingly," it is announced, "any such notes may be redeemed for cash, at the option of the owner and with advance notice, during and after the sixth calendar month after the month of issue."

When these notes were orignally offered in September, 1942, for the accumulation of tax reserves or for the temporary or short-term investment of idle cash balances, they were designated "Treasury Notes of Tax Series C" but last June this was amended to "Treasury Savings Notes, Series C."

A circular regarding the latest Treasury announcement, addressed on July 28 by Allan Sproul, President of the Federal Reserve Bank of New York, to banking institutions and other concerns in the local Reserve District, from which we quote also says:

"At the time of the original offering of these notes in September, 1942, under the designation of 'Treasury Notes of Tax Series C,' the Secretary of the Treasury stated that:

" 'The new notes * * * are adaptable for dual purposes: (1) for the accumulation of tax reserves and (2) for the temporary or short-term investment of cash balances which are at present idle.'

"The elimination of the requirement of advance notice of intention to redeem increases the attractiveness of the notes as a temporary or short-term investment medium."

Argentina Takes Over U.S.-Owned Companies

The Argentine Government in a decree on July 27 assumed supervision of eight industrial establishments, including six American-owned plants engaged in the production of farm machinery, automobiles and tires. In Associated Press advices from Buenos Aires it was stated that the United States firms affected were Ford Motor Co., General Motors of Argentina, International Harvester Co. of Argentina, Goodyear Neumaticos Sociedad Anonima (Corp.), Firestone de la Argentina Sociedad Anonima and Michelin Sociedad Anonima Argentina de Neumaticos.

The British-owned Dunlop Pneumatic Tire Co. also came under the measure. The eighth company was not named, said the press advices from which we quote, which further stated:

"The decree said action was being taken to investigate charges that the firms violated commercial laws which fix maximum prices and require adequate stocks to be maintained.

"The Ministry of Agriculture in an announcement described the move as "interventorship"—a system under which government installs officials as supervisors of private business firms.

"The announcement said the books of all establishments would be examined carefully and that their inventories would be scrutinized.

" 'The measure extends to headquarters (in Buenos Aires) as well as to outlying branches throughout the country,' the ministry statement said, 'thus bringing about more equitable distribution of supplies available and rooting out speculation.'

"The automotive establishments listed had been operating under restrictions imposed by war.

"All maintain assembly plants—depending on parts from the United States—which normally turn out cars and farm machinery.

"The Ford plant had been closed while General Motors and International Harvester had been concentrating on repair jobs.

"The tire factories were working on a shrinking supply of raw rubber, most of which arrived here before the attack on Pearl Harbor and the Japanese drive into the South Pacific."

Gold Revaluation Upward Suggested As Post-War Move

Charles G. Johnson, State Treasurer of California, proposed on July 31 in a letter to President Roosevelt that the United States examine the possibility of meeting post-war financial problems by an upward revaluation of gold, in terms of the dollar.

It is inevitable, Mr. Johnson asserted in a treatise which he enclosed in his letter, that an after-the-war development will be the adoption "of a world-wide monetary system, based upon a universal standard of value."

In reporting this, Associated Press accounts from Sacramento, Calif., stated:

Gold, he declared, will undoubtedly be that standard since, "the world has learned from past experience that all other mediums have resulted in chaos."

"America has the largest investment in gold of any nation," he continued.

"After the war the power of this vast reserve will make America the only credit nation in the world. This influence should be sufficient authority for the designation of what should be the adopted standards for international trade credits and adjustments in foreign currencies."

Stating that this country, as after the First World War, again may find that debtor nations are unable to liquidate, Mr. Johnson declared "Certainly some solution will undoubtedly be found by fixing the price of gold at an amount which will enable gold producing nations to liquidate with their gold supplies."

America, he said, "will be in a position to supply the necessary gold for the adoption of the gold standard by all non-producing gold countries."

"Entirely for the purpose of illustration," Johnson suggested a dollar value of $120 a fine ounce, compared with the present price of $35.40. This, he said, would make the Government's metal reserve worth approximately $80,000,000,000.

"Likewise the gold of other nations would increase in purchase and liquidation power, enabling them to purchase materials for reconstruction of their devastated areas. Our national gold reserves could be employed in stabilizing international trade and currencies.

"As long as the price adopted was maintained by all nations, no one could experience any harm."

To Pay On Finnish 6s

The National City Bank of New York, as fiscal agent is notifying holders of Republic of Finland 22-year 6% external loan sinking fund gold bonds due Sept. 1, 1945, that $373,000 principal amount of the bonds have been drawn by lot for redemption on Sept. 1, 1943, for the sinking fund, at 100% plus accrued interest to the date of redemption. The notice states:

"The drawn bonds will be paid on the redemption date, out of sinking fund monies on hand or to be received, at the head office of the National City Bank of New York and subject to the granting of a license by the Treasury Department. Interest on the drawn bonds will cease to accrue from and after the redemption date.

"On July 26, 1943, the notice states, $463,000 principal amount of the bonds called for redemption previous to the present call, had not been presented for payment and interest thereon had ceased."

Canadian Securities

By BRUCE WILLIAMS

While domestic security markets were having trouble with the good news from the Mediterranean war front, Canadian Government bonds sold at their 1943 peaks last week, closing at the top. The market in provincials continued firm and a further straw in the wind indicating the steady improvement in Canada's financial picture was the call of the entire issue of Canadian Pacific Railway Collateral Trust 4½s, due Sept. 1, 1946.

In the equities markets (which bore the brunt of liquidation here) there was evidence of nervousness but no general decline ensued. Some support undoubtedly was derived from the $4 boost in newsprint prices to become effective September 1.

This makes the second increase in the price of Canadian newsprint this year. In the first two months of 1943 the price was $55 per ton to the U. S. and $50 per to to countries whose exchange is at par with Canadian funds. The first mark-up came on March 1, raising the price to $59.40 and $54 respectively. The new advance brings the price to $63.80 for the U. S. and to $58 for countries with Canadian exchange parity.

Assuming the production rate for the second quarter is maintained, it is estimated that this latest price increase will net the Canadian newsprint industry an additional $3,000,000 in 1943. Next year, other things being equal, the new price structure should net the industry approximately $16,000,000 more than in 1942.

Securities of the newsprint companies have long been discounting this favorable development with the result that there was no general advance in such issues last week. However, in the face of the sharp decline in U. S. stocks, these issues held quite stable around their highs for the year.

* * *

Speaking out fearlessly is a fine tradition for any nation to uphold. "The Financial Post" of Canada has a reputation for exercising this privilege wisely not only in the field of finance but in the related field of statesmanship as well. We like particularly the following editorial which appeared in last week's issue of the "Financial Post."

"Let's Avoid This Trap"

"Just because Mussolini and his gang have been kicked out of power in Italy, this is no time for us to indulge our Anglo-Saxon weakness for sentimentality about the Italian people.

"For almost four years that country has been our enemy, just as ready to bring about the downfall of everything for which we stand, just as ready to kill our soldiers, sailors and airmen as the Nazis. And if the Italians have lacked the strength, skill and guts in so doing, this is no reason to regard them any more fondly than Hitler's Panzers.

"When Italy had weaker opponents, Ethiopia, inoffensive Albania, mortally wounded France, she was very adept at the slaughtering and looting.

"So let us not fall into a trap—a trap that may have been cleverly devised to spare Italy now and to pave the way for sparing Germany later on.

"Let us not be weakened in our resolve to make this victory a good one and one that will last. Let us not be bamboozled into taking the new Italian leaders to our bosom or letting them into our house as harmless and domesticated.

"Nothing would suit the Axis purpose better. Nothing would serve the Nazi cause so well. If we weaken on Italy, we will simply be showing the Nazi hoodlums a way to escape the awful retribution we have in store for them.

"It is we who are on trial; not Marshal Badoglio or the Little King."

Canadian Crops Continue Promising

The Bank of Montreal, in its July 29 crop report, states that crop conditions remain promising in Manitoba; in Saskatchewan and Alberta prospects are generally satisfactory but good rains would improve the outlook materially. The bank's report further says:

"Where moisture conditions are satisfactory, recent warm, dry weather has hastened crop development in the Prairie Provinces generally and most of the wheat has headed out. Oats and barley are making fair to good progress except in dry areas, where growth is stunted. Flax is flowering, but weeds and some rust are hindering development. Damage from hail and insects is small. Sugar beets are progressing favorably. In the Province of Quebec, crops are making satisfactory progress and average yields are in prospect in most districts. Haying operations are well under way and an excellent crop of good quality is being harvested. Pastures continue in very good condition. Root crops are making good progress with prospects of average yields, but canning crops are below average. Small fruits are promising. In Ontario, frequent rains during the past ten days have retarded harvesting operations somewhat but were beneficial to crops generally."

The Securities Salesman's Corner

How One Salesman Makes His Customers His Best Prospects

In our opinion the method of securing customer cooperation and radiation that we outline this week will undoubtedly be more successful in a rural or semi-urban territory. The salesman who successfully uses it admits that he doesn't believe it would be nearly as effective in a large city. His territory takes in cities up to 30,000 population and covers a generally rural area.

The first thing he does is some careful prospecting. He confines his calls to people who are more interested in income than they are in speculation. Usually they are investors in the retired or semi-retired stage. In many cases they consist of women who live upon their income, owning their own home, and are concerned with conserving their principal rather than increasing it.

He next builds confidence. In some cases he has worked for well over a year on an account before the first sale was made. Many times he does unusual kindnesses and favors for these prospects. He cautions that this interest must be sincere in being helpful—otherwise the results will be unfavorable. People are quick to sense a superficial and selfish attitude that is only masked by outward indications of sincerity.

One example of his method is the case of an elderly woman who needed some treads for a crutch she was forced to use and couldn't procure in her locality. He bought a supply and sent them to her. Several times she afterward wrote to him to send out an additional supply. Finally, after a year and a half, she started doing business with him. The account has paid him over two thousand dollars in commissions during the past year—principally in indirect business that she has recommended to him.

Now here is how he secures radiation. In these smaller towns there are groups of people who know each other very well. They are interested in many subjects, among which, strange to say, IS HOW THEY CAN INVEST THEIR MONEY FOR INCOME. When he has made a new and satisfied customer, and only AFTER HE HAS SUCCESSFULLY DEMONSTRATED HIS INVESTMENT CAPACITY, this salesman suggests that the customer invite some friends and he will come around and make a little talk upon the subject of investment. He suggests that it will be strictly a general informative discussion, and of course, no attempt will be made to sell anyone anything. He has a carefully prepared talk he calls "The Filling Stations Of Investment". He outlines in simple, understandable language, how in the past it was only possible for people to go to the great banks and for the very wealthy to secure sound investments and advice. But now there are investment dealers (in most communities,) registered under state and federal laws, who have made a study of investment, and who spend eight to ten hours a day doing nothing else but looking after investments. Then he speaks about bonds, how values are uncovered, how they are watched and safeguarded after they have been purchased by the investor, and he gives specific examples of some of his own good work to prove the point.

The results of these small group meetings are absolutely amazing. Naturally, his client at whose home the affair is held is always on the job and cannot be restrained of doing a little bragging of their own about the way their own investment account has been handled. This clinches it.

Afterward it is a simple matter to make personal calls upon those people who were at the meeting. There may be some who might think this a ridiculous way of doing business. There is one thing we can vouch for—it works for this salesman. His income today is well into five figures and more of his time is devoted to analytical research than it is to selling.

It takes time and patience to build such a business, but if you can do it, we know of nothing in the securities selling field that can beat it.

P.S.—Several weeks ago a reader of this column wrote in from Chicago, Ill. and took exception to a statement we made, wherein we referred to the various commissioners of the SEC saying, "We've had ten years of Boy Scouts and that's about enough". He thinks we shouldn't slur the Boy Scouts by putting them in the same class with the SEC personnel. We'll take it all back and apologize to the Boy Scouts. . . . It's a fine movement, we were scouts once ourselves. If all of the SEC officials adhered to the same high code of "fairplay" and ethics taught by the Scouts the entire country would have little to criticize so far as this Bureau is concerned.

Banner Year Tempered By High Taxes Gave Lower Net Profits, According To Dry Goods Ass'n

While the year 1942 must go down in the annals of the department and specialty store trade as the best on record, peak gross profits were so reduced by all-time high taxes that the final net showing was less by approximately two-thirds, according to the 1942 Departmental Merchandising and Operating Results—an annual report compiled by the Controllers' Congress of the National Retail Dry Goods Association, and based on departmental data submitted by 277 department and apparel specialty stores. The announcement regarding the report was issued on July 23.

H. I. Kleinhaus, General Manager of the Congress, points out that "several new records were reached in 1942," including new high gross margin and operating profits, but he goes on to explain that "it is fair to estimate that with corporate normal taxes, and surtaxes being at the combined rate of 40% and excess profits at 90% on defined excess profits income—from 60 to 65% of retail operating profits were consumed by the tax bill." Reporting further, Mr. Kleinhaus states:

"Generally speaking, the volume and value of goods distributed through department and specialty stores depend to a very great degree on the trend of production and consumer income. So, as note is made of the rise of 13% in the value of sales of the typical department or specialty store which contributed data to the study, activities of all industry during this period should be examined.

"Income payments to individuals in 1942 touched a new high, the index reaching 172 for the year on the 1935-1939 base against 137 in 1941, and 123 in the 1929 peak year. Thus the rise in the value of retail sales is merely a reflection of the increased business tempo resulting from the war."

Security And Venture Are Complementary, Says First National Bank Of Boston

Urges Favorable Post-War Climate For Free Enterprise

Declaring that venture and security are not mutually antagonistic but are complementary, the First National Bank of Boston urges that there "should be created in the post-war period a favorable climate for free enterprise so that business can face the future with confidence and faith."

In its July 30th "New England Letter," the bank says post-war polices "should make for a dynamic economy," with incentives provided "to keep alive the pioneering spirit, to unleash the powerful creative energies of our people and thereby rediscover the touchstone of American progress." In order for the spirit of free enterprise and adventure to flourish after the war, the bank calls for an overhauling of the tax system, providing not only "for a cushion to absorb costly reconversion in some lines and possible losses from a temporary deflation, but also for expansion and new developments."

The bank warns that to destroy the incentive for profit making would drive out private business and make the Government "the chief reservoir of credit and capital, with all lines of activity regimented under its direction."

The full text of the bank's comment on "Venture and Security" is as follows:

"The quest for security is the fundamental urge of the times and is a universal ailment. Essentially it is an attempt to escape from reality. It finds reflection in the 'cradle to the grave' security plans, in deficit financing theories, the new debt philosophy, and in the vast array of Utopian schemes that are designed to provide shelter against the storms of life. This same craving found expression abroad in Fascism and Nazism. The Italians and Germans surrendered their freedom for an illusory security and military pageantry. But they were led into a war of aggression that threatened the very security of civilization. The downfall of Mussolini and the humiliation, defeat, and disaster that has befallen Italy should be warning of the fate of a people that surrender their individual freedom to autocratic power.

"With the crumbling of autocratic systems in Europe, it is timely to reexamine the fundamentals of the American system in which private initiative is the dominant force. Our private enterprise system is the survival of experiments in virtually all forms of endeavor, following thousands of years that mankind was struggling with nature to eke out a bare subsistence. It needs to be constantly corrected and modified as defects appear, but we should make corrections within its framework and not adopt policies that would undermine and eventually destroy it. Human nature being what it is, the prospect of individual reward, based upon contribution to society, is the mainspring of progress, and the release of individual energy under such a stimulus is the most creative force in the world.

"Modern progress is accounted for largely by a comparatively few men who were willing to risk their all on the prospect of rewards. We are told by Carl Snyder that nine-tenths of our wealth is the direct result of the machines, which in turn were the product of the brains and efforts of the inventors, enterprisers, and accumulators. These were the exceptionally gifted individuals who blazed new trails, built our industries, and developed our resources. That they incurred great risks is evidenced by the history of the automobile, railroads, electrical appliances, movies, radio, telephone, airplane, and the like. Many of the ventures failed, but that there was a great net gain to all is reflected in our unparalled economic progress as evidenced by the steady decline in the hours of work, the elimination by labor-saving devices of much back-breaking toil, the maintenance of a high level of employment, and the general increase in living standards over the years. The compensation for these services and risks is very modest, as is shown by the fact that the average net return on capital investment in United States corporations for the past twenty years has been at the annual rate of only about three per cent.

"Over the decades a favorable atmosphere prevailed for risk taking. Then came the global depression, an aftermath of the first World War. Under the distress and confusion of the times there developed the pessimistic philosophy that we had reached industrial maturity and could no longer advance under the direction of private initiative, and that the Government must henceforth be the guiding spirit in our economic progress. The large volume of idle capital was pointed to as evidence that business enterprise could not function under its own steam. But this was a false premise as it put the cart before the horse. Capital markets were largely stagnant because of the Governmental policies adopted, particularly near-confiscatory taxation, which served to shut off the flow of new capital, the constant supply of which is essential for the operation of our economic system. Without this supply of capital, business became stagnant and the United States, which had for decades led the world in economic progress, was among the most laggard in rising from the depression. In short, by penalizing risk taking, millions of persons were deprived of jobs.

"Our economic system is so intricate and so delicately adjusted that a thorough knowledge of its workings is essential to its effective operation. Subject only to reasonable regulation, its direction and control should continue in the experienced hands which have been responsible for our industrial greatness. It should not be unduly interfered with by Governmental agencies, for unwise decisions or the adoption of unsound policies are almost certain to do irreparable harm. As Winston Churchill has said: 'We must beware of trying to build a society in which nobody counts for anything except a politician or an official, a society where enterprise gains no reward, and thrift no privileges.'

"Destroy the incentive for profit making, and private business would be ruthlessly driven out while the Government would of necessity become the chief reservoir of credit and capital, with all lines of activity regimented under its direction. Under such a system, all income produced could not be distributed to the workers, as losses would have to be asbsorbed and reserves set aside for replacements and new equipment as well as for other contingencies. If this were done, there would be much less to go around than at present because of the inevitable inefficiency of bureaucratic management. If reserves were not set aside, then in the course of time the whole system would crumble, business would stagnate, living standards would be wretchedly reduced, and economic and personal freedom would be swept away.

"The war will leave us with a heritage of staggering debt, heavy taxes, and the stupendous task of providing jobs for those released from the military forces and the war plants. The problems of the postwar period will be a challenge to the best talent we can muster, and will call for the intelligent organizing and directing of our resources, manpower, capital, and all the facilities at our command. It is particularly important that private concerns should emerge from the war period strong, vigorous, and resourceful so that they can make a maximum contribution in the reconstruction period.

"For the spirit of enterprise and adventure to flourish after the war there must be an overhauling of our tax system. Not only should provision be made under the corporate tax structure for a cushion to absorb costly reconversion in some lines and possible losses from a temporary deflation, but also for expansion and new developments. Special tax consideration should be given to investment in new undertaking so that there may be opportunities for reward commensurate with the hazards involved. It should be obvious that no enterpriser would knowingly embark upon new ventures if he must absorb all the losses, while the Government through taxes would take practically all of the gains. Under such conditions the would-be venturer might be inclined to stay close to shore and invest his money in riskless securities. But such a policy would result in stagnation and be followed by the Government's embarking upon a huge spending program.

"In keeping with the tasks before us, our post-war policies should make for a dynamic economy. Incentives should be provided to keep alive the pioneering spirit, to unleash the powerful creative energies of our people and thereby rediscover the touchstone of American progress.

"Security and venture are not mutually antagonistic but are complementary. The one depends upon the other, for social and economic progress go hand in hand. We should create in the post-war period a favorable climate for free enterprise so that business can face the future with confidence and faith, and thus be impelled to make long-term commitments that would furnish jobs, the best form of security, and keep open the doors of opportunity for the youth of the land."

NYSE Listed Companies Urged To Note Earnings Subject To Renegotiation

Emil Schram, President of the New York Stock Exchange, suggested on July 28 in a letter to the presidents of corporations having securities listed upon the Exchange that in their interim earnings statements notice be given to stockholders where these earnings are subject to renegotiation. In his letter Mr. Schram said:

"The very cooperative response to my suggestion of May 5, 1943, that, upon completion of renegotiation proceedings which affect a previously published earnings statement, notice be given to stockholders as soon as the revised results have been determined, prompts me to make a further suggestion with regard to interim earnings statements.

"It is well understood, of course, that interim earnings statements, by their very nature, are at best an estimate, and I feel sure that you will agree that where these earnings are subject to the renegotiation provisions of the National Defense Appropriation Act, a qualification to this effect should be made for the benefit of security holders. If it is not expected that the results of renegotiation would have a material efect upon the earnings as reported after provision for all taxes and reserves, it would appear desirable to make a statement to this effect."

Slow Progress In Winning Int'l Agreements On Post-War Commercial Policy Foreseen

Slow progress in obtaining "significant agreement" among nations on post-war commercial policy is foreseen in a report by Professor Jacob Viner of the University of Chicago to the League of Nations Economic, Financial, and Transit Department on "Trade Relations Between Free-Market and Controlled Economies," issued by the International Documents Service of the Columbia University Press. The report states that "given assurance that the other measures necessary for the peaceful and prosperous post-war world will be taken, it is probable that some countries will be willing on their own initiative, or by bilateral or other forms of international agreement, to abolish outright most if not all of the measures of direct regulation of foreign trade which they adopted during the great depression or during the war period."

It is likewise stated in the report:

"Other countries, however, appear to be too strongly committed to direct regulation of foreign trade, either for its own sake or as a corollary of their practice of direct regulation of their economies as a whole, to justify any expectation that it will be possible to obtain anything like universal abandonment of direct foreign controls.

"There would be much more ground for optimism if there could be reasonable hope that the countries at all inclined toward the elimination or substantial reduction of direct controls of foreign trade could be persuaded to attempt to deal with the problem through a multilateral conference.

"It is conceivable that the sense of mutual advantage from adherence to the provisions of an international convention drawn up by the conference would suffice to secure the continuance of the agreement and conscientious execution of its terms. It would be a wise precaution, nevertheless, to provide that adherence to the convention should bring with it valuable privileges confined to the adhering countries, and that serious departure from its terms, if proclaimed by an international agency set up by the conference to be aggressive or otherwise objectionable in character, should bring costly penalties.

"The technical difficulties of framing and of administering a multilateral agreement of this kind would be comparatively moderate if wide acceptance could be obtained for definite and unqualified outlawry of the questionable practices, at least after a transition period had elapsed. If, however, as is likely, many countries will be willing to sign such an agreement only if made subject to important reservations and qualifications, very serious difficulties will result.

"In the light of past experience, the greatest danger will be that an agreement will be reached with general provisions admirable in form and substance but almost totally deprived of meeting or of enforceability by the detailed reservations and qualifications incorporated in the agreement.

"Progress in obtaining significant agreement in the field of commercial policy will certainly be difficult and will probably be impossible to achieve except in connection with the reaching of international agreement in other fields of economic relations, such as limitation of heights of tariffs, the establishment of international credit facilities, and international collaboration on the problem of the business cycle and mass-unemployment.

"Slow progress will not necessarily be fatal, provided there is early agreement on the direction in which movement shall take place and on procedures of negotiation which will assure that the achievement of one stage of reform will lead promptly to endeavors to accomplish the next stage."

Trade Association Unit In Commerce Bureau

The U. S. Department of Commerce announced on July 24 the creation of a trade association unit in its Bureau of Foreign and Domestic Commerce.

It was explained that this action consolidates existing functions, giving broader scope and simple administration, but will not require additional expenditures or personnel. Advices from Washington to the New York "Herald Tribune" added:

"Approximately 2,000 trade associations of national or regional scope are active in domestic and foreign trade of the United States and 7,000 State and local associations, a large number of which are in regular contact with the Commerce Department.

"C. J. Judkins, in immediate charge of trade-association work for the Department for ten years, has been named chief of the unit."

Warns Against Heavier Tax On Little Man

A warning that further drastic increases of individual income taxes may destroy the nation's little man was issued on Aug. 1 by Senator George (Dem., Ga.), Chairman of the Senate Finance Committee.

In an interview at his home in Vienna, Ga., the Associated Press quoted Senator George as asserting that "the virility and strength of any civilization depends upon the middle classes. There is no other way to pull together the very poor and the very rich. The middle class is the liaison."

The Associated Press account further said:

Observing that revenue of the Federal Government has increased tenfold in the last decade, Senator George said that new taxes to be enacted at the forthcoming session of Congress may be expected to yield not more than five or six billions of dollars, or scarcely one-half the Administration's estimate of need.

"One of the strong reasons why I believe we cannot greatly increase individual rates in 1943," he explained, "is that under law, income tax rates must be uniform. Since we have this principle, any drastic increase would be overwhelming for those taxpayers with low or moderate fixed incomes, such as wages, salaries, self-owned business, annuities and the like.

"I would be greatly surprised if the Ways and Means Committee of the House undertook to raise any specific sum of additional revenue, and I would be still more surprised if, at the end of the work of the two committees (House and Senate), we succeed in raising more than five or six billions in new revenue."

"Our Reporter On Governments"

By S. F. PORTER

And now this observer asks once again and in the utmost seriousness. . . . "What do you think is going to happen to billions of tax-exempt Governments still outstanding?" . . . "What do you, the buyer of tax exempts, the holder of these obligations and the person most vitally interested, think the United States Treasury is going to do at this time to disturb the status of the exemption clause?" . . . Honestly. . . . Seriously. . . . And in complete understanding that you're making up your mind now about a most significant question. . . . You simply must do so. . . . Or you too are going to be caught in the whip-saw markets, in the utterly un-understandable fluctuations that have been occurring and that may again occur in this most sensitive of all markets. . . .

You've been watching the quotas. . . . You know that after the 2¾s of 1965-60—the keynote of the long-term tax-exempt list—hit 112.30, they were badgered by an unconfirmed rumor to the effect that the Treasury was going to disturb the contract between holders of exempts and the Treasury. . . . You know that Secretary Morgenthau thought enough about the rumor's effect to come out with an unsolicited (at least publicly) statement containing these words "I feel that 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." . . . And you know that just prior to the disclosure of that letter—written by Morgenthau to Government bond dealers, sent via the Federal Reserve Banks and designed for circulation among the big holders of exempts—the market on exempts started coming back. . . .

But did you know that the recovery was short-lived? . . . That the rise lasted just a bit and then, following the news from Italy, the exempts again had "no market"? . . . Did you know that the experts around Wall Street have been saying as recently as late last week that "you can't sell 25 exempt bonds in this market"? . . .

And did you wonder just why?

(1) Why have these favorably placed obligations been under pressure much stronger than the taxable issues? . . .

(2) Why, if the market is getting its much-needed breathing spell and finally is getting a chance to find a level from which it can advance once more, are the exempts getting the brunt of selling? . . .

(3) Why have the dealers been concentrating on putting these issues in the doghouse? . . .

(4) Who's doing this, anyway? . . .

This observer admits wonder, admits a lack of ability to understand why investors who presumably had made up their minds about the attractiveness of the exempts from a tax or trading viewpoint suddenly are unable to take a stand and stick to it. . . .

It comes down to this:

(1) Either you're going to take Morgenthau's word for it, when he puts that word down on paper for all to see, or you're not. . . . And if you're not, then you shouldn't be holding any Governments because you don't believe in any of his contracts. . . .

(2) Either you want exempts from a tax viewpoint or you don't. . . . And if you don't, then forget them and look for your trading profits and income possibilities in the taxables as they come out. . . .

(3) Either you like the exempts as a trading medium or you don't. . . . And if you don't, then keep away and confine your dealings to the taxables which naturally have a broader market now. . . .

(4) And either you are suspicious of the possible influences behind these erratic movements or you're not. . . . And if you're not, then you're unusually trusting. . . .

At this writing, the 2¾s are hovering around the 112 level again. . . . Several dealers believe the issue may break through that price. . . . That kind of talk is going around—which gives you an idea. . . .

So how do you feel? Make up your mind and then act accordingly. . . . How this writer feels about the exempts has been expressed here so many times that repetition seems unnecessary. . . . In addition to which, the very tenor of this report tells the story. . . .

THE SEPTEMBER DRIVE

And another thing. . . . There's talk also about the possibility that the September drive may not go so well. . . . Reasons given are these:

(1) The goal mentioned is too high for individuals and non-bank buyers to meet. . . . $15,000,000,000 would be small for all buyers—commercial banks included—but with these major subscribers outside, chances are the Treasury will have a tough job meeting the objective. . . .

(2) The fall of Mussolini and the sensational developments in Italy may give too many people the idea that the war in Europe is going to end soon. . . . With the result that the general public won't have the inspiration to go in and buy war bonds on a terrific scale in September. . . . The psychology will be "why go in and load up when the war is going to end and the Treasury is not going to need the cash?" . . .

And there are other little reasons, but these plus the unsatisfactory action (this observer would rather call the decline "satisfactory" were it not for the exceptional pressure on the exempts) of the market are the factors mentioned most frequently. . . .

Well, let's see. . . .

THE FIRST ONE—SIZE

The only way you can go about finding out the validity of these comments is to look at the record. . . . Then compare the record with the present and the chances for the future and you've a basis for conversation. . . .

So let's go back to the April war loan drive, which was managed under the auspices of the Victory Fund Committees and the War Savings Staff. . . . Now reorganized into the State War Finance Committees. . . .

In April, the Treasury obtained $12,550,000,000 from what is generally termed non-banking sources. . . . Here's how:

$3,290,000,000	from individuals, partnerships and personal trusts. . . .
2,408,000,000	from insurance companies. . . .
1,195,000,000	from mutual savings banks. . . .
117,000,000	from elemosynary institutions. . . .
503,000,000	from State and local governments. . . .
5,038,000,000	from other corporations and associations. . . .

As for the types of securities bought, $6,018,000,000 represented sales of 2½s and 2s, the longer-term securities and the ones that might be characterized as permanent investments. . . . The war bonds, of course, are demand obligations and therefore, aren't in the same category. . . .

Now look at that. . . . With the September goal set at $15,000,000,000, the April record indicates that only $2,450,000,000 more bonds must be sold to give the Treasury the amount it's asking for. . . .

And since insurance companies and savings banks are in this classification, we know we may depend on them for more subscriptions, if necessary. . . .

And since the war finance committees admit they haven't touched the farmers and many prosperous retail and professional sources, surely we may expect another billion or so from these buyers. . . . And if not, well, the lack will be made up. . . . You can be sure of that. . . .

Which brings up the second point. . . .

LACK OF INSPIRATION?

It seems incredible that financiers should be worrying now about buyers refusing to buy bonds in September because they think the war financing need is less, but apparently they are. . . . And apparently, they think there's a real chance that the goal will not be reached. . . .

Well to answer abruptly: first, we think the goal will be reached. . . .

And second, if it's not, then you can be sure—and you really can—that the Government will do something to make sure the issue is subscribed. . . . Even if that necessitates opening the books to banks. . . .

That might be a nasty thing to take at first, but market memories are short. . . .

War, Inflation And The Stock Market

(Continued from page 498)

the dominating influence behind the increase in stock values. "Inflation" is a loose term that keeps many investors from taking profits and causes many others to make purchases they may later regret. It seems that whenever it is impossible reasonably to justify the price of any given share, "inflation" is used as an excuse.

It is important to distinguish between a rise in the cost of living and a complete loss in the value of money. The latter is what happened in Germany, a defeated nation, but which is under no conceivable circumstances going to happen here. Even in Germany where it did happen stocks on the average did not prove to be the hedge fallaciously supposed. Our problem is concerned with a rising cost of living which may be partially maintained. If we lived under a laissez-faire economy, profits and dividends would go up and so would stock prices. But we live in a world of excess profits taxes, price controls, labor and wage regulation, and even production allotment. Under these circumstances stocks must be judged purely on their future earnings and dividend-paying ability within the framework of these controls. What is more, the price currently paid is vitally important. There is no profit in buying a stock where one correctly foresees an increase in earning power if it is already selling at a level that takes this fully into account. The possession of large physical assets is by no means prima facie evidence that such a company will earn more money in the future. Governments dictate the prices at which natural resources, such as oil under the ground, can be exchanged for currency. The stock which promises to go up most in the market is the best hedge against "inflation" just as it is usually the best type of share to own for other purposes.

Stocks which have appeared in our lists have all been submitted for consideration because, in our opinion, they offered the best possibilities available at any given stage of the market balanced against the risks. The "inflation" factor has been weighed to the extent we felt was justified. However, we have also tried to consider the possible effects of later "deflation". We see today war contracts cancelled because of over-production. After the war, once our shortages are made up, we cannot avoid over-production of peacetime products and when the sales manager once more becomes the dominant industrial executive price cutting will again be his most effective weapon.

Portfolio Planning

What is the proper distribution for an investment fund of $25,000 under today's conditions? The first consideration is the level of common stock prices, and our best judgment leans towards a position 50% in equities and 50% in defensive situations. These latter should consist of United States War Bonds, highest grade industrials such as American Tobacco 3s, 1962 or the best grade preferred such as du Pont $4.50 and, of course, cash. As market opportunities develop, additional common stocks can be bought.

Most investors make the mistake of over-diversifying. A properly balanced list should be selected carefully enough to permit relatively substantial positions in each issue. Buyers very rarely fail to include high grade equities, but usually make the mistake of failing to provide for capital appreciation. Every list, even the most conservative, should include at least one issue selected for capital gain and usually, a non-dividend payer. This is a necessity to offset unexpected deterioration among the better securities held. A good current combination might consist of 25 shares Johns-Manville, 25 Union Carbide, 50 General Electric, 50 U. S. Rubber, 75 Continental Can and 100 American Radiator. At prevailing quotations this portfolio would require roughly $12,500 and produce a yield from dividends of about 3.1%. Under existing conditions it appears desirable to accept some sacrifice in current return for the sake of holding stocks in a favored position from the longer term standpoint.

Dividend Stocks

There is a very large portion of the investing public who believe in keeping all their funds constantly employed. They make new investments as their savings permit or as previous investments mature. Dividend-paying ability is paramount in such cases. With the prices of high-grade bonds completely unreasonable and with many speculative issues temporarily selling at investment levels, because of the demand for a small additional percentage increase in annual yield, investors are turning more and more to the stock list. There are many who also see better protection against changing times in good equities than in fixed interest obligations. We believe in owning U. S. War Bonds and we believe in owning industrial bonds yielding approximately 3% or less, but, otherwise, we would employ pure investment funds in equities. — From E. F. Hutton & Co.'s Fortnightly Market and Business Survey.

NYSE Common Stock Dividends Up Slightly In First Half Of 1943

Total dividend payments of common stocks listed on the New York Stock Exchange for the first six months of 1943 were only 0.3 of 1% larger than in the same period of 1942, according to a tabulation contained in the July issue of "The Exchange", monthly publication of the Stock Exchange. It was pointed out that higher taxes than the year before, enlarged costs, and, in many corporate cases, renegotiation of contracts, restricted returns to stockholders.

The publication further explained:

"Of the 27 groups noted in the table, slightly less than half paid out more than in the same period of 1942. Of the 596 listed companies*** dividend distributions were increased by 111, they were reduced by 141 (of which 17 eliminated or deferred payments), while 361 disbursed the same amounts as in the first half of 1942.

"Groups whose earning power was sharply affected by war orders and war conditions marched ahead of last year in an impressive fashion. There were, however, some notable exceptions. The steel and iron group, for example, paid out less in dividends by 5.9%, and public utility company payments receded 4.5%. In contrast, aviation moved to the head of the class in point of disbursements, with an increase of 98.5%, and the rubber department paid out 70% more than the year before.

"The railroads increased their stride. It will be recalled that enlarged rail earnings began to make themselves felt in the shape of dividend checks in the second half of 1942. For all of that year, nevertheless, the increase over 1941 was no more than 10.2%. This year, considering the six months ended June 30, the rise was 31.2% over the corresponding stretch of 1942.

"The gain scored by the amusement group, centering in moving picture companies, was consistent with the record of earlier periods since the United States entered the war and public earnings began to grow. Heavy 'movie' attendance was reflected by an enlargement of 27.6% in dividend payments. A stronger tempo was disclosed in the figures than the story of all of 1942 told; for that entire year, this group showed an increase of 19.4% over 1941."

To Cut War Bond Size

Secretary of the Treasury Morgenthau announced on July 27 that in an effort to conserve labor, paper and other materials, conclusion had been reached to reduce the size of the United States War Savings Bonds — Series E, without change in the terms of the bonds, or their designation. The Treasury announcement said:

"The new size will be approximately 7¾ by 4¼ inches, or about that of the present bond folded once from top to bottom.

"Work will proceed immediately, and it is confidently believed the new bonds will be available in about two months, after which they will be issued in regular course as stocks of the present bonds become exhausted.

"A saving of about $1,750,000 a year in paper and production costs alone will be realized on the basis of last year's sales of these bonds."

The Never Ending Tariff Controversy

(Continued from page 498)

Mr. W. A. Manford states another slant by an economist upon this problem, in a recent letter, as follows:

"There is no need for any nation, with an intelligent economic system, to export more than enough to pay for its needed imports. Whenever goods are produced, the total costs of producing them, including interest and profits, reaches someone's hands as purchasing power and thus automatically enables the nation to purchase its total product. The market for all goods, other than those we must export to pay for our needed imports, is right in our own country, raising the standard of living of our own people."

In our opinion, no one can successfully refute Mr. Manford's conclusion. In fact, no one so far as we know, has tried although it has been printed frequently. At least not when applied to a nation like ours that can and generally does produce over 95% of its requirements. His conclusion may not apply to very small and trader nations, but there is nothing to prevent such from combining with neighbor nations into economic units sufficiently large to function as effectively as a large unit does.

Note this from the above quotation: "All of this will make for lower prices and a more abundant supply of goods in the United States, and the whole world for that matter."

Mr. Wright might well have explained just how importing what could perhaps with even greater efficiency be made at home, adds to the supply of the world's goods. Is it not rather evident that such importation must curtail the world's supply at least to the extent of the additional labor required to import from points more remote than the home supply? As we see it, all of this should inspire us to say to the nations of the world, as President Coolidge did to Canada — "Make your tariffs to develop your own aptitudes and resources to the largest extent practical. Promote your own welfare and we will take our chances on being able to profit through your success."

If it is the purpose of the American people to do the best possible for humanity, and I am sure that is the dominant motive, we are satisfied that much can be accomplished by adopting "an intelligent economic system," as Mr. Manford says, that will provide a home market sufficient to absorb all of what we produce; thereby enabling us to rely upon secondary markets only to the extent necessary to secure the funds required to pay for the 2% to 5% of goods that we must import on account of not being available in the home market.

The alternative to a plan for developing home resources as far as practical is likely to condemn the world to a practice of transporting much of its product long distances with labor and facilities that were far better employed in adding to the world's supply and in distributing it to domestic consumers.

E. S. PILLSBURY,
Century Electric Co.
St. Louis, Mo., July 27, 1943

Situations Attractive

A timely study of Haskelite Corporation has been prepared by Ward & Co., 120 Broadway, New York City. Copies of this study and an interesting circular discussing the post-war prospects of Northeast Airlines, Inc., may be had from Ward & Co. upon request.

Nervous Days For The Market

Mussolini has disappeared from the scene, there is a possibility that the Italian Nation may soon cry "quits", and many optimistic individuals are now measuring Nazi resistance in terms of months rather than years. The Italian chapter, together with the news from the Eastern Front, certainly makes the war outlook extremely bright. But with an obviously improved war outlook, there has come into the equity market uncertainty and nervousness.

What is the significance of the market's weakness? In our opinion it is a perfectly natural development. Investors have been ready and willing to buy and hold common stocks through a war period, knowing that corporate activity would be at high levels and profits satisfactory despite high and unprecedented tax rates. But very obviously that same general confidence does not exist for post-war days and there is nothing to be gained by blinking the fact.

(The "United States News" in its current issue, for example, wonders if enough planning has been done to avoid a debacle "when it somes time to cut war spending by 80 billion dollars a year, to demobilize 8 million soldiers and 15 million war workers.")

For when both of the wars that we are currently fighting are over and won, we will be facing, in the opinion of many skeptics, a serious economic chapter. Now this is not to say that we will not successfully surmount any economic unsettlement or industrial letdown; or that a genuine business boom may not conceivably follow World War II just as, starting in 1923, a boom followed World War I. But it is the uncertainty that leads investors to the conclusion that this may be a good time to lighten equity holdings or to buy only at substantial price concessions.

On the whole we cannot see that in all candor one can be dogmatic these days in attempting to give prudent investment advice. For in the first place estimates of the wars' duration are of course but thin guess-work. And in the second place, who is so bold in this unpredictable era through which the world is passing as to attempt to chart out the post-war economic pattern? (How long retooling will take, how long before the pent-up demand for consumer goods can be satisfied, the future of foreign trade, and the relationship between industry and labor, are but a few of the many factors that in the altogether will make up the shape of things to come.)

And since there is such a large measure of uncertainty ahead, it seems to us most natural that many investors are deciding that it may be wise to "trim ship" a bit and prepare for a future period, the outlines of which are anything but clear and vivid.

We think this is prudent investment procedure and to those who have concluded that the war in Europe may be over next year or even sooner, we would suggest that contemplated equity selling be done earlier rather than later. For one cannot be nimble during weak and nervous markets.

We anticipate that market swings during future months will be sharp and sudden and substantial: this may not be a period for the faint-hearted. And as between daring moves for profit and cautious moves for conservation we prefer the latter at this time.
—*Ralph E. Samuel & Co.*

Our Reporter's Report

(Continued from page 499)

ury, or proceeds to retire portions of its own indebtedness, thus placing itself in a position to borrow anew when the occasion arises with the return of peace.

Port of New York Authority

The only new issue of any size to come into sight in the past week is that projected by the Port of New York Authority, which has called for bids for a refunding loan, to be opened next Tuesday.

The Authority has sent out requests for bids on $14,281,000 of general and refunding bonds, seventh series, to carry a 2¾% coupon and mature in 1973.

Proceeds will be applied to redemption of $13,865,000 of its general and refunding bonds, third series, carrying a 3½% coupon and maturing in 1976, but subject to call next November 1.

To Settle Question

The persistence of midwestern banking interests in their quest to force competitive bidding in the field of railroad bond financing is destined to bring a definite ruling on the part of the Interstate Commerce Commission.

This became certain over the week-end when the Commission refused to order a rehearing on the sale of $28,434,000 bonds of the Pennsylvania, Ohio & Detroit Railroad, subsidiary of the Pennsylvania Railroad, which were sold through private negotiation direct to bankers.

The Commission, however, has ordered an investigation which will determine whether or not, in the future, it should require that railroads seeking to finance through the issuance of new bonds, must call for competitive bids, as now required for utilities under the Holding Company Act.

Mfrs. Trust Interesting

The current situation in Manufacturers Trust Co. offers attractive possibilities according to a bulletin just issued by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting bulletin may be had upon request from Laird, Bissell & Meeds.

Purolator Products Situation of Interest

Purolator Products, Inc., 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.

Public Utility Securities

Newcomers In The Utility List

The gradual breaking up of certain holding company systems has released common stocks of operating subsidiaries into the hands of the public in recent years. Among these issues were Connecticut Light & Power, San Diego Gas & Electric, Newport Electric, Indianapolis Power & Light, Public Service of Indiana and Black Hills Power & Light. In the case of Connecticut Light & Power, some minority stock had previously been outstanding, but United Gas Improvement sold out its majority interest in 1941. San Diego was formerly owned by Standard Gas & Electric which exchanged part of the stock for its own bonds and sold the rest to the public. Newport was sold by Utilities Power & Light (now Ogden) in 1939. Indianapolis P. & L. came from the same source, and is the only one of the issues mentioned to obtain listing on the Stock Exchange. Public Service of Indiana was distributed to old security holders in reorganization, Midland United (one of the old Insull holding companies) losing its majority control thereby. Black Hills, a small company, was formed to take over some Dakota properties from General Public Utilities and Dakota Power Company.

This year there have been several further additions to the list. **Philadelphia Electric** common had previously had only a small over-counter market (United Gas Improvement owned 97.28%). In connection with the partial dissolution of UGI, Philadelphia Electric was recapitalized and the new common stock is now traded "when delivered" on the New York Stock Exchange, selling around 19½. UGI also handed out a large proportion of its holdings of Public Service of New Jersey, hence the latter stock is traded two ways, regular and "wd"—the latter indicating the additional shares distributed to UGI holders. UGI itself is traded two ways—regular stock at 9⅞, and "x dist." at 2¼. The "x" stock does not retain very substantial earnings and equities in proportion to the huge number of shares, though it may have modest possibilities for appreciation.

Philadelphia Electric converted its 10,529,230 shares of common into 9/40ths of a share of new $1 dividend preference common and 31/40ths of a share of new common. The preference stock is convertible into one share of new common for three years and at lower rates thereafter. The new preference stock is currently traded over-the-counter around 26—less than a 4% basis—which is doing pretty well for a second preferred stock. For the 12 months ended March 31 a balance of $14,695,848 was reported after preferred dividends and after allowing for the new preference $1 dividend; this was equivalent to about $1.55 on the new common. Hence the new common is selling at between 12 and 13 times earnings, which compares with an average of about 14-15 times earnings for other listed utility stocks. Obviously the new issue is well regarded in investment circles although a slightly unfavorable factor is the low depreciation charge—only about 9% of gross revenues.

New issues which have attracted over-counter "when issued" trading interest are **United Light & Railways** and **Puget Sound Power & Light.** There is considerable amount of "arbitraging" between these new common stocks and the old preferred stocks for which they are being offered in exchange—United Light & Power preferred, which receives 5 shares of the sub-holding company's common stock (on a recapitalized basis) and holders of the old A and B common obtained fractional shares. Puget Sound Power & Light $6 preferred (the second preferred) will receive 88 shares of new common under the plan. Both plans have been approved by the SEC. and the courts. The Puget Sound plan becomes effective September 13th unless there is an appeal. There is no present indication that any appeal will be taken.

United Light & Railways is currently selling "when issued" around 11¼. A recent earnings statement is not available, but share earnings for 1942 on the new basis have been estimated at $2.29, so that the stock is selling at about 5 times earnings, which seems about in line with similar holding company issues. However, the old preferred (to be exchanged for five common) has advanced from last year's Curb low of 10½ to the current price around 54, most of the advance occurring this year.

Puget Sound is selling "when issued" at around 9½ and is earning an estimated $2, which also makes its price earnings ratio around 5. However, it is an operating company and as such should theoretically be entitled to a much

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Real Estate Securities

The Coming Boom Should Be In Real Estate Bonds!

It is a well known fact that it is becoming more and more difficult for dealers to locate reasonably priced industrial bonds to retail.

It is also evident that many dealers are becoming reluctant to distribute any more rail bonds.

The natural solution to the dealers' problem for merchandise is real estate bonds.

This type of security can be purchased in a wide range of price and for extraordinary yield. Some issues enjoy an active market, while others of course are slow. The latter issues are usually very desirable and are worth while waiting for.

In many cases we found that real estate bonds compare most favorably with industrial bonds, yet the prices of real estate bonds are far below comparable other bonds.

We believe that the absence of a general dealer interest in real estate securities has been due to a large extent to a lack of dissemination of information concerning their real values and attractive yield.

As an example, let us briefly look into bonds of the Hotel St. George. This is the largest hotel in Eastern America and has an outstanding bond issue of $8,376,307. Because of the size of the issue the bonds enjoy an active market.

Since reorganization in 1935, these bonds have paid their fixed interest requirements of 4% promptly when due. Last year, through operation of a sinking fund, $371,000 bonds were retired and we understand that the Trustee will have approximately $175,000 with which to purchase bonds for sinking fund the latter part of October of this year. We are told that the property is currently earning its interest almost four times, yet bonds are presently selling to yield over 7½%.

An example of an inactive issue is the Tyler Building. First mortgage bonds outstanding amount to only $436,500. Compared with $1,400,000 originally issued and the bonds carry stock with them representing an equal share in 100% of the ownership of the property. These bonds have been paying 6% interest and the bid is only 85. An industrial bond with such a large debt retirement and large interest rate would surely sell well over par.

Some real estate securities even have a tax exempt feature; for instance, certain New York Title mortgage participations have a partial or complete exemption from current tax of so-called income distributions.

Usually whenever a mortgage against which these participations have been issued has been foreclosed, the Trustee has taken possession of the property, assets to be liquidated without time limit for the benefit of the certificate holders. Because of this fact, these certificates holders are entitled to deduct from the amount of their "income" distributions their proportionate share of depreciation of the property.

Since building valuations on which depreciation is computed are generally very high, the result is that a substantial part, or occasionally all, of the distribution to certificate holders is tax free. Of course, when the certificate is sold, the total of the tax free distributions must be deducted from the cost of the certificate in determining the amount of gain or loss from the sale. However, if the certificate is held more than six months, gain is recognized only in the amount of 50% and the tax rate is limited to 25%. Thus, if the certificate is held for more than six months, there will generally be a tax benefit even if it is sold in a year in which the taxpayer has no offsetting losses.

So if you are looking for new merchandise to retail, we would suggest that you contact a reputable firm specializing in real estate securities and you may be agreeably surprised at the advantageous securities available.

Reopening Of Trade Channels Necessary

(Continued from first page)

but surely more materiel will be available for the needs of our Allies. So the foreign procurement problems, with the easing of shipping, become less difficult. And so will the problems of exports. In other words—importation and exportation problems are rapidly going to be solved in the best way possible—by the reopening of normal trade channels. And that's good news.

"But you still better know your who's who in Washington. I know that there is a group of economic planners under every bush. I know that everybody is studying plans for a new promised land. The time is right. It is well that we do not think and plan. One of the best formulas I know is for every individual, every manufacturer, processor and distributor to know just where he will belong in the picture and what he is going to do about it.

"And when you focus your attention on our neighbors in the Americas, brought closer to us than ever before, please remember that the Inter-American Development Commission in Washington, of which Nelson Rockefeller is Chairman, is your vehicle to obtaining the information that you may require regarding business opportunities which will be opened with the coming of peace.

'We have been rather slow in recognizing necessity for research in our foreign trade; census bureau was started in 1790; bureau of foreign and domestic commerce in 1912. In 12 years we started counting noses but it took 122 years more before we were interested in finding out how we get our groceries.

"The problems—the opportunities which lie ahead are stupendous. When you daydream—of the re-establishment of Europe, the making of a new Far East, the progress which is bound to come in the Americas—you will start lying awake at nights."

Mihic With Frank Kiernan

Hubert L. Mihic, formerly with the Long Island Daily Press, has become associated with Frank Kiernan & Company, 41 Maiden Lane, New York advertising agency, as account executive.

Ford Says More Industry Is Needed To Build Basis Of Good Society

(Continued from first page)

est with our $5-a-day minimum. No finance-controlled business would have been allowed to do that. When the depression came and wages were being reduced, we raised the minimum to $7 a day. Do you think that a business controlled by stockholders ever could have done that? We did it because we were free and because we thought it was right. If more employers had thought the same way the story of the last few years in this country might have been different.

"Take our schools. We're deeply interested in them. It may seem strange for industry to go into education, but it was one of the things that came into our hands to do, and we did it. We have about 30 different schools in operation and are opening a new one. Those schools have nearly 18,000 students. They teach everything from kindergarten to science. In the schools operated by the Ford Motor Company—the Trade Schools, Apprentice School, Mechanical Training School for High School graduates, the Aircraft School—we teach the trades and all that pertains to industrial Science. In connection with these we also have the Naval Training School where young naval trainees spend half of every day receiving mechanical training. And since the inception of the Ford Training School eight years ago, students representing 438 high schools have learned trades with us. In the 21 schools under the Ford Foundation we teach all subjects from homemaking and nursing to farming and business.

On our property in Georgia we have organized colored schools which are operated by the colored people themselves, and they are doing a fine job." The point here is that we can do these things because we are free to do them. An industry established merely to make money neither could or would do these things. It would say it is not industry's business to teach homemaking or nursing. But we think it is industry's business to teach anything when that happens to be the thing that needs to be done. What is life but education, anyway?

"Because we are a free, uncontrolled business, all of these useful by-products — the work and the means to do it with — just naturally come along, and everyone gets the benefit.

"Young Americans should know that there are two ways of doing business—one that makes money its master, and one that makes money its servant. For forty years, the latter has been my style of business, and I think it will be the only type of business that will succeed in the future.

"Until we first started in business I had no idea how completely American business was governed by the idea of making money. Some men even thought it was 'good business' to cut down production in order to increase profits.

"They believed in the theory that scarcity makes wealth. I could never understand it.

"For one whole year I went around and talked to older businessmen — the better type, the men who built Detroit—not the money manipulator and speculator type. It is a good thing for young men to talk with the right sort of older men. They confirmed my idea that the best theory of business is to make as many as you can of the best article you can at as low a price as you can. If you do this you find yourself, as we did, having all the money you need to grow on, and able to pay the highest rate of wages.

"A business is never a good business until it does equally well for the public, its employes, and itself.

"A businessman should know men. He must know how to read the book of human nature. Then he will know how best to employ the men he has around him. Men who are doing what they are best fitted for, are more useful to themselves and to everyone else. In our Company we have always tried to work on that principle and our men stay with us longer than is the general rule.

"Business and industry must build the physical basis of the good society. Only industry can abolish poverty; it can give the only social security human beings can know—the security of being able to produce what they need.

"We have not enough industry to serve America's needs or the world's needs. In this country we have done pretty well as far as we have gone, but there must be more and more industry. It is essential to political and economic freedom, and anything that hinders industry is harmful to the American ideal.

"I am convinced of the basic social service of industry and I am proud to have served for 40 years in its development. I know of no better way to help my fellow man than to build more and more industry, linking farms and schools and all the arts to its general purpose. There is no better way for a young man to serve his generation than to get into the work of making industry a better builder of social values."

Public Utility Securities

(Continued from page 509)

better ratio (listed utilities sell nearly three times as high in relation to earnings). The rise in the old preferred has not been as sensational as that of United Light—it is currently selling on the Curb around 72 or about double last year's low.

A probable reason for the low earnings ratio of Puget Sound is the fear that cheap government power from Bonneville and Grand Coulee may compete with private power in the Northwest in the post-war period. However, since Puget's industrial load is relatively small and its rates are low, it seems fairly secure against competition from local or federal power projects. To build competing distributing lines (as TVA began to do in Tennessee, but abandoned in favor of buying Commonwealth's lines) would be a waste of funds which tax-payers seem unlikely to approve; and the only alternative would be to buy Puget's distributing system, in which case the common stock, with its book value (after "write-offs") of nearly $15, might not fare too badly. In any event, rapid growth in this territory is expected and government power, currently going into aluminum production and other war work, may not prove a serious factor.

Cgo. & Southern Air Lines Offers Possibilities

Chicago and Southern Air Lines, Inc., common, common V.T.C. and option warrants offer interesting possibilities according to a phamphlet prepared by Stifel, Nicolaus & Co., Inc., 314 North Broadway, St. Louis, Mo. Copies of this pamphlet are available to investment dealers upon request.

Lary Opens In Boston

(Special to The Financial Chronicle)

BOSTON, MASS.—Stanley C. Lary has opened offices at 40 Trinity Place to engage in a general securities business.

Beebe Returns To "Street"

William N. Beebe, who has been on leave of absence from Stillman, Maynard & Co., 61 Broadway, New York City, members of the New York Stock Exchange, has returned as manager of the firm's Bond Department. For the past six months he has been acting as Administrative Assistant in the Reconstruction Finance Corporation (Rubber Development Corporation) stationed at Manaos, Brazil.

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.

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)
SEATTLE, WASH.—**Theo. M. Knudson** and **Eleanore M. Scott** have been added to the staff of **Earl F. Waterman and Co.,** 1411 Fourth Avenue Building.

(Special to The Financial Chronicle)
BOSTON, MASS.—**George W. Clace, James J. Conway** and **Ralph W. Pierce** are with **Moors & Cabot,** 111 Devonshire Street.

(Special to The Financial Chronicle)
CHICAGO, ILL.—**Edwin Price Kimbrough, Jr.,** has become associated with **Blyth & Co., Inc.,** 135 South La Salle Street.

(Special to The Financial Chronicle)
CHICAGO, ILL.— **Gerhard B. Noll** has become affiliated with **Eastman, Dillon & Co.,** 135 South La Salle Street. Mr. Noll for many years was connected with Stone & Webster and Blodget, Inc.

(Special to The Financial Chronicle)
CHICAGO, ILL. — **Everett F. Morgan** has been added to the staff of **Thomson & McKinnon,** 231 South La Salle Street.

(Special to The Financial Chronicle)
CLEVELAND, OHIO — **Harold S. Yeomans** is now with **Goodbody & Co.,** National City Bank Building. Mr. Yeomans was previously with J. E. Neubauer & Co. and Stanley & Co.

(Special to The Financial Chronicle)
DENVER, COLO.—**Arthur B. Copeland** has joined the staff of **Otis & Co.,** First National Bank Building.

(Special to The Financial Chronicle)
INDIANAPOLIS, IND.—**Francis T. Godman** is now affiliated with **Thomson & McKinnon,** 5 East Market Street.

(Special to The Financial Chronicle)
MILWAUKEE, WIS.—**Grace M. Lowe** is now with **The Milwaukee Company,** 207 East Michigan Street.

(Special to The Financial Chronicle)
ST. LOUIS, MO.—**Edward Senturia** has become associated with **Newhard, Cook & Co.,** Fourth and Olive Streets. Mr. Senturia for a number of years was with Edward D. Jones & Co.

(Special to The Financial Chronicle)
SEATTLE, WASH. — **John D. Heffernan** has joined the staff of **Hartley Rogers and Co.,** 1411 Fourth Avenue Building.

(Special to The Financial Chronicle)
SEATTLE, WASH.—**Harry D. Sloan** has become connected with **Earl F. Townsend and Co.,** Dexter-Horton Building. Mr. Sloan was previously with Harris, Lamoreux and Norris, Inc., and Dagg & Co.

Purchasing Power Backlog Discussed

(Continued from page 499)

the war with ever idea in mind of continuing them into the peace period. In my opinion, nothing could be more beneficial to the New Dealers than an immediate release of all war controls when peace comes. Then we would have exactly the picture that Dr. Wright properly fears and when the deflation comes, the New Dealers would step back in the saddle and say, "You see, the economy cannot be run without controls," and I have every reason to believe that a large majority of the American public would be thoroughly convinced. The best thing the conservatives can do is to urge rigorous control of the immediate post-war period including price controls, rationing, and priorities. The priorities should be so applied as to permit full employment but not overemployment. If this were done, instead of Dr. Wright's two-year period, it is easily possible that we might enjoy four or five years of very good business with no severe shock at the end of that period. This appeals to me as being the only common sense approach to this post-war period but aside from the recent plea of the National Association of Manufacturers that it be done, it seems to be going almost unsponsored amid vigorous appeals of prominent businessmen for immediate release of the war-time controls as soon as the war ends.

To illustrate the type of opposition which is emanating from industrialists, I quote the following from a Carnegie-Illinois post-war survey as reported in the press. After indicating that the post-war outlook is very favorable to a sweeping upsurge of enterprise, the article continues as follows:

"The chief threat to such an economic climate is the possible retention by government of war-time controls over industry. Excessive government intrusion in private enterprise inevitably supplants a management of intelligence and ability with one shackled by political expediency and bureaucratic red tape."

Unless intelligence of a high order is applied to the lowering of the impounded purchasing power in the immediate post-war period, all of the efforts of the post-war planners to retain capitalism and free enterprise in this country may be washed away in the flood waters of this post-war boom.

RICHARD C. LILLY,
President, The First National Bank of Saint Paul.
St Paul, Minn., July 27, 1943.

Ins. Stocks Look Good

At current levels, American Alliance Insurance Company, Continental Insurance Company, Employers Reinsurance Corporation, Fidelity & Deposit Company, Glens Falls Insurance Company, Great American Insurance Company, National Liberty Insurance Company, New Amsterdam Casualty Company, Northeastern Insurance Company, Northwestern National Insurance Company, Phoenix Insurance Company, Paul Revere Fire Insurance Company, and Security Insurance Company, offer attractive possibilities according to memoranda being distributed by Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Copies of these interesting memoranda may be obtained from Mackubin, Legg & Co.'s Insurance Stocks Department.

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.

Situation Attractive

The 4% stock of Beech 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.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

One of the favorite ratios given consideration by investors in fire insurance stocks is that of "market to liquidating value per share." In the opinion of the writer, however, a more helpful and significant ratio is that of "market to invested assets per share." As is well known, fire-insurance companies derive their income from two sources, viz: invested assets and underwriting operations. Furthermore, dividend payments are predicated entirely, in the great majority of cases, on net investment income, while underwriting profits or losses are credited to earned surplus. Hence, so far as dividends on fire insurance stocks are concerned, the invested assets and the investment income of the companies are of critical importance. This by no means implies, however, that the underwriting record of a company can be ignored, for certainly if a company were to experience underwriting losses for a stretch of years, its surplus position would be jeopardized and its dividends would have to be reduced, despite favorable net investment income.

It is of interest in this connection to study the record of a group of thirty representative companies, since 1925, as to their net investment income, dividend payments and net underwriting profits.

TOTALS FOR 30 COMPANIES
($000)

Year	Net Inv. Income	Dividends	Net Underwriting Profit or Loss
1925	$31,496	$21,860	—$4,659
1926	32,461	22,878	—103
1927	34,417	26,147	17,699
1928	37,176	27,498	26,342
1929	40,938	34,911	30,667
1930	47,508	39,784	—2,192
1931	44,188	39,428	2,624
1932	35,100	26,495	—6,629
1933	30,176	24,919	24,469
1934	31,170	27,919	27,354
1935	32,288	33,510	35,563
1936	38,217	31,744	17,433
1937	39,822	34,331	22,153
1938	35,959	34,291	16,489
1939	38,907	35,881	17,098
1940	41,244	36,171	17,427
1941	43,503	37,491	15,029
1942	41,920	36,431	—545
Total	$676,490	$573,689	$256,219

The important thing brought out in this tabulation is the fact that, in each year except 1935, net investment income alone has covered dividends by a substantial margin. The year 1935 does not conform, because a large extra dividend was paid that year by Home Insurance Co. It will also be observed that net underwriting results fluctuate year by year to a greater extent than does net investment income, and that in five years, viz: 1925, 1926, 1930, 1932, and 1942, net underwriting losses were experienced.

Over the entire period of 18 years net investment income aggregated $676,490,000 and dividends aggregated $573,689,000. In other words, dividends were earned 1.18 times by net investment income. The excess of $102,801,000, plus aggregate net underwriting profits of $256,219,000, were credited to earned surplus. It is of interest to note that total net investment income for the period was 2.64 times total net underwriting profits.

Our next tabulation shows the liquidating value per share and the invested assets per share of each of the thirty companies in the group, as of Dec. 31, 1942. The first point to note is that "invested assets per share" is greater than "liquidating value per share," except in the case of Great American whose liquidating value includes the capital and surplus of The Great American Investing Co. The second and more important point to note is, that the great majority of these insurance stocks were purchasable on Dec. 31, 1942 at considerable discount from "invested assets per share." On average, the thirty stocks were selling to yield the investor $1.36 of invested assets per $1.00. American Equitable yielded the highest with $2.20 per $100, Hartford yielded $1.00 for $1.00, but Glens Falls, Great American and North River were selling at a premium to invested assets.

(Continued on page 514)

Municipal News & Notes

An issue of $14,281,000 of General and Refunding Bonds will be offered for sale by The Port of New York Authority at 11 a.m. on Aug. 10.

The Commissioners of the Port Authority so decided at a meeting on Aug. 3, according to the announcement made by the Authority's Chairman, Frank C. Ferguson. The offering will consist of General and Refunding Bonds, Seventh Series, 2¾%, due 1973, and the bonds will be dated Sept. 1, 1943.

"The proceeds of the new issue," Mr. Ferguson said, "will be used to redeem $13,865,000 of the Authority's General and Refunding Bonds, Third Series, 3½%, due 1976. The latter are callable Nov. 1, 1943."

In announcing the forthcoming offer Chairman Ferguson stated that the essential nature of Port Authority traffic has kept earnings at a level which is reflected in the continued and exceptional strength of Port Authority securities. "The closing of the Electric Ferries at 23rd Street, and the collection of military tolls which started on July 1," Mr. Ferguson added, "are expected to further improve Port Authority earnings."

Knoxville Would Like To Retire Additional Power Bonds

Knoxville, Tenn., power revenues, which have mounted steadily since the city took over the electric system in 1939, rose to $1,521,156 for the first six months of the year, an increase of more than $72,000 over the same period in 1942, according to a comparative income statement prepared by City Utilities Manager Max Bartlett.

Profit for the period for Power and Water Board operations was $440,771, divided $339,877 for power and $100,894 for water.

During the past 12 months (ending June 30) revenues totaled $3,012,707 as compared with $2,852,270 for the same period in 1941-42. A total of 135,771,000 kilowatt hours were sold during the past 12 months, 7,527,000 more than during the previous 12 month period.

Bonds in the amount of $1,009,000 have been retired since 1939, and another three-quarters of a million dollars worth would be retired now—"if we could get them," Manager Bartlett said.

Holders would rather keep them and take their interest as it comes due rather than accept the lump sum of par and interest to maturity which would send income taxes rocketing.

However, bonds due July 1, 1943, were retired a year ago.

Of the $1,521,156 revenue for the first six months of this year, $184,700 has been put in bond retirement reserves, $155,177 transferred to surplus.

Operating costs for this period amounted to $839,653, or 55.2% of total revenue. That was the lowest per cent used for that purpose since the city began distributing power, although in terms of dollars and cents, operating expenses were up about $30,000 for the first six months of the year over the same period in 1942.

During this period a total of $241,895 went to taxes, amortization and depreciation; $101,046 to interest and miscellaneous deductions.

The half-year's operation showed a slight decline in sales to small commercial firms such as filling stations, roadside stands and other small type businesses. However, during the past 12 months 433 new customers were added to bring the total to 41,160.

Revenues from the Water Department amounted to $426,723 during the first six months of the year, an increase of more than $24,000 over the first half of 1942.

Of this sum $27,472 was set aside for sinking fund reserves; $73,421 was transferred to surplus and $82,930 paid in interest.

Rules Against N. Y. School Districts On Interest Rate Reduction

New York State's Attorney General has ruled that the State Comptroller cannot find agreement with a school district for a reduction of interest rates on bonds of a district held by the State. The ruling according to report was made in answer to an inquiry from an up-state school district which said that certain bonds held had been bought years ago by the Comptroller for investment in the state's canal sinking fund.

Detroit Tax Collections At All-Time High

City Treasurer Albert E. Cobo reported recently an all-time peak of tax collections in the fiscal year just ended, when payments of $76,556,034 equalled 96.97% of the total $78,944,979 levy.

The closest approach to this total was 96.31% in 1923. Last year's total collections were 95.86%.

With delinquency collections of $3,863,000 for 1941 and prior years, the aggregate payments were equal to 101.9% of the current levy, compared with 104.38% last year. The shrinkage is accounted for by the rapid contraction of remaining outstanding delinquencies.

The year's collections exceeded by $27,000 the preliminary estimate given the Council by Cobo a year ago for budget-making purposes, an error of only one-third of one per cent.

Available comparisons indicate that only two major cities in the country have exceeded Detroit's high percentage of collections. Baltimore, which operates on a calendar year, reported 97.2% of its levy paid and Los Angeles a month ago had collected 96.6%.

Law Firm Changes Name To Wood, Hoffman, King & Dawson

Thomson, Wood & Hoffman of New York City, announced Aug. 1 that Graham C. Thomson had withdrawn from the firm due to his retirement from the practice of law.

David M. Wood, John H. Hoffman, George G. King and John B. Dawson, the remaining partners, will complete all pending business and will continue the practice of law under the firm name of Wood, Hoffman, King & Dawson. The firm is nationally known as specialists in municipal bond law and procedure.

Tennessee Reports Record High Surplus

Setting an all-time record, the State of Tennessee closed out the fiscal year June 30 with an accumulated general fund surplus of $5,490,291, State Budget Director W. M. Duncan reported recently to Governor Cooper.

To the general fund surplus was added a highway fund surplus of $6,583,312, and a sinking fund surplus of $21,930,969, giving the State a total surplus in its three major accounts of $39,004,572, also a new all-time high, the budget director reported.

Out of the sinking fund surplus, however, the state paid out on July 1, approximately $11,000,000 in principal and interest on obligations, thereby leaving a present surplus in that fund of aproximately $12,000,000, which is ample to meet all obligations falling due in the current year.

"This is the largest surplus in the history of the state," the Governor declared. "It appears now we will have enough money, not only to meet all obligations of the state, but also to leave a large fund for the next administration to carry on a rehabilitation program after the war."

The Governor warned, however, that the splendid fiscal showing of his administration to date "will not cause us to relax our vigilance in holding down operating costs of government and continuing to operate within our budget."

He pointed out that, due to increased living costs, salaries of state employes had been stepped up approximately $600,000 a year, but added "This is more than offset by the reduction in the number of employes on the state pay roll."

The Chief Executive took the occasion to commend leaders of his administration who had cooperated in paring governmental costs.

Budget Director Duncan placed the general fund surplus for single fiscal year just closed at $2,632,490, which marks a new high figure for one year. To this was added an existing surplus of $2,857,801 to give the accumulative total of $5,490,291. The single year surplus for the highway was placed at $1,331,664, while that of the sinking fund was $9,897,793.

Avers Cost Of War Will Not Be Borne By Future Generations

Says Tax Levy To Pay Interest On And Amortize 300 Billion Dollar Debt Would Wreck Our Economy

I have just got around to reading Dr. Saxon's article on the subject, "Can the United States Support a 300 Billion Dollar Debt?" which appeared in a recent issue of your most interesting publication. I find myself in agreement with many of the conclusions drawn, but when he comes to deal with the effects of war debts on the future of our country he makes the common mistake of assuming that in some way the cost of the war is going to be borne by future generations. This, it seems to me, is not only untrue, but impossible, as a simple analysis will show.

Every item of military supplies used in war has either been withdrawn from storage or made for the purpose from day to day. Supplies which would otherwise be consumed by civilians are diverted to military use, or labor which would otherwise manufacture for civilians is diverted to manufacture for the army or navy. To a very large extent it is labor which was idle that has been put to work for military production, as we see all around us today. Therefore the present generation, and to a limited extent past generations, produce everything used in war and suffer whatever loss and destruction follow in the wake of war.

But, you will say, all this military production is paid for with borrowed money and future generations will have to pay those debts. Again you are wrong. Money borrowed today represents either past or current savings, and in either case represents the diversion of a certain amount of current spending power from civilian to military uses. When the war is over, the war will have been paid for—every last plane, tank, ship, gun and uniform—because every item had to be created by past or current labor and capital before it could be used.

What we have left is merely a matter of bookkeeping. Debts are valid claims on posterity only as long as they are recognized as such. When payment becomes impossible or inconvenient, nations merely wipe them off the books and start fresh. That is why, in case after case, nations which have been defeated in war arise in a few years as strong or stronger than ever. Witness Germany, which wiped out its internal debt by inflation and its foreign debt by repudiation and in a few years created the mightiest war machine the world had until then seen. Witness Russia, which was completely prostrate in 1917, and today is stronger than the Czar's Russia ever was.

People are appalled at the expenditure of billions of dollars for defense. They needn't worry. Defense material is very largely being produced by workers who would otherwise have been idle. If the debts bother us unduly, we'll wipe the slate by scaling down, inflation, or repudiation, all of which are simply other forms of taxation.

But what about national honor? Wouldn't repudiation be dishonorable? No more so than bankruptcy in civil life! We used to put debtors in jail; now we put them through bankruptcy, and they come out pure as driven snow. England repudiated her debt to us, but seems to have plenty of friends in the United States still. Besides, we might as well realize that beyond a certain point debts simply can't be paid. If we taxed our people high enough to pay interest and amortization on a 300-billion-dollar debt it would wreck our whole economy. The taxpayers wouldn't have enough left to keep ordinary business going. It sounds queer but is true nevertheless that when a nation is contracting debt it is prosperous, but when it starts paying off debts on a large scale it speedily runs into depression. This, of course, is because the creation of debt increases buying power, while the paying off of debt reduces buying power.

Debts of the size we are piling up today will never be paid in full.

May I add in closing that the series of articles you have been running recently in the "Chronicle" on post-war economic problems seems to me to be a distinct public service.

J. H. HARRISON,
A retired banker.

Westport, Conn.

Plan to Take Gasoline from Coal Backed By Ickes

Harold L. Ickes, Secretary of the Interior, and Petroleum Administrator for War, on Aug. 3 endorsed a Congressional move to build demonstration plants for the extraction of motor fuel from coal and coal shales, according to Associated Press advices from Washington, which further state:

Mr. Ickes, before a Senate Public Lands subcommittee, announced that America's proven oil reserves are only 19,000,000,000 or 20,000,000,000 barrels—a 14 or 15-year supply at the present rate of consumption.

On the other hand, he said, we can count on about three trillion tons of coal—enough to provide 1,500,000,000 gallons of synthetic fuel each year for 1,000 years, and still have enough coal for all present day purposes.

Mr. Ickes also stated that the nation would find it impossible to "continue to rip and roar through an endless golden age of gasoline" because oil is being consumed here about three times as fast as it is being discovered.

Mr. Ickes was backed by Ralph K. Davies, Deputy Administrator; Dr. R. R. Sayers, director of the Bureau of Mines; W. Jett Lauck, economist for the United Mine Workers of America.

Industrial Finance Corp. Situation Attractive

Newborg & Co., 30 Broad Street, New York City, members of the New York Stock Exchange and New York Curb Exchange, have prepared a memorandum on Industrial Financial Corporation, which the firm believes offers attractive possibilities at the present time. Copies of this interesting memorandum may be had from Newborg & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

Foreign selling from neutral countries set off market decline but market was already ripe for it. Support levels a few points below recent lows now begin to show.

By WALTER WHYTE

Now that the market has turned down violently, and on volume, the number of pessimists has increased by leaps and bounds. The only kind word you can hear for the price trend today is that "maybe it will rally." But if there's any doubt of the rally there doesn't seem to be any about the "impending" new decline.

* * *

Learned articles and brokerage market letters are now busy quoting the Dow theory all tending to prove whatever the writer wants it to prove. But shorn of all its fine words and polysyllabic terminology the fact stands out that the market is down and nobody really knows when it will either hit bottom and recover, or when it will just have a rally.

* * *

Being human this would be an ideal time for me to sit back, put my feet on the desk and wisely observe "I told you so." Unfortunately I have a column to write and patting myself on the back won't fill all the blank space that faces me. So here goes:

* * *

First: where did all the selling come from? Some of it came from individuals but the major portion of the initial offerings which started the ball rolling came from abroad. Swiss selling of a size which hasn't been seen in many a long month came in. With American investors suddenly faced with a possibility of peace, bids, which ordinarily would have taken the overseas offerings, were withdrawn to see what was going on.

* * *

Result is that stocks ordinarily offered at a price were simply thrown at the market for whatever price they would bring.

The boardroom trader who has seen a one way street so long, was horrified to see that traffic can run the other way. Acting on impulse he too became a seller. Before long the whole pattern of the long bull market was torn apart.

* * *

Now the question arises how is it that a market reflecting fundamentally good business conditions can go to pot so quickly? The answer is that the good fundamentals are no longer there or will be changed in the very near future. What the change will be and how it will come about is something the market does not say. My guess is that has considerable to do with our patchwork foreign policy particularly where it applies to post-war plans.

* * *

From the action of the market I would venture a guess that as soon as a piece of news—it must be an important piece—hits the Page One's of the country the price trend will reverse itself again. I think the news must be bad to have this effect. A good piece of news would now leave the market cold.

* * *

There is some talk around that the market will hit a support area when the Dow industrials reach the 128-130 zone. Maybe that's so but the fact remains that if you don't have the right stocks then the averages can turn flip-flops for all the good it will do you. So instead of talking about averages, bull markets and bear markets I give you a list of stocks which up to this writing indicate better than usual potential support.

* * *

These are as follows: Air Reduction 41-42; American Brake Shoe 32-33; American Machine & Foundry 12½-13½; American Metal 18½-19; American Smelting 37-38; American Steel Founders about 20; Anaconda about 24; Atlantic Refining about 22; Bethlehem Steel about 55; California Packing about 23; Caterpillar Tractor about 43; Continental Can about 30; Continental Oil about 31; Crown Cork & Seal about 22; Cutler Hammer about 20; General Motors 46-47; Goodyear Tire about 32; International Harvester about 60-62; Jones & Laughlin 19-20; National Cash Register about 23-24; Republic Steel about 16 to 16½; U. S. Rubber 33-34; U. S. Steel about 50-52; Youngstown Sheet 32-33 and Yellow Truck 15 to 16.

* * *

It is unlikely that any of these stocks will make their lows on the same day. If they do and then rally you can expect as sharp a reversal as you have seen in a month of Sundays. But what you will likely see is one stock after another recognizing its support level by either bouncing around when it reaches it or just getting dull. Should a rally occur before the greater proportion of the above list sells to the figures appearing alongside then my considered opinion is to look out for new storms.

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.]

Over-The-Counter Dealers Render Public Service By Acting As Risk-Bearers

In a reprint of a letter to their subscribers, the National Quotation Bureau, Incorporated, offers an excellent refutation to the arguments in favor of listing securities promiscuously on small exchanges.

"When a securities house, as a dealer, buys or sells a security," the letter states, "it frequently has an actual customer on the other side of the transaction. But often a house buys or sells a security when it has no buyer or seller in sight with whom it can readily complete the transaction.

"On such occasions, the house serves the public as a risk-bearer. It purchases for inventory in anticipation of reselling at a later date as buyers come into the market. It sells out of inventory in expectation of repurchasing at a future date as sellers enter the market.

"This process by which, at their own risk, dealers on the one hand accumulate securities for inventory in absorbing supply, and on the other hand release securities from inventory in meeting demand, is a constructive one. Through it, dealers are able to serve buyers when they want to buy and sellers when they want to sell.

"This is one of the contributions to the public interest that is made by the over-the-counter market in which securities houses conduct trading by negotiation."

Seaboard Reorganizaion Possibilities Interestng

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.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm change:

Benjamin V. Harrison, Jr., member of the Exchange, retired from partnership in Delafield & Delafield, as of July 31.

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.

DIVIDEND NOTICE

Interesting Speculation

Adjustment Mortgage 5% Income Bonds due 1960 of the Third Avenue Transit Corporation appear to enjoy a unique "straddle" position in the market, offering interesting possibilities for speculative investment, according to a detailed circular prepared by Hardy & Company, 30 Broad Street, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had upon request from Hardy & 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.

PEP Looks Attractive

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

DIVIDEND NOTICES

Calendar of New Security Flotations

OFFERINGS

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.

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).

Company July 30 filed an amendment to its registration statement. Among other things, the amendment contains a list of 66 underwriters for the proposed public offering of $20,000,000 of 15-year sinking fund debentures due 1958 and $10,000,000 of cumulative preferred stock scheduled for offering on or about Aug. 5.

Besides listing the underwriters, the amendment also specifies a coupon rate of 3¼% for the debentures and a cumulative dividend rate of $4.75 for the cumulative preferred stock. It also includes provision for a "purchase fund" for the preferred stock. It is proposed to pay into this "purchase fund" annually either 20% of certain net profits of the company and its subsidiaries for the fiscal year immediately preceding, or $250,000, whichever is less. Payments to this fund will be made after deducting annual preferred dividends and sinking fund payment on the debentures.

The list of underwriters and the respective amounts to be underwritten by them is attached.

Underwriters—	Bonds (000 Omitted)	Pfd. Stock (in shares)
Smith, Barney & Co.	$2,000	10,000
Glore, Forgan & Co.	800	4,000
Harriman Ripley & Co., Inc.	700	3,500
Goldman, Sachs & Co.	600	3,000
Hornblower & Weeks	600	3,000
Lee Higginson Corporation	600	3,000
Paine, Webber, Jackson & Curtis	600	3,000
Shields & Co.	600	3,000
Stone & Webster and Blodget	600	3,000
Union Securities Corp.	600	3,000
White, Weld & Co.	600	3,000
Central Republic Co.	400	2,000
Eastman, Dillon & Co.	400	2,000
Hallgarten & Co.	400	2,000
W. E. Hutton & Co.	400	2,000
E. H. Rollins & Sons, Inc.	400	2,000
Spencer Trask & Co.	400	2,000
A. G. Becker & Co.	300	1,500
Dominick & Dominick	300	1,500
Estabrook & Co.	300	1,500
Harris, Hall & Co.	300	1,500
Hawley, Shepard & Co.	300	1,500
Hayden, Stone & Co.	300	1,500
Hemphill, Noyes & Co.	300	1,500
Tucker, Anthony & Co.	300	1,500
Wisconsin Company	300	1,500
Dean Witter & Co.	300	1,500
Adamex Securities Corp.	200	1,000
A. C. Allyn & Co.	200	1,000
Hayden, Miller & Co.	200	1,000
Carl M. Loeb, Rhoades & Co.	200	1,000
McDonald-Coolidge & Co.	200	1,000
Riter & Co.	200	1,000
Stein Bros. & Boyce	200	1,000
Stroud & Co., Inc.	200	1,000
Swiss American Corp.	200	1,000
G. H. Walker & Co.	200	1,000
Auchincloss, Parker & Redpath	150	750
Bacon, Whipple & Co.	150	750
Baker, Weeks & Harden	150	750
H. M. Byllesby & Co.	150	750
R. L. Day & Co.	150	750
Farwell, Chapman & Co.	150	750
Field, Richards & Co.	150	750
First of Michigan Corp.	150	750
Illinois Company	150	750
Kebbon, McCormick & Co.	150	750
Milwaukee Company	150	750
Moore, Leonard & Lynch	150	750
Newhard, Cook & Co.	150	750
Chas. W. Scranton & Co.	150	750
Whiting, Weeks & Stubbs	150	750
Yarnall & Co.	150	750
J. M. Dain & Co.	100	500
Paul H. Davis & Co.	100	500
Fahey, Clark & Co.	100	500
Henry Herrman & Co.	100	500
Mullaney Ross & Co.	100	500
Maynard H. Murch & Co.	100	500
Nashville Securities Corp.	100	500
Piper, Jaffray & Hopwood	100	500
Schwabacher & Co.	100	500
Sills, Troxell & Minton	100	500
Stix & Co.	100	500
Harold E. Wood & Co.	100	500
Kuhn, Loeb & Co.	700	3,500

Offered Aug. 5, 1943, the debentures at a price of 101.75 and preferred stock at $100, by Smith, Barney & Co. and associate underwriters.

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).

Offered Aug. 4, 1943 at $34.75 a share by Merrill Lynch, Pierce, Fenner & Beane, Alex. Brown & Sons, Johnston, Lemon & Co., Brown, Goodwyn & Olds, Ferris Exnicios & Co., Inc., Robert C. Jones & Co., Mackall & Coe and Robinson, Rohrbaugh & Lukens.

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

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

Offerings will rarely be made before the day following.

TUESDAY, 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).

SUNDAY, AUG. 15

DWIGHT MANUFACTURING CO.

Dwight Manufacturing Co. has filed a registration statement for 83,514 shares of capital stock, par value $12.50 per share. All of the shares registered are now issued and outstanding.

Address—89 Franklin Street, Boston.

Business—Manufactures cotton goods.

Underwriting—Hemphill, Noyes & Co. heads the group of underwriters. Other names will be supplied by amendment.

Offering—Offering price to public will be supplied by amendment.

Proceeds—Of the shares registered 73,514 are to be sold to the underwriters by J. P. Morgan & Co., Inc., Henry Sturgis Morgan and Junius Spencer Morgan, as executors under the will of John Pierpont Morgan, while 10,000 are to be sold individually by Henry Sturgis Morgan to Hemphill, Noyes & Co., one of the underwriters. Proceeds will go to the selling stockholders.

Registration Statement No. 2-5187. Form S-2. (7-27-43).

MONDAY, AUG. 16

FINANCIAL INDUSTRIAL FUND, INC.

Financial Industrial Fund, Inc. has registered 300,000 fund shares.

Address—650 Seventeenth Street, Denver.

Business—Diversified investment fund.

Underwriters—None.

Offering—At market. Approximate date of proposed public offering Aug. 17, 1943.

Proceeds—For investment.

Registration Statement No. 2-5188. Form S-5. (7-28-43).

FINANCIAL INDUSTRIAL FUND, INC.

Financial Industrial Fund, Inc., has filed a registration statement for 600 cumulative (full-paid) investment certificates calling for the purchase of Financial Industrial Fund shares in the amount of $600,000; 950 systematic (periodic payment) investment certificates providing for total payment of $1,140,000, and 50 systematic investment certificates (with insurance) providing for total payments of $60,000.

Address—650 Seventeenth Street, Denver.

Business—Diversified investment fund.

Underwriting—None.

Offering—Proposed maximum offering price to the public of the securities being registered is $1,800,000. Approximate date of proposed public offering is Aug. 17, 1943.

Proceeds—For investment.

Registration Statement No. 2-5189. Form S-6. (7-28-43).

(This list is incomplete this week.)

Interstate Aircraft Situation Of Interest

Fred W. Fairman & Co., 208 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, have prepared an interesting memorandum on Interstate Aircraft & Engineering Corporation common stock, which they feel offers an attractive situation at the present time. Copies of this memorandum are available to dealers upon request.

Bank & Insurance Stocks

(Continued from page 511)

	Liq. Value Per Share Dec. 31, 1942 $	Invested Assets Per Share Dec. 31, 1942 $	Dec. 31, 1942 Invested Assets Per $ of Market at:— Dec. 31, 1942 $	July 30, 1943 $
Aetna	53.31	67.22	1.31	1.18
Agricultural	81.22	111.06	1.60	1.46
Am. Alliance	23.05	27.80	1.32	1.13
Am. Equit.	26.88	38.54	2.20	1.79
Bank. & Ship.	106.17	138.03	1.92	1.49
Boston	608.16	736.04	1.37	1.17
Continental	39.83	46.22	1.10	0.97
Fid.-Phenix	41.53	49.10	1.11	1.02
Fire Assoc.	74.89	103.41	1.91	1.44
Fireman's Fd.	75.23	88.59	1.18	1.00
Franklin	21.73	30.46	1.06	0.98
Glens Falls	36.17	36.37	0.94	0.82
Great Amer.	29.36	26.15	0.94	0.85
Hanover	28.64	39.26	1.59	1.31
Hartford	81.34	93.21	1.00	0.90
Home	24.71	30.44	1.04	0.93
Ins. of N. Am.	73.71	84.86	1.18	1.01
Natl. Fire	76.54	93.24	1.66	1.45
Natl. Union	220.01	328.15	2.03	1.64
New Bswk.	32.33	46.16	1.52	1.27
New Hamp.	45.49	54.93	1.29	1.14
Northern	103.37	126.15	1.44	1.15
North River	21.50	23.28	0.99	0.86
Pacific	134.66	171.80	1.74	1.51
Phoenix	89.94	93.55	1.09	0.98
Prov. Wash.	36.23	42.80	1.29	1.11
St. Paul	262.17	291.98	1.09	0.93
Security	44.65	57.47	1.54	1.48
Sprnigfield F. & M.	130.54	159.03	1.28	1.20
U. S. Fire	51.27	55.30	1.12	1.03
Average			$1.36	$1.17

Since Dec. 31, 1942 fire insurance stocks have appreciated some 15%, with the result that the average for the thirty stocks shows 1.17 of invested assets per $1.00 of market as of July 30, 1943. This ratio, however, is misleading, in that it is based on current market against invested assets as of **Dec. 31, 1942.** Invested assets, however, have increased since the first of the year, not only because the market value of industrial stocks, rail stocks, bonds, etc. have appreciated in the meantime, but also because the actual funds of the insurance companies available for investment have expanded. It seems probable, therefore, that ratios which are based on the market of Dec. 31, 1942 are in most cases approximately correct for today.

It might perhaps be said, that an investor who purchases the stock of any of the better managed, old line, fire insurance companies is, in effect, investing in an experienced "investment trust," but one which enjoys an additional source of income by reason for its underwriting operations. Furthermore, in most instances, he can purchase it at a discount from the market value per share of its portfolio of investments.

NASD Refutes Contentions Of Those Advocating Listing Of All Securities

(Continued from page 499)

The "Congressional Act" which is referred to has not "barred" any securities from being traded on stock exchanges. No issuer is **barred** from having its securities listed and traded on stock exchanges if such issuer believes that the advantages derived from listing on a stock exchange compensate it and the owners of its securities for complying with the requirements of listing. Obviously, the Congress wisely left this to the choice of the issuer.

Use of the phrase "supervised stock exchanges" in the above reference was undoubtedly intended to convey the impression that only transactions on stock exchanges are subject to supervision. This, of course, is wholly fallacious. The securities acts cover trading in over-the-counter markets as well as on the stock exchanges, and Federal and State regulation of over-the-counter markets is supplemented by regulation of the majority of the over-the-counter dealers through the medium of the NASD.

"These exchanges are the natural markets of record, have a definite commission schedule, and are so regulated that the public cannot be deceived."

The statement that exchanges "are so regulated that the public cannot be deceived" is, to say the least, inconsistent with the objective of this advocate who wants exchange regulation relaxed.

NASD Supervises Members

NASD (National Association of Securities Dealers, Inc.) was established under permissive legislation (Maloney Act) passed by Congress in 1938. Among its objectives is the administration and enforcement of rules of fair practice and the promotion of high standards of commercial honor and just and equitable principles of trade for the protection of investors; and, further, to promote self-discipline among members and to investigate and adjust grievances between the public and members. Since its organization, NASD has aggressively and successfully pursued these objectives. As proof of that here are a few facts: since its inception NASD has filed complaints against 400 members and the decisions in these cases resulted in expulsions, suspensions and fines ranging to $2,000 and, in cases involving minor infractions, censures, dismissals or settlements between parties resulted. The SEC in several instances has followed up NASD expulsions with revocations of these dealers' registrations. NASD examines business practices of all members at least once a year. They are continuously under supervision.

"These exchanges are the natural markets of record, have a definite commission schedule, and are so regulated that the public cannot be deceived."

The statement that exchanges "are so regulated that the public cannot be deceived" is, to say the least, a very broad statement not necessarily related to the specific virtues mentioned; it would further appear to be inconsistent with the objective of this advocate who wants exchange regulations relaxed.

"These small exchanges, prior to the inception of the SEC, supported the securities of small local companies and helped innumerable such companies to develop and become well established in the financial world . . ."

Stock exchanges are auction places. They provide the physical surroundings for the buyer and the seller to meet in. They do not and cannot "support" nor can they "help" securities traded in their markets. In fact, it might more accurately be said that a security must attain maturity before it is acceptable to stock exchange listing. This is not a criticism of the stock exchange, its functions or its contribution to the smooth operation of the financial machinery of the country. But it is still the fact that a security has had invariably to pass through a period of seasoning before it was susceptible to auction trading and became a recognized medium for trading on an exchange. A protracted period of time must elapse between the initial public flotation of a security and its attainment of that degree of public ownership and interest which endows the security with the qualities necessary for auction trading in it on stock exchanges. No informed stock exchange official today would deny that a large number of securities have been listed which, over the years, have demonstrated that they had **not** developed these qualities, perhaps never would. A large additional number, with the same inherent defects, have been placed on exchanges under unlisted trading privileges. Many securities listed on stock exchanges, and others traded on stock exchanges under unlisted trading arrangements, should never have left their natural habitat—the over-the-counter market.

Counter Market's Investment Character

In this connection, it is appropriate, as one means of illustrating fundamental differences between over-the-counter markets and stock exchanges, to point out that securities of a high investment caliber such as United States Government issues direct and guaranteed, as well as State and municipal issues are very extensively dealt in over-the-counter. In addition, high caliber investment issues of the most substantial financial institutions of the country, such as insurance companies and banks, are also dealt in almost exclusively over-the-counter. In numerous cases, the securities of these institutions have, at one time or another in the past, been listed on stock exchanges but were removed by the issuers. It is a dominant characteristic of the over-the-counter market that the issues which make up the bulk of actively-traded securities of that market are of a high investment rating.

The "support" and "help" which the financial community manifests for securities are provided prior to their arrival on stock exchanges.

If stock exchanges could **support** and **help** the securities listed on their exchanges, it naturally follows that grateful and contented issuers would not remove their securities from stock exchanges and thus the necessity for such complaints as are now made by Mr. Taylor would be obviated.

Factors of Financial Success

Companies which "become well established in the financial world" attain such eminence as a result of success in their field of enterprise. This success comes about because of the quality and demand for the products of the corporation, sound management, etc.—which, all things being equal, are conveyed to the securities of the company. But becoming well established in the financial world presupposes success in the corporation's field of activity and in its origin has no relationship whatever to the place where the corporation's securities happen to be traded. Transactions made in that place merely reflect the changes in fortune of the issuer of securities.

". . . today such companies cannot afford to become involved in the burdensome requirements of the SEC."

Congress left to the choice of the issuer of securities, the decision as to whether it was desirable and whether it would be beneficial if its securities were listed on a stock exchange. However numerous and tangible may be the benefits of listing securities on stock exchanges, such action entails acceptance of certain responsibilities. The issuer, in practice, weighs all the advantages against the responsibilities incurred when considering whether a security is to be listed on a stock exchange, and decides whether or not the one outweighs the other.

"Why should the stock exchanges be penalized while the over-the-counter market is permitted to trade in all unlisted securities and also those listed on the exchanges?"

The reason why the over-the-counter markets are employed by the public for the transaction of business in securities listed on stock exchanges is a very simple one. Buyers and sellers seek the best market in which to make transactions in listed securities. In a good many cases that happens to be the over-the-counter market. This is good economics — the operation of the fundamental law of supply and demand. The business man always tries to transact his business where the price is best. It is difficult to see how the public good could be served by passing a law or a rule, the effect of which would be to deprive the investor of his constitutional right to do business where he chooses—which means where he will obtain the best bargain.

"We have no argument with the over-the-counter market—we merely ask that such rank discrimination be eliminated."

The "discrimination" which is decried would, if this advocate were successful, result in discrimination against the investor for whose good and for whose protection the securities acts were enacted; it would be worse than discriminatory to deprive issuers of their right to elect whether their securities should be listed or not.

"Your decision, when these matters come before you, will result in one of two things:

"1. The closing of all small exchanges—the only securities markets where records of all purchases and sales are kept for all time and are available to anyone.

"2. Unless appropriate action is taken permitting all regional exchanges to trade in any and all securities, whether listed or unlisted, on these exchanges which afford the ONLY market of record with proper supervision for the protection of the public, it is quite apparent that these small exchanges will be forced to discontinue operations and the entire securities business of the country will become concentrated in the large fiancial centers."

1. No one in the financial community can contemplate disinterestedly the possible disintegration of small stock exchanges. They have rendered a useful service to their communities over a period of many years and it is to be hoped that they will survive and continue to be useful to these communities. However, if these exchanges can serve no useful economic purpose, then they cannot survive regardless of what may be done to save them.

What Would Happen?

2. The "appropriate action" which would permit all exchanges to trade in any and all securities would seem to be an appeal for legislation which would enable members of stock exchanges to transact business in securities other those those "formally" listed on the exchange or traded there under unlisted trading privileges. How this could be done without a complete revision of the securities acts and the discarding of underlying principles of those acts, it is hard to see; but, even if such edict or enabling legislation were forthcoming, is there any guarantee that the lot of the regional stock exchanges would be improved? This advocate of the position of the stock exchanges has confessed (by indirection) that for many presently listed securities better markets are available off the exchanges than on the exchanges. By opening the exchanges to hundreds if not thousands of additional securities, there would be just that many securities which **could** be traded on exchanges but which still would enjoy their best markets off the exchanges. The reason this would come about is the reason for the present state of affairs. Stock exchanges are, as has been pointed out, no more than auction places. Under their roofs orders to buy and to sell securities are matched by the members of those exchanges and when the opposite order needed to complete the transaction is missing, there is no transaction. On the other hand, in the over-the-counter market buyers and sellers literally **make** markets. Those engaged in over-the-counter trading recognize no physical confinements for their operations. If a buyer or a seller cannot be found in the immediate community, he is sought out in all likely places. If a prospect is found but there is a gap in the price, the effort is made forthwith to compose the difference. Over-the-counter dealers merchandise securities, carrying them to the ultimate consumer. It is also characteristic of the over-the-counter market that many of those who engage in it take the business man's risk in the conduct of their business. They inventory securities the same as any merchant. They are prepared to buy or to sell at a price at any time. They do not wait for a buy order and a sell order to meet by happenstance in their own offices. The existence of an order to buy or to sell is enough for the over-the-counter dealer to find the opposite of one or the other.

Decentralization Not Concentration

The statement that the demise of small stock exchanges will mean that "the entire securities business of the country will become concentrated in the large financial centers" is a projection that cannot be reasonably argued. The small stock exchanges are located in the more important centers of financial activity in various parts of the country. These communities are truly "centers" of their particular regions and the more business that flows into these centers the more concentrated becomes the securities activities of those regions served by the small stock exchanges. In contrast, the over-the-counter markets are decentralized and diffused to such an extent that even the smallest community can be said to supply a purely local market for securities native to the area. The larger the number of people engaged in over-the-counter securities business, the more widespread and local is the volume of business done. Obviously, then, the regrettable disappearance of small stock exchanges (and we view such a prospect with considerable concern, although confident that it is unlikely to develop) would most likely result in an even wider diffusion of securities activities than prevails at present.

Queries Regarding Invasion Money

By WALTER E. SPAHR

Professor of Economics, New York University; Secretary Economists' National Committee on Monetary Policy

The information given by Treasury officials to the press regarding the use of invasion money, printed and distributed by the Treasury, is significant chiefly because of what is not revealed as to the nature of this transaction.

The important things for the American people to know are not found in the story of the planning, printing, and distribution of this new paper money as released by the Treasury Department, Aug. 2.

One thing that we in this country need to know is: What is the nature of this money that is being printed and issued in Sicily in terms of lira? Is this paper United States notes? Is it silver certificates? Is it merely outright fiat money?

Dr. Walter E. Spahr

Some closely related questions: Who is liable for the redemption of this currency, what is the reserve against it, and how and when is it to be redeemed?

After the Treasury tells us the nature of the money being issued, we need to know the authority for such issuance. Has Congress empowered our Treasury to issue this brand of currency? If not, under what authority does the Treasury undertake this transaction?

Nothing in the Treasury statement on this currency throws any light on these very vital matters. These are questions that call for answers, and the press and Congress should get them.

Germany devised the diabolical trick of going into a conquered country with fiat money—for example, German-printed inconvertible paper money francs in France—and buying up the goods of the conquered country, and flooding it, with such money.

From all that the Treasury has revealed, there is no way for the American people to know whether our Government is using German tactics or is issuing and using this money in a legitimate way. It is important that there be no confusion in the public mind on this score. On all the points raised the American people are entitled to a full explanation.

Smith Barney Group Offer $30 Million Secs.

In one of the largest industrial refunding operations of the year to date, United Drug Co. is offering today through a nationwide syndicate of 66 investment houses headed by Smith, Barney & Co., New York, new debentures and preferred stock totaling $30,000,000. The offering consists of $20,000,000 of 15-year 3¼% sinking fund debentures due 1958, and 100,000 shares of $4.75 cumulative preferred stock. The debentures are priced at 101¾% and interest, and the preferred stock at $100.

Other principal underwriters are Glore, Forgan & Co.; Harriman Ripley & Co., Inc.; Goldman, Sachs & Co.; Hornblower & Weeks; Lee Higginson Corp.; Paine, Webber, Jackson & Curtis; Shields & Co.; Stone & Webster and Blodget, Inc.; Union Securities Corporation, and White, Weld & Co.

Proceeds from the sale of these issues will be applied by the company, with other funds, to the redemption on Sept. 15, 1943, of $30,243,200 principal amount of the company's 25-year 5% bonds due March 15, 1953, at 103% and interest.

The present financing represents a further major step in the company's program of debt retirement. The new debentures have annual retirement provisions and the preferred stock is subject to a market fund. The sinking fund on the debentures provides for annual payments of $667,000, sufficient to retire $10,000,000 of the debentures by maturity, thus leaving the company with a funded debt of only $10,000,000 at that time, compared with a funded debt of $40,000,000 of 25-year 5% debentures outstanding in 1928, but since reduced to $30,243,200 through operations of the sinking fund applicable to that issue and open market purchases.

The "purchase fund" for the preferred stock provides for the setting aside each year of the lesser of 20% of the consolidated net profits, after dividends on the preferred and after annual sinking fund payment on the debentures, or $250,000.

The debentures, which contain callable features, will constitute the only funded debt of the company.

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.

Senator Burton Urges Business Carry Burden Of Finding Jobs After The War

Urging the bulk of the burden of finding jobs for returning servicemen be carried by private enterprise rather than by the Government, Senators Burton (Rep., Ohio), and Radcliffe (Dem., Md.), suggested on July 31 that President Roosevelt confer soon with business and labor leaders to plan for post-war conversion of war industry to peacetime pursuits.

Their assertions came in separate interviews, reported the Associated Press, after the President made public and endorsed his special post-war planning committee's recommendations that the Government sponsor a demobilization and employment program.

The following is according to the advices quoted:

The Senators said they believed policies should be shaped under which the Government would help private enterprise keep production lines going and thus provide jobs for returning soldiers.

"If you don't have the business activity that produces the jobs, it won't do a great deal of good to provide Social Security benefits," Burton declared.

"It would be a wonderful opportunity for the President now to get business and labor leaders together for a discussion of plans for the post-war period," Mr. Radcliffe said. "A great many of these men already are in the harness working for the Government and they could contribute some constructive ideas."

Both Senators conceded that Government help would be needed.

Mr. Burton said he understood some progress already had been made toward writing into war contracts provisions under which the Government will aid in financing reconversion of plants and machinery to civilian production.

However, he contended that a comprehensive study should be made soon to determine what articles each plant is best fitted to produce after the war and get some general idea of the problems each will face in re-gearing itself to that production.

Both men said they approved the President's program for war veterans, but asserted it did not go far enough.

Mr. Radcliffe, a member of the Senate Finance Committee, said it appeared obvious that some plans must be formulated for readjustment of the tax laws after the war ends.

York Corp. Attractive

Common stock of the York Corporation offers an interesting situation according to a memorandum issued by Peltason, Tenenbaum, Inc., Landreth Building, St. Louis, Mo. Copies of this memorandum may be had upon request from Peltason, Tenenbaum, Inc.

Albert Joyce Partner In Craigmyle, Pinney

Albert G. Joyce, Jr. will become a partner in Craigmyle, Pinney & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Joyce was formerly proprietor of the recently dissolved firm of A. G. Joyce, Jr. Co. Prior thereto he was associated with Kidder, Peabody & Co.

Henderson Is Manager For Whitehead Co.

Robert P. Henderson has become associated with Louis H. Whitehead Co., 44 Wall Street, New York City, as general manager. Mr. Henderson was formerly with Lord, Abbett & Co. and in the past was with Amott, Baker & Co. and S. W. Strauss & Co.

Hoit, Rose & Troster Admits Carroll Ward

Carroll J. Ward has become a general partner of the firm of Hoit, Rose & Troster, 74 Trinity Place, New York City. Mr. Ward was formerly a partner of the firm of F. P. Lang & Co. for many years.

American Productive Might

A full size reproduction of the Sid Hix's cartoon appearing in the advertisement of Philco Corporation on page 507 of today's issue of the Financial Chronicle may be obtained from the Philco Corporation, Philadelphia, Pa., free upon request. Ask for Cartoon No. 62CF. This is one of a series of cartoons being drawn for Philco by America's leading editorial cartoonists depicting the significance of America's productive might.

INDEX

The Business Man's Bookshelf

Inter-American Affairs, 1942—An Annual Survey: No. 2—Edited by Arthur P. Whitaker, Professor of Latin-American History, University of Pennsylvania—Columbia University Press, Morningside Heights, New York—Cloth—$3.00—Publication date: Aug. 10, 1943.

Liberty Aircraft Corp Elects Directors

At the meeting of the Board of Directors of Liberty Aircraft Products Corporation, held on Friday, July 23, 1943, John A. Payne, President of Consolidated Coppermines Corporation, and Harral S. Tenney, Vice President of The Marine Midland Trust Company of New York, were elected to the Board of Directors of the corporation.