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In 2 Sections—Section 1

The Commercial and FINANCIAL CHRONICLE

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C. G. Stoll 40 Years With Western Electric

With the week ended Aug. 7, 1943, Clarence G. Stoll, President of the Western Electric Company, reached his 40th anniversary with that organization.

Clarence G. Stoll

Mr. Stoll joined Western Electric as a student apprentice in its Clinton Street Shop in Chicago, after graduating from Pennsylvania State College in 1903. After a succession of promotions in the manufacturing department, he became Vice President in 1926 and was elected to the Presidency in 1940.

He was in charge of the company's factory at Antwerp, Belgium, in the World War year of 1914. Today, after more than 25 years of executive responsibility in operating in peacetime the world's largest telephone equipment business, he is once again directing in wartime a great establishment committed to the job of furnishing more than a third of America's production of military communications equipment for the Allied Nations.

In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin appear in this issue.

Illinois, page 594; Wis., page 596.

Bank Deposits After The War

By J. AUSTIN WHITE

J. A. White & Co., Cincinnati, Ohio

The question in the minds of bankers is not what will happen to deposits while the war lasts, but what will happen to them after the war. Practically every banker realizes now that the deposits of the banking system as a whole will rise further as long as war financing continues.

While most people now recognize the reason for the growth in deposits experienced in recent years, and expected during the remainder of the war, it may be well to illustrate the reason simply and concisely. When the banks buy bonds from the Government, the banking system as a whole makes a debit entry for investments and a credit entry for cash, assuming they pay cash for them. The Government, of course, receives the cash but soon pays it out to Tom, Dick and Harry. Then Tom, Dick and Harry deposit the money in the banks, or spend it at some store which deposits it. The banking system then debits cash and credits deposits. This debit to cash offsets the credit to cash made when the bonds were purchased; so that the net result is a debit to investments and a credit to deposits. Banks generally are now paying for their purchases of Governments, not with cash, but merely by crediting the War Loan Deposit account of the Government. This, of course, simply makes the transaction more directly a write-up of investments and a write-up of deposits.

J. Austin White

This procedure is not born of the war, for the banking system was thus writing up investments and deposits throughout the eight years before the war when the Federal budget was out of balance and the Government was borrowing from the banks. After we entered the war, however, the write-ups jumped considerably as the Government borrowed huge amounts to finance the war. By the same token bankers generally have come to realize that as long as the Government borrows huge amounts from the banks, and in the proportion that it does, deposits will rise further.

In normal times there is an automatic check to this spiral of piling up deficits and deposits. Against these increasing deposits the banks must carry reserves in cash. As deposits increase, more cash is needed for reserves. But in this process there is no new cash put into the banking system, for, again the process is simply a debit to investments and a credit to deposits, without any use of cash. In normal circumstances, then, as the cash for reserves approaches the minimum, banks are unable to increase their deposits further in this manner and thus cannot buy more bonds. This is one check of the economic system to continuous deficit spending by the Government, or at least to financing deficits by borrowing from the banks.

Fortunately, however, for the

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A Tentative International Monetary Stabilization Plan

By DR. MELCHIOR PALYI, CHICAGO

Introduction

After the war, we shall be faced with the fact that a number of countries will not be able either to provide themselves with the necessities for consumption or the raw materials to produce for export. This emergency may last several years. The distress will arise from the fact that the countries in question will have neither gold nor other internationally marketable reserves to take care of a deficit in the respective balances of payments. These balances will be in disequilibrium due to the depletion of inventories, the accumulation of short-term debts, the destruction of productive facilities, the loss of external sources of revenue, and the difficulties in adapting their exports to new competitive situations.

Dr. Melchior Palyi

Even Great Britain is likely to be in such a situation, in addition to a number of other Allied countries, to say nothing of the Axis nations. The lack of balance in the international accounts of each individual country will effect others. If Great Britain has to resort to a major reduction of food consumption and its production at home, Canada and Argentina, Holland and Denmark, will lose a substantial portion of their outlets and will in turn reduce their imports. Elimination of one or several major buyers on the world market is bound to have adverse consequences for all trading countries. In the long run, world economy might adjust itself to the new situation, painful as are such adjustments. The trouble is that the distressed countries are not likely to submit to such an adjustment process, which might entail the liquidation of their remaining marketable assets, a profound reduction of living standards, etc. They rather will try to hedge by protective policies, in turn tending to perpetuate the international disequilibrium.

In a capitalistic world, the free flow of international credits fulfills the function of shifting capital to the countries in difficulty and relieving their distress. But even previous to the era of World Wars and managed economies, foreign capital was scarcely available at times of crisis and uncertainty. Under the forthcoming critical circumstances, it would be very hazardous, to say the least, to rely upon the "solidarity of the money markets" and the automatism of interest rates. Some institutional organization is likely to be necessary for a while to fill the gap created by a possible breakdown of the normal financial mechanism. This is what the following plan should accomplish. But its purpose is not to eliminate the "natural" course of capital flow, or to substitute an er-

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Additional Comments Anent Dr. Wright's Articles On Inflation and Deflation

The "Chronicle" recently published two articles, written by Dr. Ivan Wright, Professor of Economics, Brooklyn College, in which the author suggested to management and investors a program calculated to offer the best possible protection against the effects of inflation and deflation. The first of these studies, entitled **"Managing a Business for Stockholders Through the Vicissitudes of Inflation,"** was published in our issue of July 8, and the second, bearing the caption, **"When Inflation Comes, Deflation Cannot Be Far Behind,"** appeared in our issue of July 22. As was to be expected, numerous comments have been received regarding the views and conclusions drawn by Dr. Wright in his articles. Some of these expressions were given in previous issues of the "Chronicle" and others that can be accommodated in this issue are given herewith:

WALTER P. NAPIER

President, The Alamo National Bank of San Antonio, Texas

Both of Dr. Ivan Wright's articles on inflation are well written and he has laid down certain fundamentals in which I can readily concur.

These articles should be helpful to the many who are drifting along on an uncharted course. The government has no announced fiscal policy—therefore, it is difficult for any business man or individual to plan very far ahead. In view of all of this, in my opinion, there is nothing that conservative management can do except keep their business in an entirely liquid condition.

R. PERRY SHORTS, President Second National Bank & Trust Co., Saginaw, Mich.

I read Dr. Wright's former article on inflation and got some good ideas out of it and I also appreciate the opportunity of reading "When Inflation Comes, Deflation Cannot Be Far Behind."

R. Perry Shorts

Naturally, in this connection, the thing that worries the competent and patriotic banker today more than almost anything else is the outlandish war debt that is being placed upon country. He feels that this debt is going to be about twice as much as would have been necessary. The present administration seems to have started out

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Fears Administration May Subvert Constitution On Post-War International Bank

Editor, The Commercial & Financial Chronicle:

I have read the article which appeared in Thursday's "Commercial and Financial Chronicle" giving Dr. Spahr's viewpoint as to whether or not the President can commit the United States to a post-war international bank. There seems no doubt in my mind that any such organization in which the United States would participate would first have to be approved by the Congress, in view of the fact that it would give a definite value to our currency abroad.

There have, however, been so many different proposals made during the last ten years which did not strictly conform to the constitution of the United States and yet some roundabout method was found to accomplish the same end and thus circumvent the intent of the law of the land. It is very probable that some legal mind in Washington will devise some such means and we will be faced with a fait accompli. It will then be difficult for Congress to do anything about it without causing some international financial disturbance.

It is well that Dr. Spahr has spoken out and let us hope that Congress will make its position clear before any international commitments on this point are definitely made by members of the government who are not the elected representatives of the people.

EMIL LINHART.

New York, N. Y., Aug. 2, 1943.

OUR REPORTER'S REPORT

The second largest public utility bond issue of the year was due on the market today with a large banking group slated to offer $45,000,000 thirty-year first mortgage 3⅛% bonds of the Northern Indiana Public Service Company at a price of 102⅞.

Since the bonds were purchased by the group in competitive bidding it was naturally expected that the Securities and Exchange Commission would grant the clearance necessary to go through with the offering to the public.

The offering syndicate consisting of some ninety firms, mostly of New York and Chicago, was likewise one of the biggest organized in recent months to handle the sale of a corporate undertaking.

Inquiry among dealers indicated that the undertaking might be expected to entail somewhat more in the way of selling effort than might have been the case had the issue been priced to yield 3% or slightly better.

The current offering affords a yield of approximately 2.98%. Accordingly some insurance firms in New York, New England and Philadelphia are reported a trifle reluctant although others are said to have taken down lots direct from the underwriters.

However, since the yield barely shades the 3% level it is expected that die-hards will gradually capitulate.

Port Authority Bids Wide

Much water has passed over the dam since the last time a municipal, or revenue, bond issue brought such a wide spread among bidders as shown in the auction of the Port of New York Authority's $14,281,000 general and refunding 2¾%s this week.

Presumably the wide variation in ideas of bankers with regard to such issues at the moment, reflects the uncertain traffic outlook particularly in the area in which the Authority's projects operate. Lifting of the pleasure-driving ban and easing of gasoline restrictions naturally would alter the outlook considerably.

But with four groups bidding the spread between the highest and lowest offers was 2.03 points, the winning bid calling for payment

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Wittich On Trip To Coast

Wilbur R. Wittich, Manager of the New York office of Wyeth & Co., at 40 Wall St., is leaving on Friday, Aug. 13, for a trip to the Pacific Coast where he will make his headquarters at the firm's Los Angeles office, 647 South Spring St.

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

President Confers With Postwar Planners

President Roosevelt held a postwar planning conference on Aug. 10 with his State Department advisers.

Heading the group was Secretary of State Cordell Hull, while the others attending were Undersecretary of State Sumner Welles; Norman Davis, Chairman of the American Red Cross; Dr. Isaiah Bowman, of Johns Hopkins University; and Dr. Leo Pasvolsky, Special Assistant Secretary of State in charge of postwar planning.

Anderson Opens In L. A.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Russell M. Anderson has opened offices at 559 South Figueroa St. to engage in a general securities business. Associated with Mr. Anderson will be Bruce Card, formerly with Franklin Wulff & Co., Inc., and Morrison Bond Co., Ltd.

Attractive Possibilities

Federal Water & Gas Company offers attractive possibilities at current levels according to an interesting circular just issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular may be had from the firm upon request.

NSTA Municipal Forum To Hear Carl Chatters

The National Security Traders Association announces that Carl H. Chatters will be the speaker at the Municipal Meeting to be held in Chicago on Aug. 20, during the Association's annual meeting in that city.

Mr. Chatters is well known in the field of municipal finance and at present is serving as executive director of the Municipal Finance Officers Association of the United States and Canada, and is Secretary of the National Committee on Municipal Accounting. He was consultant to the TVA on its relations with the municipalities and cooperatives to which it was selling power; has served as consultant to several cities on their financial problems; was a member of the Technical Board of Review of the Federal Emergency Administration of Public Works; was director of the Municipal Advisory Council of Michigan, and served as City Auditor and Director of Finance for the City of Flint. Mr. Chatters has been a lecturer at the University of Chicago and in collaboration with A. M. Hillhouse and Irving Tenner.

He is Editor of "Muninical Finance Magazine" and "Municipal Finance News Letter."

Victor Troendle Is With Witherspoon Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Victor H. Troendle has become associated with Witherspoon & Co., Inc., 215 West Seventh St. Mr. Troendle was formerly an officer of G. Brashears & Co. with which he had been associated for many years.

H. J. Moffett Joins Adams-Fastnow Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Harry J. Moffett has become affiliated with Adams-Fastnow Company, 215 West Seventh St., members of the Los Angeles Stock Exchange. Mr. Moffett was previously with Fairman & Co., specializing in aviation securities.

War And The Stock Market

The brief period since our last Investment Survey has seen two striking developments:

1. The fall of Mussolini under conditions which indicate that Italy will soon be out of the war.

2. A break in stock prices under a heavy volume of selling which has already lasted for three days and is still in progress as this is being written.

Because the two have coincided so exactly, there is a temptation to generalize about the whole matter as a "peace break" and to base our own reactions on that generalization. It seems to me that such an interpretation is far from getting at the genuine nature of this market decline and is, therefore, a dangerous basis of reasoning from which to operate. My feeling is bolstered by several actual facts:

1. During the three day period, in which the Dow-Jones Industrial Average **declined** 5%, the Reuters Index of British Industrials **rose** 2%. Since the Reuters Index usually fluctuates about half as rapidly as the Dow-Jones Index, it is fair to say that British Stocks rose about as aggressively as American Stocks declined. Incidentally, the Reuters Average on July 28, 1943 was at the highest point reached since the invasion of France in 1940.

2. The market made little distinction between "War" and "Peace" stocks. The following list of percentage declines will illustrate my point:

Anaconda Copper	Off	7%
Bethlehem Steel	"	6%
Deere & Co.	"	10%
Standard Oil of N. J.	"	5%
Texas Co.	"	6%
Atchison, Top. & S. Fe	"	9%
General Motors	"	8%
Kennecott Copper	"	6%
Skelly Oil	"	10%
Southern Pacific	"	8%
Amer. Tel. & Tel.	"	2%
Consolidated Edison	"	4%

In all of this list, no stocks show any definite disadvantage from their status as "war stocks" and none, except the Public Utilities,

(Continued on page 601)

NASD To Take SEC Unlisted Decisions To Court; Association Opposes New Requests

The Executive Committee of the NASD has voted to appeal to the courts decisions of the SEC granting the New York Curb Exchange unlisted trading privileges for two public utility bond issues. The Executive Committee has also decided to oppose new SEC applications of the New York Curb to extend such privileges to six corporate common stock issues, all of which are now traded actively in the over-the counter market. The decisions of the Executive Committee are in line with the policy of the Board of Governors, adopted last year, under which all applications of exchanges to extend unlisted trading privileges to over-the-counter issues are to be opposed when the granting of such privileges would, in the opinion of NASD, be contrary to public interest and to the protection of investors.

So far as is known, the contemplated appeal of the SEC decisions to the United States Circuit Court of Appeals is the first such court test to be made of such decisions. The issues which are the basis for the action are Central Power and Light 3¾'s of 1969 and Kentucky Utilities 4s of 1970. Early last month, the SEC, over the opposition of NASD, authorized the Curb to extend unlisted trading privileges to these issues. At the same time, it denied a Curb application, also opposed by NASD, to extend unlisted trading privileges to Kentucky Utilities 4½'s of 1955.

Commissioner Robert E. Healy, in dissenting from the majority in the SEC decisions affecting Central Power and Light and Kentucky Utilities 4's, expressed the following opinion:

"I think it clear that the applicant Exchange (N. Y. Curb) has the duty of proving that there exists in its vicinity sufficient public trading activity in the securities to render the extension of unlisted trading privileges to them necessary or appropriate in the public interest or for the protection of investors. The Curb has not, in my opinion, made such a showing in this case by a fair preponderance of the evidence, and therefore I feel constrained to dissent from the grant of the applications."

The latest applications, which NASD will oppose, seek to secure

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NSTA Advertising Notes

It is indeed most pleasing to add again this year our good friend and sincere worker, **Al Tryder** of **H. T. Greenwood & Co., Philadelphia,** to the list of members anxious to improve the financial status of your Association by cooperating with the Advertising Committee. Al has in the past been one of the outstanding producers for our yearbook and will undoubtedly put the **Philadelphia affiliate** in a class among the three highest insofar as the production of advertising orders for the forthcoming NSTA issue of **The Commercial and Financial Chronicle** is concerned.

Also **Thomas W. Price** of **E. H. Rollins & Sons,** President of the **San Francisco Traders Association,** is assisting on the Coast with **Eldridge Robinson** of **Baum, Bernheimer Co., Kansas City,** acting as Chairman of his local club. **Kermit B. Sorum** of **Allison-Williams Co., Minneapolis** (known to many as the tiger man), is cooperating with the **National Committee** representing the **Twin City Bond Traders Club.**

It is gratifying to report our production this year has hit a new all-time high, but many of the **National's** affiliates have up to the present done nothing. May I appeal again to all to reach for a phone and give your **NSTA** just a few moments of your time to ask someone you may be friendly with to assist you and your group by placing an ad in the special issue of **The Commercial and Financial Chronicle** to be issued Aug. 26.

There is still time left to secure more contracts as forms will not close until Aug. 23.

Let's prove our unity with advertising representing membership of all of the affiliates of the **NSTA.**

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

Nominating Committee Appointed By STANY

The Board of Directors of the Security Traders Association of New York has chosen the following Nominating Committee, which they feel is outstanding and truly representative of their membership:

William K. Porter, Hemphill, Noyes & Company; Philip Ackert, Freeman & Company; Frank Blair, Allen & Company; Eugene Stark, Merrill Lynch, Pierce, Fenner & Beane; William Mellin, Walter Murphy & Company.

The following vacancies will occur at the end of the fiscal year:

Retiring Directors: Fred Fox, P. F. Fox & Co.; Walter Saunders, Dominion Securities Corp.; Harry Reed, Hill, Thompson & Co., Inc.; Willis Summers, Troster, Currie & Summers.

Retiring Directors of Gratuity Fund: Elmer Lally, Hayden, Stone & Co.; E. K. Sheppard, Robinson Miller & Co.

It will be necessary to nominate three Directors as well as a President, First Vice President, Second Vice President, Treasurer and Secretary; four Delegates to the National Committee, three Alternates and two Trustees of the Gratuity Fund.

The Nominating Committee will advise members as to its first public meeting. All are urged to make their wishes known.

W. W. McCandless Now Is With Sutro & Co.

LOS ANGELES, CALIF.—William W. McCandless has become associated with Sutro & Co., Van Nuys Building. Mr. McCandless was formerly manager of the trading department of Searl-Merrick Co., was with B. B. Robinson & Co. and in the past was a partner in McCandless, Troyer & Co.

NSTA Offers All-Out Aid In 3rd War Loan Drive

On behalf of the 2,000 members of the National Security Traders Association, Frank P. Meyer, Chairman of the War Bond Committee, announces having gone on record with the Treasury offering the association's complete facilities and full cooperation in the forthcoming Third War Loan drive. Continuing the policy followed in the First and Second War Loan drives, when the NSTA unhesitatingly volunteered its services 100% toward the successful culmination of those two campaigns, Mr. Meyer emphasized that there will be no let up in the association's program to give the Treasury full support in the September financing. Plans now under way, whereby the association's affiliated organizations throughout the country will be given complete details of the procedure to be followed with the War Finance Committees in their respective states, will be finally drawn up and announced at the NSTA annual meeting in Chicago Aug. 20-21, when other matters pertaining to the investment dealers' important role in winning the war will also be thoroughly discussed.

Members of the War Bond Committee in addition to Chairman Meyer, who is connected with the First of Michigan Corporation, Detroit, are Andrew L. Tackus, Putman & Company, Hartford; George V. Jackish, Harris Upham & Co., Minneapolis; Henry J. Richter, Scherck, Richter & Co., St. Louis, and Ludwell A. Strader, Scott Horner and Mason, Lynchburg, Va.

Dallas Bond Club New Affiliate Of NSTA

The Executive Council of the National Security Traders Association takes pleasure in announcing the acceptance of the application of the Dallas Bond Club for membership in the National Organization. The Directors of the Dallas Bond Club are:

John L. Canavan, Rauscher, Pierce and Co.; Jack Garrett, Garrett and Co.; J. Wesley Hickman, Schneider, Bernet & Hickman; William R. Newsom, Jr., Sanders and Newsom; Henry N. McConnell, Crummer and Company, Director and Secretary.

S. Duncan Returns To N. Y.

Sidney V. Duncan, Assistant Vice-President of R. S. Dickson & Co., Inc., who has been located at Charlotte for the past six months, has returned to the New York office, 30 Broad St., where he will resume his former duties.

The Securities Salesman's Corner

Leads Are The Basis For Increased Sales

There is no greater stimulant to a sales organization than to have an ample supply of fresh, new, leads upon which they can work. Unless salesmen are encouraged to make calls on new prospects they naturally follow the lines of least resistance and continue in the same well worn pathways until one bright day they wake up and find out that the old prospects and customers are no longer productive. When this happens it's usually too late to do some constructive clientele building. The time to build a clientele is when business is good —not when it slumps.

It seems to us that present conditions offer an excellent opportunity to create leads through the use of well prepared informative bulletins upon timely investment subjects of interest to security buyers. If you have a good writer in your organization who knows his background material and can write about technical subjects in an interesting manner put him to work.

Some subjects that have been found to bring in a ready response of investor inquiries are: Inflation, new products and inventions, the effect of contract termination and post-war adjustments on security values, peacetime portfolios, taxation, how to invest for income, analysis of portfolios, and such subjects as "how to uncover security bargains."

These brochures should be printed in neat type and well prepared. They should look important enough to create a good impression upon the recipient so that when he has finished reading he is left with a favorable viewpoint of both the subject matter and the firm that wrote it.

Direct mail with a return card or newspaper advertising can be used effectively to secure replies. The salesman should deliver the message in person. He should also be ready to discuss the subject covered in the brochure in an intelligent manner. Of course, this is only his introduction to the prospect and from here on it's up to him.

Interesting Possibilities

Common stock of the Struthers Wells Corporation offers attractive possibilities according to an interesting memorandum prepared by Cruttenden & Co., 209 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of this circular may be had from Cruttenden & Co. upon request.

Situations Of Interest

Purolator Products, Inc., and Federal Machine and Welder Co. offer attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Interesting basic reports upon the companies may be had from Reynolds & Co. upon request.

Railroad Securities

The rapidly developing peace psychology, aggravated most recently by the general withdrawal of Axis forces on the Russian front and reports that the military leaders have taken over actual control in Germany, has induced a highly nervous tone in the defaulted rail market. This nervousness has been characterized by, and price declines have been accentuated by, very thin markets on the bid side rather than by any great selling pressure. It is difficult to see how this new speculative attitude will be changed generally over the near term. Nevertheless, past history gives ample evidence that specific developments in individual reorganization proceedings can result in substantial price gains in the affected issues counter to the general market trend.

With this in view, many rail men have recently been contemplating the various St. Louis-San Francisco issues with interest. In the first place, there is the prospect of substantial interest payments in the course of the next month or so. Earlier in the year the various bondholders' groups agreed that only one interest request would be made for 1943 (last year there were early summer and early winter disbursements.) This request may come some time in August and will almost certainly not be delayed beyond September. Last year the company made interest payments aggregating roundly $13,500,000 and in addition paid off the principal of $6,500,000 face value of underlying bonds at par, making total cash distributions of roundly $20,000,000.

Earnings so far this year have run ahead of a year ago and certainly even a quick end to hostilities in the European theatre could not adversely affect operations during the balance of 1943. Financial position is much stronger than it was a year ago. Recent balance sheets show a gain in cash of over $13,500,000 compared with the like 1942 date and it is likely that the year-to-year rise has been even more pronounced by now. Tax liabilities are also naturally heavier than they were twelve months ago but even at that it is indicated that net working capital has increased $11,000,000 or more.

With this background, most observers believe that the company should be able to distribute at least as much cash this year as it did in 1942. The Kansas City, Fort Scott & Memphis bonds are in the strongest position and liquidation of the entire accumulated interest is generally expected. As of Oct. 1, 1943 the total of unpaid interest will amount to $211 per bond. Payment would involve an outlay of $10,025,243, including interest on bonds pledged behind the Consolidated Mortgage bonds.

Based on the earnings segregation formula devised some years ago and used in arriving at allocations of the new securities under the ICC reorganization plan, the Prior Lien mortgage, including pledged bonds, would then be entitled to an aggregate distribution of $11,305,000. The total cash needed for these distributions would be only about $1,250,000 more than the cash distributed last year, in interest and for retirement of underlying bonds. In such a distribution the individual Prior Lien bonds would be entitled to approximately one and one-half years interest. On the basis of the pledge of Fort Scott and Prior Lien bonds, the Consolidated Mortgage $4\frac{1}{2}$s would be entitled to receive approximately $65 per bond.

In addition to this near term prospect for substantial interest payments, it is expected that formulation of a new reorganization plan may not be far distant. A revised plan should provide for more liberal treatment than the original Commission plan which was rejected by the District Court more than a year ago. The District Court rejected the plan on the grounds that the RFC and RCC received preferential treatment at the expense of holders of the Prior Lien and Consolidated Mortgage bonds. The extent of the preference was put at $7,081,000 new 1st Mortgage 4s and in any revision this inequity will unquestionably be corrected.

Also, $6,506,170 of divisionals have been paid since the original plan was formulated, and the attitude of the Commission in the

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Chicago Brevities

An impending new financing operation by **Cook County**, embracing the **City of Chicago**, which may amount to anywhere from $8,000,000 to $10,000,000 and a possible refunding of the governmental unit's entire existing bonded indebtedness were topics of interest in local financial quarters last week.

The new financing operation is for the purpose of funding into a bond issue all unpaid bills and judgments of the county incurred prior to Dec. 1, 1942. The county currently is making a tabulation of all unpaid bills and, when this list is finished, it is to be submitted to a firm of bond attorneys, which is to pass on the legality of the various claims. A resolution authorizing issuance of the bonds then will be drafted for submission to the board of commissioners. A county fiscal official said last week that the governmental unit might be prepared within two or three weeks to issue a call for bids on a new bond issue.

The refunding of the entire existing bonded indebtedness of the county, reportedly being considered by fiscal officials, would be accomplished under terms of an exchange offer, which would be made to existing security holders. This refunding operation would follow the pattern of refinancing now being undertaken by the City of Philadelphia. The latter is offering to holders of its bonds bearing interest rates ranging from 4% to 5% an optional 1944-53 new securities due 1958-75. In the Philadelphia set-up, the new obligations bear the same interest rates as the old up to the first call date of the latter. Thereafter, the new securities bear 3¼%.

This proposed refinancing by the county is likely to encounter stiff opposition, however, and the question of whether any such operation can be accomplished is open to doubt. The county has outstanding roundly $24,000,000 of bonds, of which more than $18,000,000 become callable by Jan. 1, 1946. In view of this fact, most financial men believe it would not be advantageous for the county to attempt a major refunding. They feel that it would be more judicious to exercise options on as many of the bonds as is possible each year and perhaps avoid entirely any refunding within the next few years. The majority of the county's bonds actually mature in 1951 and 1956.

Financing Authorized

While this refunding move under consideration faces stiff opposition, no apparent major hurdle stands in the way of the governmental unit's new financing venture. The financing would be accomplished under terms of a bill recently passed by the Illinois Legislature which Gov. Dwight H. Green permitted to become law without his signature. It gives the county the authority to fund all unpaid bills and judgments incurred prior to Dec. 1, 1942, and is designed to alleviate a rather desperate financial condition.

The county has had definite financial problems in recent years, so far as current operations are concerned, and has been the target for many and severe criticisms. Governor Green in permitting the funding bill to become law charged the government unit with "flagrant mismanagement."

"Cook County is authorized by this bill to issue bonds to discharge certain indebtedness incurred prior to Dec. 1, 1942," the Governor said, and added that debts "have accumulated despite repeated warnings to the Cook County government that it has lived beyond its income for many years."

On Dec. 1, 1942, the county had $4,899,483 in unpaid bills and $3,463,497 of judgments, according to the Civic Federation, which is regarded as the "watchdog" of local governmental units. The judgments represent charges made by the City of Chicago against the county for the cost of operating the municipal court up to the end of 1938. These judgments have been sold to insurance companies. In addition, the city's charges against the county for municipal court costs have been piling up at the rate of anywhere from $350,000 to $400,000 annually for years subsequent to 1938. The latter charges have not been reduced to judgments.

The total of all of the claims outstanding against the county thus aggregated around $10,000,000 as of Dec. 1. Of the $4,899,483 of bills unpaid as of that date, the county earlier this year remitted $1,200,000 from the proceeds of a block of 1943 tax anticipation warrants. It is understood that the county would like to include this amount in the funding operation to reimburse its treasury, but it is not likely that it will be permitted to do so. The exact amount of the county's bond issue will not be ascertainable until attorneys who will draft the bond resolution pass on the various claims.

Opposition to Funding

The county for some time has sought to fund the judgments representing the cost of operating the muncipal court and has had the support of civic organizations in this regard. It is felt that charging the county with the costs of the court is unwarranted, and that these costs were imposed on the county in 1931 without its knowledge. The question of giving the

(Continued on page 595)

Chicago Recommendations

Adams & Co., 231 South La Street, will send latest available information on **Howard Aircraft Corporation Common Stock.**

* * *

Brailsford & Co., 208 South La Salle Street, have available a recent comprehensive analysis of **Chicago, North Shore & Milwaukee R. R. Co.**, showing history of earnings and a future projection based on recent figures. Copies will be sent upon request.

* * *

Caswell & Co., 120 South La Salle Street, have recent data on **Liberty Baking Corporation $4.00 Cumulative Preferred Stock** which they will send on request.

* * *

Cruttenden & Co., 209 South La Salle Street, have compiled late data on **Struthers Wells Corporation** and these figures will be sent on request.

* * *

Enyart, Van Camp & Co., 100 West Monroe Street, will furnish latest data and quotations on **Chicago and Suburban Bank Stocks.**

* * *

Fred W. Fairman & Co., 208 South La Salle Street will send on request late analysis of **Interstate Aircraft and Engineering Corporation.** This literature shows that the post-war possibilities of this pre-war Engineering organization are outstanding. With its present engineering staff numbering approximately 300, no task in its war effort is unnecessarily delayed and production is being maintained 24 hours a day, 7 days a week. The Company is planning carefully for the post-war period and has in various stages of development a number of times, any one of which can show an excellent return on the small stock capitalization of only 128,000 shares common stock. Two items which appear to have unusual possibilities are a car-cobler which can be retailed at a popular price and a three piece portable washing machine to be marketed under $50 through a large chain store organization. This machine is of light metal and plastic construction, is comprised of an electric driven rotor, wringer and top. The unit is demountable and can easily be handled by the housewife. Fitting over any standard basement tub, it does an efficient job of washing, and can compare favorably with the higher priced units. Marketed in volume through a chain store organization it should produce a volume sufficient to use the capacity of the El Segunda plant.

* * *

Leason & Co., 39 South La Salle Street, have prepared a comprehensive Brochure covering **The Chicago Rapid Transit Co. First Mortgage and First Refunding Bonds,** which is available on request.

Chicago Rapid Transit Co. reported that it carried 14,670,000 passengers in July, 10.63% more than the 12,715,813 carried by the Elevated System in the corresponding 1942 period. For the first seven months traffic was up more than 6% to 100,905,468 passengers from 94,898,969 in first seven months of 1942.

Aplication has been made to open officially the Chicago Subway on October 1. This subway will be operated in conjunction with and by The Chicago Rapid Transit Co. It has been estimated that a 20% step up in passenger revenue should result from the Subway-Elevated combination, which should materially increase net operating profits.

* * *

John J. O'Brien & Co., 231 South La Salle Street, reports that **Consolidated Railway of Cuba, Preferred,** listed on the New York Stock Exchange, has interesting possibilities, outlined in a recent memorandum which is available on request.

* * *

Daniel F. Rice & Co., 141 W. Jackson Boulevard, will send on request descriptive circular on **Oak Park, Ill.; Sewer Revenue Bonds** and on general obligation **bonds of East St. Louis, Ill.** and **Highland, Indiana.**

* * *

C. L. Schmidt & Co., 120 South La Salle St., has prepared recent analyses of **Central Electric & Telephone Co., Common & Preferred,** and **Reliance Steel Co. Common & Preferred.** Copies are available on request.

* * *

Straus Securities Co., 135 South La Salle Street, have compiled very late information on **United Stock Yards Corpn. 70 cent** Preferred Stock and **C. G. Conn, Ltd., Common Stock.** These reports will be sent on request.

* * *

In view of developments during the past fortnight, investors everywhere are scrutinizing their holdings. In line with this trend, **Thomson & McKinnon**, in their **"Review of the Week"** have attempted to appraise the intermediate market performance in the light of current events, with an analysis of railroad operations, inasmuch as this industry has been considered a conspicuous beneficiary of the war-time period.

Their **"Weekly Bond Review"** points out that, in July, the New York Stock Exchange enjoyed the greatest activity in bonds for that month since 1936. The July rail bond average, 81.38, on July 24, was the highest since April 1937 and closed the month at 78.52. A section of their "Bond Review" is devoted to European bonds which, in the light of peace prospects, take on increasing significance.

Thomson & McKinnon will send a copy of either or both of the reviews free upon request. Address **Thomson & McKinnon, Statistical Library, 231 South La Salle Street, Chicago.**

* * *

Zippin & Co., 208 South La Salle Street, again wishes to warn holders of **Mexican Government Securities** that August 31, 1943, is the last date to register bonds as to non-enemy ownership. Further information on request.

George Hummel With Ryan-Nichols & Co.

CHICAGO, ILL. — George F. Hummel, formerly with Hicks & Price, now is a member of the trading department of Ryan-Nichols & Co., 105 South La Salle St. Mr. Hummel entered the securities business in 1928 with A. C. Allyn & Co. He is a member of the Chicago Bond Traders Club.

Reid W. Taylor Joins Mitchell Hutchins Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Reid W. Taylor has become associated with Mitchell, Hutchins & Co., 231 South La Salle St., members of the New York and Chicago Stock Exchanges and other leading national Exchanges. Mr. Taylor was formerly for many years with Hulburd, Warren & Chandler.

The Road To Post-War Reconstruction—Study

That the investment community would do well to turn its attention now to the conditions affecting securities by reason of the trend of the war is a conclusion offered by the firm of J. S. Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange and other leading national exchanges, in a study announced today under the title, "The Road to Post-War Reconstruction." According to the firm, investors should recognize the forces that will be necessary for world reconstruction and should take into account greatly altered circumstances that will follow the war.

While supporting the Administration's warning against complacency resulting from the victories of the Allies, the brokerage firm says "it is recognized that planning for the post-war period must go forward vigorously."

"The Government itself," says the study, "has been well aware of this need, and has made available the studies of the Department of Commerce and other Government agencies. Trade associations and private research institutes are spending much of their energy in drawing up schedules for the post-war world.

"The investor must also think in terms of the changed conditions that will accompany the return to peacetime activities. In his business activities, the investor cannot sit by, but must continue to give his every effort to producing as much for the war as he is capable; at the same time, he must be certain not to adopt a complacent attitude in connection with his own investments. It is none too early to begin planning investment portfolios that take into account the return of the world to peaceful political, economic and trade conditions."

Consumer as well as capital goods will be needed to place the liberated countries of Europe on a sound moral and business basis, which would indicate that the general level of industrial output in the United States should continue fairly high right through to the end of the war in Europe, says the firm.

A "blue print" is offered the investor, consisting of suggestions for investment programs covering the objectives of the different classes of security holders.

The study ends with a number of tables showing companies in different industries that will be called upon to supply the huge demand after the war for consumer and capital goods. The length of the conversion period of different industries is estimated.

Copies of the study may be had from J. S. Bache & Co. upon request.

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.

Chicago Brevities

(Continued from page 594)

county authority to fund its unpaid bills, however, has met with definite resistance. On this point, the Civic Federation recently had this to say:

"The funding of floating debt is bad in principle. However, the county is in such a predicament through excessive appropriations over a period of years that it probably could not liquidate this debt within nine or ten years, even by the greatest economy and the additional financing and relief which have been given it.

"This debt, or a large part of it, also will be reduced to judgment, bearing, like the judgment (for municipal court costs) already outstanding, 5% interest. Bonds can be sold on approximately a 2% basis. Moreover, the bad credit position of the county results in paying excessive prices for commodities at a cost to the county and its taxpayers of about $600,000 a year. This saving in commodity purchases, plus a saving in interest and the fact that this debt would probably have to be funded sooner or later, render enactment of this bill apparently the lesser of two evils.

Chicago Unit Defaults

The default by the Chicago Board of Education on the coupon due Aug. 1 on its outstanding issue of $900,000 of refunding 4¾% bonds, dated Feb. 1, 1935, and due Feb. 1, 1955, was another subject of interest in local financial quarters last week. This default, however, did not occur as the result of inability to pay the interest, which amounted to $21,375, but rather to a decision handed down by the Cook County court holding that the bond issue was illegal.

The issue was sold back in 1935 to refund obligations which originally had been issued to redeem 1928 tax anticipation warrants of the board. Judge Edmund K. Jarecki ruled in a taxpayer's suit that tax warrants could be redeemed only from the proceeds of taxes levied for the years for which warrants were issued. His decision followed the principle handed down by the Illinois Supreme Court in 1935 in the so-called Berman case. The State court ruled that bonds could not be issued to pay tax anticipation warrants.

The Board of Education has announced its intention to appeal Judge Jarecki's decision to the Illinois Supreme Court. In the meantime, bondholders plan to take some action of their own and probably will file a suit in one of the local courts to reduce the defaulted coupon to a judgment.

In previous years, Judge Jarecki has handed down similar decisions in taxpayer cases holding the $900,000 issue of 4¾s of 1955 invalid. The Board of Education, notwithstanding these decisions, met the coupons on the issue. The feeling at this time, however, is that the question of the validity of the issue should be adjudicated.

History of Case

The history of the situation dates back to 1931, when the Board of Education issued $2,300,000 of educational fund bonds to pay the principal and interest on 1928 educational purposes tax anticipation warrants. Of this issue, $1,400,000 became due and were paid in 1933 and 1934. The balance of $900,000 was replaced by the 4¾% issue of 1955.

Moreover, the board issued $3,213,000 of a second series of bonds, dated Dec. 15, 1931, to pay off other 1928 and some 1929 tax anticipation warrants. Of this bond issue, $2,713,000 was redeemed, and the other $500,000 was refinanced in 1934 as a part of a $5,500,000 refunding issue of the board. The latter issue bears 4¾% interest and matures Sept. 1, 1954.

Judge Jarecki ruled that one-eleventh of this $5,500,000 issue is invalid, and the board is expected to default on one-eleventh of the next coupon on these bonds, which is payable Sept. 1.

Traders Meeting

Patrick B. McGinnis, of Pflugfelder, Bampton & Rust, will address the annual meeting of the National Security Traders Association, which will be held in the Palmer House in Chicago on Aug. 20 and 21. Mr. McGinnis addressed the previous annual meeting of the association, held in Chicago last year, on the subject of the rail security problem and how to handle it.

Now Assel, Kreimer & Co.

(Special to The Financial Chronicle)

CINCINNATI, O.—Coincident with the retirement of Douglas K. Fuller, the firm name of Assel, Kreimer & Fuller, Provident Bank Building, has been changed to Assel, Kreimer & Co.

Three Examples Of Utility Foresight

If management is one of the best safeguards behind an investment, foresight is one of the best signs of good management. Not once, not twice, but three times in recent years has the management of Wisconsin Electric Power Co. presented its stockholders with examples of this kind of preparation for the future. The 1942 annual report contained the following:

Long before "Pearl Harbor" orders were placed for two important additions to our generating equipment. One, a 35,000-kilowatt turbo-generator, was placed in service at our Commerce Street plant on Dec. 31, 1941. The other, an 80,000-kilowatt unit, is scheduled for operation at Port Washington this year.

This Commerce Street addition was begun in 1939. In 1930—at a time when most corporations were cutting down on every kind of expense—the company was proceeding with the first unit of its Port Washington Power Plant. This first unit was not completed until November, 1935, and provided continuous employment to many men and equipment for many factories to build in the Milwaukee district.

In reporting on the progress in generating facilities, the company's 1942 annual report states that its Port Washington Power Station again bettered its previous world record for economy of operation with an average coal consumption of 10,596 BTU per kilowatt hour of station output. In spite of recent improvements, company's funded debt and preferred stocks Dec. 31, 1942, were outstanding in smaller amounts than on Dec. 31, 1938.

Financial Briefs Of Wisconsin Corporations

The Wisconsin Company, 110 East Wisconsin Ave., Milwaukee, Wis., have prepared a most attractive brochure entitled "Financial Briefs of Wisconsin Corporations," representing information which most investors like to have for quick reference. Included are earnings, dividends, market prices, net working capital, and book value figures worked out on a per share basis. These book value figures are given, according to The Wisconsin Company, because some investors use them in noting changes in surplus trends or growth in net worth over a period of years, although there may be no direct connection between book value figures as such and earnings in any one year.

Copies of this brochure may be obtained from The Wisconsin Company.

Mosinee Annual Report Reveals Strong Position

The annual report just issued by Mosinee Paper Mills Company shows the strongest financial condition in the company's history. Working capital increased $197,561, and long-term indebtedness was reduced $72,505. The ratio of current assets to current liabilities was 12.6 to 1, compared with 4.25 to 1 in the preceding year. Profits were equal to 75 cents a share.

Railroad Securities

(Continued on page 596)

New Haven case indicates that the securities originally allocated to the divisionals will now be reallocated to the remaining bondholders. The potentialities are obvious when one considers that the two items of the preferentials plus the divisionals accounted for almost 20% of the total fixed mortgage debt allowed originally by the Commission. Cash payments and a revised more liberal allocation of new 1st Mortgage bonds would appear to warrant higher prices for the Frisco bonds even in a generally unfavorable speculative rail market.

Investment Trusts

(Continued from page 597)

have a wholesome effect on the entire business.

Dividends

Affiliated Fund, Inc.—An extra dividend of 5c per share declared payable Oct. 15, 1943.

American Business Shares, Inc.—An extra dividend of 4c per share payable September 1 to stock of record Aug. 16, 1943.

Correction

In last week's issue we reported that the Hugh W. Long & Co. dealer questionnaire revealed 98.5% of them keeping their offices open one or more nights a week for the benefit of war workers. The correct report is that 98.5% are **not** keeping their offices open evenings.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Bearishness now dominant. Inflation hedges forgotten. Stocks here and there begin to indicate potential good action. Expect new upsurge in selected issues.

Under the theory that nothing succeeds like success the recent market break has brought in a host of new pessimists who see nothing but lower prices ahead.

* * *

The same stories which circulated so widely a few weeks ago when everybody was so cheerful are again going the rounds. The only difference is that the stories of then have been given what show business calls the "switcheroo." A few weeks ago they were all bullish. Today they are all bearish. But the subject matter, earnings, taxes, postwar outlook, is the same.

* * *

Some attempts have been made to draw analogies between the London market and our own, inferring of course that our market will also go up to new highs. Whether or not the analogy is a good one is beside the point. The dyed in the wool bull can pull all sorts of examples out of the air to prove his point just as the case hardened bear can juggle figures to demonstrate his argument. But in the final analysis what happens in the London market means little to the average American trader. His real interest lies in the action of say U. S. Steel on the New York Stock Exchange not in the movement of British securities on the London market.

* * *

The word inflation which acquired such an enthusiastic following only a few weeks ago seems to have been completely forgotten; at least so far as the stock market is concerned. A few days of sharp breaks and the fear of inflation seems to have dissipated into thin air. Be that as it may it's probably a good thing all around. The word "inflation" has been used to explain so many things that it's application to stock market practise today is completely without meaning. If a stock goes up today on the vaguest of reasons right away the word inflation is used as the cause. If the truth were known more stocks have been bought in the past few months as an inflation hedge than for any other reason. That wouldn't have been so bad if the stocks were not already reflecting this inflation belief. But because few people are interested in a product (stock of a company or shoes) until it becomes scarce or hard to buy, more people bought common stocks at the recent highs than at the lows that preceded the advance.

* * *

All this, however, is so much ancient history. The reasons why people buy or sell stocks are mysterious and many. Basically, of course, it is the desire to make money which brings people into the market. But now we are faced no longer with a dangerous market but one which has already undergone a severe decline and is now at the crossroads. Will it go down further from here? Will it turn dull and do nothing? Or will it now stage an impressive rally? You can take any of these questions and get plenty of arguments. But in the final analysis if you don't have the right stocks you might as well limit your market activities to trading on paper. You won't make any money, you won't lose any money, but you'll have a lot of fun.

* * *

If you're interested in more than theoretical arguments forget scholarly market discussions and inflation. The stocks to buy at all times are the ones which look and act well.

* * *

Last week I mentioned a list of stocks which should meet support at certain figures. Some of these got down to their support levels, recognized them by jumping away, others are still some points away. Now I give you a list of stocks which show more than support. I therefor suggest buying them with the proviso, however, that stops be placed accordingly. Here they are:

* * *

Bethlehem Steel at 57 with a stop at 56; Borg-Warner at 32 with a stop at 31; Canada Dry at 20½ with a stop at 19; Distillers Seagram 27½ with a stop at 26. For those who like fast movers I suggest Pepsi-Cola at 46. But because of it's wide swings it's stop is hard to figure. A speculative stop would be 44; Shell Union Oil at 26 with a stop at 25; Sinclair Oil at 11 with a stop at 9¾; United Airlines at 26½ with a stop at 25½; White Motors at 18½ to 19 with a stop at 17½ and Yellow Truck 16½ to 17 with a stop at 15.

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.]

Mrs. Luce Denounces Policy On India

Representative Clare Boothe Luce (Rep., Conn.) on Aug. 9 denounced British policy toward India and censured President Roosevelt for his silence.

Mrs. Luce spoke at a Town Hall meeting in New York City commemorating the first anniversary of the imprisonment of Indian patriots by the British Government.

In the New York "Journal-American" of Aug. 10, the following was reported:

She coupled her denunciation of the President's attitude with a pointed declaration that Prime Minister Churchill regarded political freedom as the "white man's monopoly."

"Let me ask you quite flatly, for whose freedom do we fight, for whose liberty?" she asked.

"No sophistry can conceal from the civilized world that in the midst of a so-called world war for freedom, the most civilized, pro-Western man of our times, Pandit Nehru, has been clapped into jail.

"He has been treated like a traitor to freedom itself because he dared to say to the leaders of the United Nations:

"'May I ask at this point if you mean freedom for my people when you say you are fighting for the freedom of all mankind? May I inquire if the Atlantic Charter extends to the people of Asia?'

"Oh, what embarrassing questions," the Congresswoman added.

Interstate Aircraft Situation Of Interest

Fred W. Fairman & Co., 208 South La Salle St., 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.

Additional Comments Anent Dr. Wright's Articles On Inflation And Deflation

(Continued from page 590)
with a concept of a 200 billion dollar war cost and this kind of an exaggerated concept calls for dollar an hour wages for beginners' wages in war plants and monthly earnings as high as four or six hundred dollars for skilled workers—all of which about doubles the price of everything the civilian population buys and also doubles the price of every gun and tank and ship that the Government purchases for war purposes — and incidentally doubles the tax burden on the public. The whole picture appears like an inflated balloon—twice its normal size—drifting without any rudder or anchor until it some day bumps into a solid rock of reality and bursts like a bubble.

In the mean time, we are all sawing wood to help win the war and get it over as quickly as possible.

JOHN L. COLLYER, President
The B. F. Goodrich Company

It is very helpful to have a subject such as this interpreted in terms of objective business policies, rather than in the usual theoretical manner.

John L. Collyer

The articles have done much to stimulate our thinking, and I am sure you will receive widespread commendation from business men, generally.

ROBERT L. WHITTAKER
Robert L. Whittaker & Co., Philadelphia

Dr. Wright's article "When Inflation Comes, Deflation Cannot Be Far Behind" is undoubtedly farsighted and instructive.

Everyone should pause and mentally digest his historical summaries of inflation and deflation. I am utterly unsympathetic to those who advocate inflation as a way out of our troubles. The welfare of society depends on the elimination of inflation. After this war, as Dr. Wright maintains, the citizenry will probably be faced with a debt of $300 billion. Politicians will take care to capitalize on this debt and will try to prevail upon the people to eliminate it by unsound economic principles. They have tried to do so before.

This debt may seem large but contrast it with the public debt of England which rose from 129 million sterling in 1775 to about 848 million sterling in 1817. During the Napoleonic wars 1,100 million sterling was levied in the United Kingdom.

Compared to those times, our potential debt of $300 billion is small. We have now tremendous productive power, not only in manufacture, but also in agriculture.

In order to take care of our debt there will be many privations but in the end society will be the winner.

H. D. COLLIER
President, Standard Oil Company of California

A very interesting presentation of the subject and has been read with much interest.

HON. JOSIAH W. BAILEY
United States Senator From North Carolina

Josiah W. Bailey

It is an excellent and wise discussion, and I am glad to have it. Let Dr. Wright now define "Sound Currency."

E. A. WALKER, President
The Tradesmens National Bank, Oklahoma City, Okla.

After all, the cause of inflation is not difficult to see and Dr. Wright has tersely stated what causes inflation and as to what is the remedy.

We are now in a position in this country when something must be done or we are going to run into a catastrophe. I fully agree with Dr. Wright, that if we are going to continue as a Nation on the same basis that our country has existed for 167 years we must pay our great debt in money, worth as much as the money was worth at the time the debt was incurred, and even though it should take us 50 or more years to do this, we would be better off if we continued to run our Government honorably and pay our just debts in money of equal value.

If we are driven to the point of putting out fiat money or printing press money, then the wreck of our Nation will be greater than has occurred to any other nation, because of our past history and great wealth and the prosperity we have had in the past.

If this inflation should go on to the point that Government bonds are not worth par, then it would take some imagination to foresee what might happen to the country. Every large insurance company, and almost every bank in the country has a large investment in Government bonds, and if these bonds should go down any appreciable amount, than chaos would soon result.

Another thing that we must do some serious thinking about is our tariff, which we have been in the habit of levying on goods imported into our country. If we are to have a free world, then we must have free trade between the composite parts of the world. The Atlantic seaport has been built up by reason of this high tariff, and it is going to be a desperate fight to get it reduced or abolished. But it seems to me that if we are to have a free world, we must have free trade, and that we cannot possibly have an excuse to make other countries pay such a large penalty for the sale of their goods in our country.

Then, as a passing shot, I would like to gently suggest that something must be done with reference to the Labor Union. It seems to me that one good general government in our country should be enough, without two or three minor governments within our Government. Enough said.

Claybaugh Now Captain

Blair F. Claybaugh, of Blair F. Claybaugh & Co., has been promoted to Captain in the U. S. Army.

Financial Statement Of Paine, Webber, Jackson & Curtis

We give below the statement of financial condition as of May 31, 1943, of Paine, Webber, Jackson & Curtis (established 1879), members of the New York Stock Exchange and other principal stock and commodity exchanges, with offices in Boston, New York, Chicago and other large cities in the United States:

Statement of Financial Condition
As at May 31, 1943

Assets—	
Cash on hand and in banks, segregated commodity funds and clearing funds	$4,729,423
Receivable from other brokers or dealers on open accounts, securities borrowed, and failed to deliver items	2,171,704
Receivable from customers on fully secured accounts and current cash transactions	18,114,326
Fully secured joint accounts in which the firm has an interest	345,728
Market value of securities held for firm and partners' accounts	1,752,577
*Miscellaneous current assets	52,532
Total current assets	$27,166,293
Exchange memberships at market value	193,037
Furniture and fixtures, less depreciation	94,174
Prepaid expenses and deferred charges	87,221
Unsecured receivables	23,120
Total	$27,563,846
Liabilities and Net Worth—	
Money borrowed against collateral	$8,790,000
Payable to other brokers or dealers on open accounts, securities loaned and failed to receive items	1,801,897
Payable to customers:	
Free credit balances	9,158,779
Credit balances on fully secured accounts and current cash transactions	1,481,271
Equities in commodity accounts	370,603
Fully secured joint account, with securities sold not yet purchased in which the firm has an interest	10,304
Market value of securities sold for firm accounts not yet purchased	90,462
†Miscellaneous current liabilities	270,331
Total current liabilities	$21,973,650
Reserve for partners' income taxes	600,000
Net worth	4,990,195
Total	$27,563,846

*Revenue stamps, interest and commissions receivable. †Accrued taxes, commissions and expenses, sundry accounts payable, and unclaimed dividends.

Note—Contingent liabilities on account of open trades not yet cleared because of terms of delivery, underwriting commitments and when issued contracts would make no material change in the above statement on the basis of quoted market values, May 31, 1943.

Investment Trusts

More About The Market

Some of our friends think this column is no place for stock market prognostication. Others have encouraged us in mentioning here from time to time as they occur the "signals" of our pet Stock Price Trend Indicator, a mechanical device not infallible but of unique interest on the important count that its owner has made money consistently in the stock market during the years we have known him.

Our last mention of this indicator appeared in the issue of June 24, 1943. Under the heading, "Reasons For Optimism," we listed the forces that were putting the market up and then concluded as follows:

"This, of course, does not preclude an intermediate reaction. But it does support the belief that any correction at this time will not go far. Incidentally, our own 'Stock Price Trend Indicator,' mentioned before in this column, has been rather wobbly of late, but as yet neither the short-term nor the longer term index has gone 'under the line.'"

In fairness to those who have evidenced an interest in this indicator, we report herewith the latest developments. Returning recently from a fortnight's vacation, we found that the short-term index gave a down signal on July 20. At this writing the longer term index still remains bullish but is uncomfortably close to the line. However, our friend is inclined to the view that the longer term index will not turn down and that the shake-out will prove to be a "short-term" character.

Should the longer term index turn bearish at this point, it would indicate a correction extending over a period of several months. This would hardly be welcome to many people either in or out of the investment company field.

And yet just such a development could well prove a boon to alert investment company sponsors and their affiliated dealers. It would give them a perhaps final opportunity to get the rapidly growing number of inflation-conscious investors into the market at prices still depressed by war taxes and the New Deal.

* * *

Speaking of the market brings up another currently spotlighted subject among the mutual funds—comparative performance. In declining markets, such as were witnessed in the years preceding the turning point of April, 1942, you will find little mention made of performance, comparative or otherwise, in mutual fund literature. After all, there is nothing very constructive saleswise about comparing losses. But an extended period of rising prices invariably creates interest in performance comparisons.

"Picking dates" has been an important part of this type of presentation. Permitted to pick his own dates, almost any sponsor can prove that his particular fund has outperformed almost any other fund. In the past these "date-picked" comparisons have resulted in a great deal of confusion and unproductive effort. Fortunately, this era of popularity is coming to an end.

This is being brought about by the more mature attitude of investment company sponsors toward their sales problems and also to no small extent by the excellent work being done by "Barron's" and by Arthur Wiesenberger & Co. in publishing comparative, long-term performance records of the leading funds.

Since "Barron's" Quarterly Investment Trust Gauge has been expanded to include a broad representation of all types of mutual funds, it has provided an authoritative answer to the question of comparative performance. Of at least equal service to the field, it has proven that the performance achieved by investment company managements generally is of high quality, far outpacing the Dow-Jones and other standard market "Averages."

In recognition of the service performed by "Barron's" as well as the dealer interest in unbiased, authoritative performance records of the various funds, a growing number of sponsors are making it a practice to send reprints of the Quarterly Investment Trust Guage to their dealer associates. This broad "dissemination of truth" cannot help but

(Continued on page 596)

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Louis D. Brandeis, in addition to being a great lawyer, was also a mathematician. He had a keen comprehension of figures and fully understood their significance and import. A classical quotation he sometimes used was: "Remember, O Stranger, Arithmetic is the first of the sciences and the mother of safety." At a time when the investing public and Wall Street were not as statistics conscious as they are today, he prophesied the failure of companies merely through an astute analysis of their published figures and the discernment of the trend revealed therein. He never ignored the "relentless rules of humble arithmetic."

If the investor in bank stocks will apply the "Brandeis method" to a study of the book values of bank stocks over the past eight years, he will find much to encourage him and much that will aid his sense of perspective. Furthermore, it will assist him in the problem of selection and diversification. The accompanying tabulation starts with the year 1934, which was the first full year after the 1933 bank moratorium. In all cases the book value is stated per common share, after adjustment for preferred stock if any. The only bank in the list which today has preferred stock outstanding is Manufacturer's Trust Company.

BOOK VALUE PER SHARE

	12-31-1934	12-31-1937	12-31-1940	12-31-1942	6-30-1943
Bank of Manhattan	$22.72	$22.93	$23.44	$24.28	$24.54
Bank of New York	271.64	322.88	335.80	348.55	353.60
Bankers Trust	34.81	40.77	43.37	46.07	49.01
Brooklyn Trust	164.92	169.15	172.35	174.45	175.10
Central Hanover	78.58	87.12	91.53	95.87	96.42
Chase National	22.85	31.31	31.99	33.19	33.84
Chemical B. & T.	34.05	37.31	38.95	40.23	40.64
Commercial National	209.21	216.49	224.96	235.42	239.48
Continental B. & T.	19.02	20.40	21.23	21.39	22.37
Corn Exchange	41.50	44.07	47.14	48.18	48.69
Empire Trust	18.07	21.28	*86.46	90.20	92.20
First National	992.18	1,182.08	1,197.21	1,220.44	1,230.28
Guaranty Trust	296.99	301.88	307.72	313.94	317.17
Irving Trust	21.56	22.35	20.74	20.98	21.07
Manufacturers Trust	26.25	38.79	36.89	39.39	40.48
†National City	22.26	25.84	29.50	33.14	34.71
New York Trust	67.72	80.60	81.03	84.06	83.50
Public National	33.83	39.87	43.86	46.50	47.26
Title Guarantee & Trust	36.82	22.53	15.08	13.47	12.89
U. S. Trust	1,485.24	1,538.04	1,543.04	1,504.78	1,507.30

*Par value of stock changed from $10 to $50. †Includes City Bank Farmers Trust.

A study of the above figures reveals that, with the exceptions of Irving Trust and Title Guarantee and Trust, the book value of each bank stock has risen substantially during the past eight years. In the main, this increase has been achieved through the crediting of undistributed profits to the "undivided profits" account, which, together with capital and surplus, comprise book value, or capital funds, and belong to the stockholders. However, there have been a few exceptions in certain years. For example, in the year 1936 four banks transferred funds from reserves to surplus, thus increasing book value, as follows: Bank of New York, $28.83; Chase, $6.80; Manufacturer's Trust, $6.07 and New York Trust, $10.00. These transfers explain the unusually large jump in book values between 1934 and 1937, noticeable in the tabulation.

In 1938 Irving Trust transferred $0.67 from surplus to reserves, and charged $1.11 against surplus for the reduction of the book value of its bank building. Consequently, the book value of its stock dropped from $22.35 in 1937 to $20.59 in 1938. In the case of United States Trust, a transfer of $41.40 in 1942 from undivided profits to a mortgage valuation reserve, serves to explain a similar decline in book value. The drop in book value per share of New York Trust, as of June 30, 1943, was occasioned by a 20% increase in the number of shares from 500,000 to 600,000.

As a picture of steady and sound expansion, the above exhibit would be difficult to beat. Furthermore, the published book values of these banks are considered to be conservatively stated in most instances. Bank earnings this year are excellent, probably even better than the statements reveal, for the banks, as a whole, are believed to be charging off, out of earnings, to the fullest practicable extent.

Currently, the above twenty bank stocks are selling on average at approximately 92% of June 30th book value. The high stock is First National, with a radio of 1.22 times book value, and the low stock is Title Guarantee & Trust at 0.40 of book value. Nine stocks are selling at a moderate premium to book-value, and eleven stocks at a discount from book value.

Standard and Poor's weekly index of New York City bank stocks is currently at 94.6, compared with the July 1934 average of 96.0. Meanwhile, the average increase in book values of the nineteen stocks (exclusive of Title Guarantee), from Dec. 31, 1934 to June 30, 1943, is 22.5%. Title Guarantee's book value has declined 65.0%, but its stock is not included in Standard and Poor's index.

Municipal News & Notes

Gasoline Consumption Down 17% In 1942

American automobile users consumed nearly 20 billion gallons of gasoline during 1942, a decrease of 17% under 1941, gasoline tax collections records compiled by the Public Roads Administration of the Federal Works Agency showed.

The 1942 total on which gasoline taxes were levied was four billion gallons less than in the preceding year, according to reports of State agencies to the Roads Administration.

Total State gas-tax collections, plus receipts such as inspection fees, dealer's license fees, fines and penalties aggregated $845,803,000 for 1942, compared with $958,013,000 in 1941. Taxes on aviation gasoline—$948,000 in 1942 and $701,000 in 1941—are included, but refunds for non-highway use amounting to $63,264,000 in 1942 and $57,214,000 in 1941, are excluded from total receipts.

The average gasoline tax per gallon for all states was 3.99 cents in 1942, the same as for the previous year. Rates of State taxes ranged from 2 to 7 cents per gallon.

The greatest decrease in gasoline consumption, based on amount taxed, was reported by New Hampshire, with 31% fewer gallons in 1942 than in 1941. Eastern seaboard States where gasoline rationing began May 15, 1942, reported declines of 17 to 31% for the year.

In the area rationed beginning December 31, 1942, Missouri, Montana, New Mexico, Oklahoma, and Wyoming also had reductions of 18% or more. In the other states in this area there were smaller decreases.

Tax Refunds in 1942 were made on 1,651,000,000 gallons for the Nation as a whole, compared with 1,405,800,000 gallons the preceding year. Tax exemptions increased in 1942 to 2,273,700,000 gallons, compared with 1,276,500,000 in 1941.

Results Of Pleasure Driving Ban

The second ban on non-essential driving, like the first, has proved highly effective in eliminating the unnecessary travel that had not already vanished under gasoline rationing, the Public Roads Administration of the Federal Works Agency said Aug. 2 in announcing a special summary of traffic records in the East.

The most conspicuous effect of the non-essential driving ban effective May 20 is that Sunday traffic has declined well below that of the average weekday, wheras before the ban it was considerably higher, the Roads Administration said. The first ban, enforced from January 7 to March 3, produced the same result.

The Public Roads Administration summary of traffic under the ban shows these results on the Memorial Day holiday in 1943:

Eighty-two percent less traffic was recorded at 78 points on rural roads in 11 northeastern States, compared with Memorial Day 1941. Traffic during the 1942 holiday was 57% under that in 1941.

Traffic on the Fleetwood Viaduct, Westchester County, N. Y., toll facility which is restricted to passenger cars, was 94% below that of Memorial Day 1941. The 1942 volume was 68% less than that in 1941.

For the Merritt Parkway in Connecticut, which also is restricted to passenger cars, traffic on Memorial Day in 1943 and 1942 was 93% and 71%, respectively, below that in 1941.

Traffic showed the following response to the non-essential driving ban during the last 11 days of May, compared with the first 20 days of the month when non-essential driving was not prohibited.

Forty-two percent decline on Sundays at 105 automatic traffic-recorder stations on rural roads in 11 northeastern States, 16% on Saturdays, and 8% on weekdays.

Fifty-one percent decline on Sundays at 17 toll facilities in the Northeast, 22% on Saturdays, and 11% on weekdays.

State Motor Vehicle Revenues Lower In 1942

State motor-vehicle receipts of $448,968,000 in 1942 were about 9% less than in 1941 but greater than in any other previous year, the Public Roads Administration has announced after completing its annual compilation of State reports.

Receipts consist largely of registration fees and have totaled more than $400,000,000 annually for four consecutive years, as follows: 1942, $448,968,000; 1941, $490,666,000; 1940, $439,178,000; and 1939, $412,494,000.

Previous declines occurred in 1938 and in the three years 1931-33. Receipts did not surpass the 1930 total until 1936, however.

Receipts passed the $200,000,000 figure in 1924 the $300,000,000 mark in 1927, and $400,000,000 in 1939.

Bus, trailer, and motorcycle registrations produced the only increases in receipts in 1942. For 1942 and 1941, respectively, they were: Busses $5,915,000 and $4,232,000, trailers $15,282,000 and $14,989,000, and motorcycles $559,000 and $479,000.

Miscellaneous receipts, such as those from dealers' licenses, permits, certificates, of title, fines and penalties, totaled $52,032,000 in 1942, compared with $73,130,000 in 1941, and $65,407,000 in 1940.

State motor-carrier tax receipts amounted to $21,896,000 in 1942, compared with $20,576,000 in 1941, and $17,913,000 in 1940.

Maryland's Bonded Debt Cut $14,538,000

Bonded indebtedness of the State of Maryland was reduced to $33,619,000 at the close of the State's fiscal year on June 30, Governor O'Conor has announced. This was a net reduction of $14,538,000 in a 5-year period, he said.

The bonded indebtedness on June 11, 1939, when Governor O'Conor first took office amounted to $48,157,000. Under the State's Constitution no State debt may be created for more than fifteen years and must be retired in that period.

The total bonds issued during the past four and a half years amounted to $6,596,000, against total bonds redeemed of $21,134,000 in the same period, the Governor explained. From 1935 to 1938 a debt of $19,109,000 was created. From 1931 to 1934, $14,382,000 worth of State bonds were sold.

Governor O'Conor has promised to liquidate the State's bonded indebtedness to a point where real estate taxes, which are pledged on the debt, can be eliminated entirely.

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.

Situation Of Interest

The 5% Cumulative Preferred Stock of Illinois Iowa Power Company offers interesting possibilities at the present time according to a memorandum on the situation contained in the current issue of "The Preferred Stock Guide" issued by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of the "Guide," which also contains comparative figures on both preferred and common public utility stocks may be had from G. A. Saxton & Co. on request.

Coca-Cola Bottling Of N. Y. Situation Of Interest

The Coca-Cola Bottling Co. of New York, Inc., is the subject of an interesting study prepared by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of this study may be had from the firm upon request.

Bank Deposits After The War

(Continued from first page)

present war emergency, we have the Federal Reserve Banks, which have authority to buy Government securities in the open market and pay for them by issuing Federal Reserve notes. This procedure, of course, adds the cash to the banking system necessary to provide the reserves required against growing deposits. It is interesting to note that excess reserves of the member banks of the Federal Reserve System have declined from $6,896,000,000 on Jan. 15, 1941, to $1,020,000,000 on July 28, 1943, despite a reduction in percentage requirements during this period. Moreover, the Federal Reserve Banks have added a total of $5,702,000,000 of Government securities to their holdings during the past one and a half years. It is expected that the Federal Reserve Banks will make further purchases in the open market as necessary to provide the cash needed for reserves against the deposits which will grow still further as the Government continues to borrow from banks.

With these comments as a background, let us now consider what is likely to happen to deposits when the war is over. In the first place, it is generally agreed that the end of the war will find bank deposits at a materially higher level than that existing at present. The extent of this further rise depends upon the extent of further Government borrowing from the banks, and this in turn depends upon the financial cost of the war. What appears to be a reasonable and logical prediction was hazarded by Mr. J. H. Wood, of the investment counsel firm of Van Cleef, Jordan & Wood, in a recent address to the Virginia Bankers Association, as reported in these columns in June. Mr. Wood estimates that by the end of 1945 the Government will have borrowed an additional $46,000,000,000 from the banks and that banking deposits will therefore increase from the level of approximately $88,000,000,000 at the beginning of this year to $134,000,000,000, an increase of about 50%. This would appear to be a conservative assumption, in view of the fact that bank holdings of Government securities increased by $15,000,000,000 in the last half of 1942 and total deposits increased by $16,600,000,000 in the same six month period, before the Government was borrowing on the scale it is today.

But whatever the level of bank deposits will be at the end of the war, the level is generally expected to be considerably higher than now. The question on which there is not such a general agreement—or even conclusion, as yet—is what will happen to deposits when the war is over.

To study this question, one must first realize that, since these deposits arise principally from the increase in the holdings of Government securities, the deposits will not decline materially until the banks decrease their holdings of Governments. The familiar entry of debit to investments and credit to deposits must be reversed. There must be a debit to deposits and a credit to investments, in order to bring down those deposits that have been written up through purchases of Government securities.

The question, then, is when and how will the banks decrease their holdings of Governments? The first thought may be that the Treasury will pay off maturing obligations. But obviously, there can be no net reduction in the debt of the Treasury before the budget is balanced. When such a time will come is not only difficult to predict, but it is even a remote thought at this time. There is talk from some quarters of practically feeding and rehabilitating the world when the war is over—at the expense of the U. S. Treasury.

But, assume that the budget is balanced within a year or two after the war. It is a far more hazardous assumption that the Treasury could soon begin to make a material reduction in its debt. Predictions of what the debt will be at the conclusion of the war range from $200,000,000,000 to $300,000,000,000. It seems reasonable to conclude that, with such a tremendous debt, there will not be enough of it paid off to reduce the amount held by banks materially for several years.

Moreover, it is quite worthy of note, to realize that, for any payment of the Government debt to effect a reduction in bank deposits, such payment must be in sound, hard money rather than in fiat money. Should some misguided "Progressive" succeed in persuading the Government to revalue the gold stock of the Treasury upward and pay off the debt with the "profit" thereby written on the books of the Treasury, there would be no reduction in bank deposits. In fact, to the extent that securities held by the non-bank public are thus paid, there would be a proportionate rise in deposits. The net result of such a payment to banks would simply be a debit to cash and a credit to investments. The Government account would be written down, but the deposit account would not be touched. The cash that would thus be pumped into the banking system would be tremendous.

To effect an actual reduction in inflated bank deposits by Treasury payment of its debt, such payment must be made from taxes collected from Tom, Dick and Harry. As Tom, Dick and Harry pay their taxes to the Treasury, the banking system debits deposits and credits cash. As the Treasury pays off the bank's maturing securities, the banks debit cash and credit investments. By this process both the investment account and the inflated deposits are written down.

It would seem reasonable, however, not to expect that sufficient taxes can be collected from Tom, Dick and Harry to effect any material reduction in the Treasury debt soon after the war is over—especially if, as seems quite possible, Tom, or Dick, or Harry, or all three, be without a job and without an income.

Another possible means of writing down inflated bank deposits would be for the banks to sell their Government securities to investors outside the banking system. But for several years after the war it does not seem likely that there will be any bona fide purchasers outside the system for any material amount of securities owned by the banks. In fact, it appears to be quite possible that the banks may be called upon to buy additional bonds from the Treasury in order to permit it to pay securities held by the public.

In the first place, every effort is quite properly being made now, and will continue to be made for the duration of the war, to have the non-bank public buy as many government securities as possible. Thus at the end of the war this public will own as much of the Government debt as reasonable efforts could have it own. When the conflict is over any effort to have the non-bank public purchase a larger share of this debt will not meet with any greater success than that accompanying such efforts while the country is at war. In the second place, many individuals, and quite possibly others, have bought War Bonds with the thought of using the money after the war for something which cannot or should not be bought now. A great part of this debt is a demand obligation of the Treasury and the Government must be prepared to meet such obligations as called upon. In the third place, a large part of the debt is owned by corporations and business firms which have surplus funds not now needed. It is quite possible that many of these firms will have a need for such funds after the war and will want to convert the securities into cash. Thus, it seems that not only will the banks probably not be transferring their share of the Government debt to the public, but in fact, the banks may be buying more Government securities to provide the funds necessary to pay bonds owned by the public.

One other thought is worth considering in judging the course of deposits after the war. Considerable talk is heard of a possible slump in business activity with the cessation of hostilities. It does seem difficult to visualize any possible peacetime demands that could be so urgent as the needs of war, that could justify three shifts and 24 hour production on such a vast scale as we see now throughout the country, that could permit such fat pay envelopes as are distributed now, or that could cause such a manpower shortage as exists today.

In the past, depressions have usually been accompanied by declining bank deposits. During the period of prosperity or activity preceding the depression, deposits were swollen, not by loans to the Government, but by loans to business. In previous days of activity business firms found it advisable to borrow funds from the banks in order to finance their increased inventories and activities. Such loans resulted in the usual debit to loans and credit to deposits. Thus deposits were swollen. When the need for funds to finance high inventories and activity had passed, with the coming of a depression, these firms found it advisable to pay off their loans at the bank. Then the entry was reversed and the banks debited deposits and credited loans. Thus deposits declined.

Today, however, the loans of the banking system are at the lowest level seen for several years. These loans have been declining instead of rising, and they continue to decline. Thus, the swollen deposits of today are not due to loans made to business firms who will repay when business activity slumps. Rather these swollen deposits are today due to loans made to the Government. For the reasons already stated, these loans will probably not be repaid for some years, and it seems likely that less will be repaid during a depression than during prosperous times.

Finally, should business activity slump after the war, we shall probably find that money in circulation will decline. At present this money in circulation is at an all time high, the rise being due largely to the requirements of financing record business activity, and to the general state of very easy money. The total of such funds outside the banks was $17,800,000,000 on July 28, 1943. If business activity should decline materially after the war, there will be no need for so much cash to carry on reduced activity, and a considerable portion of it should find its way back into banks, thus increasing bank deposits by that amount. An indication of the amount of such funds that may find its way into bank deposits, is given by the fact that during the past year money in circulation has risen by $5,150,000,000.

It is true, of course, that even though deposits as a whole remain swollen for several years after the war, there will be some shifting of funds around the country, as there always is. To anticipate these shifts is the problem of the individual banker. But for some years it seems that one bank's loss will be another's gain.

Public Utility Securities

North American's Break-Up Plan Introduces "New Wrinkle"

The major problem in applying the "death sentence" against utility holding companies is that practically all of them have bonds and/or preferred stock outstanding. These senior issues must either be retired before remaining assets can be distributed to the common stock, or a plan for dividing assets between the various groups of security holders must be approved by the SEC and enforced by a court of jurisdiction.

The most recent case of the latter type is United Light & Power. Here the SEC faced a basic problem of "absolute priority" vs. the right to a claim on future earnings. In certain important cases of recent years the Supreme Court has enforced the doctrine of "absolute priority"—that senior security holders should have their claims satisfied in full before holders of junior issues could obtain any interest in remaining assets. Judge Healy followed this lead in his SEC minority opinion in the United Light & Power case. The majority of the commissioners, however, decided that holding company dissolutions differ somewhat from bankruptcy cases. While the present value of the assets may be insufficient to cover fully the senior securities, nevertheless if there is reasonable prospect for future enhancement of earnings and values, the common stockholder should be given a small stake in this potential recovery.

While the commission will doubtless continue to consider each case on its merits, the decisions in three cases—Federal Water, Community Power and United Light—seem to indicate 5% as the approximate percentage which can be granted to common stockholders. Thus far the idea of giving common stockholders warrants apparently has not appealed to the commission—possibly because the warrant game was so overplayed in 1929.

Where a holding company has marketable assets worth more than the senior securities, obviously there is no need to apply any division formula, but there remains the practical problem as to how best to retire the senior securities. There are several methods—(1) to sell some properties or securities and use cash to redeem bonds by lot under call provisions; (2) to ask for tenders of bonds up to a certain amount, with a maximum price of par; (3) to buy securities in the open market, as Electric Bond and Share is doing with its preferred stocks; (4) to tender securities which it holds, in exchange for its own senior securities, as Engineers Public Service wishes to do; and (5) a method not yet tried although the SEC favors it, the marking down of par value of senior securities by distribution of cash or assets. Unfortunately, the SEC hasn't always been willing to "play ball" with the utilities in plans for retiring senior securities.

North American Company, in its recent dissolution plan submitted to the SEC, has evolved a "new wrinkle"—a sixth method of retiring securities. It is only enabled to do so, however, by the very high credit standing which it enjoys. An agreement subject to SEC approval was reached by the company with a group of banks for a five-year 2% loan of $34,881,500, which would be used to retire the present 3¾% and 3½% debentures. Four regional holding companies would be set up, together with a liquidating company to be owned jointly by the four companies. One regional company would hold stock in Union Electric, another that of Cleveland Electric Illuminating, a third would take over the interest in Wisconsin Electric Power and part of the Pacific Gas & Electric, while the fourth would hold Washington Railway & Electric and the remaining Pacific Gas; the liquidating company would take over the miscellaneous portfolio items.

The management estimated that, based on May 29th market prices, the assets behind each share of North American common stock amount to $30.83, against which the bank loan and preferred stocks would amount to $11.67, leaving an equity of $19.16 for the common stock. (This valuation on the common stock seems conservative—other recent estimates have been around 23, which compares with the present price of 16½.)

For a period of 60 days following approval of the plan each holder of North American common could obtain his share of the underlying stocks of North American's subsidiaries by surrender-

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Our Reporter's Report

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of 101.33 for the issue while the lowest was 99.30. The two intermediate bids were relatively close being 100.83 and 100.61 respectively.

United Gas Corp.

Current gossip indicates that United Gas Corporation is considering revival of its refinancing program first launched in the Spring of 1941. At that time the company filed registration data covering a projected new issue of $75,000,000 of first mortgage 3¼% bonds due in 1958.

Several delaying amendments were filed while hearings were in progress on the matter, the last revealing that the company had been unable to negotiate an extension of a purchase agreement which expired on Feb. 15 last.

Current reports suggest that the company is now contemplating a revision of the original program and that a new amendment to the registration may be in order soon proposing that the financing be undertaken on the basis of about $40,000,000 mortgage bonds and the balance in debentures.

Another Utility On The Fire

If things go along on schedule, bankers should soon receive a call for submission of bids for $19,000,000 first mortgage bonds, 20-year maturity, of the Laclede Gas Light Co., carrying a 3¾% coupon, and $3,000,000 of serial debentures to mature in 10 or 15 years from date of issue.

The company has registered with the Securities and Exchange Commission for that amount of new debt as part of a voluntary plan of reorganization now pending before the Commission.

The amended plan calls for the sale of Phoenix Light, Heat & Power Company and Laclede Power & Light Co., subsidiaries of Ogden Corp., to Union Electric Corporation, the latter part of the North American System, and of electric properties operated by Laclede Electric for a price of $8,600,000, of which Laclede Gas would receive $2,000,000. Hearing on the plan has been set by the SEC for August 19 next.

Public Utility Securities

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ing his common stock and paying in his proportionate share of the cash necessary to retire the bank debt and preferred stock (approximately $11.67). After termination of the 60-day "take-down" period, the remaining assets would be divided among the four new companies, which would respectively assume the obligations under the bank loan agreement, and also issue their own shares of preferred and common stock in proportionate amounts to North American stockholders (who would also retain their original stock, since North America would continue as the "liquidating company").

In addition to dividing the remaining bank debt among the regional companies, it would be necessary to replace the preferred stocks by an equal aggregate amount of similar preferred stocks of the regional companies. Some hitch might occur in this part of the program unless the SEC should apply to a Federal court for enforcement powers, since a few stockholders might refuse to make the exchange voluntarily. Moreover, it is proposed to retire preferred stock at par rather than the call price, which has already raised objections.

Admittedly the entire plan is submitted only "for the record," since North American is still hopeful that the Supreme Court may obtain a quorum to hear its appeal from the Circuit Court decision affirming the SEC dissolution order. Possibly it is also hoped that Congress will take action to reduce the number of justices constituting a quorum, or enact a wartime moratorium on the "death sentence" feature of the Utility Act.

North America's plan is very ingenious, but the SEC may consider it "needlessly complicated," and it is doubtful whether other holding companies, with perhaps one or two exceptions, would find this method adaptable to their own dissolution problems.

WLB Declares Stabilization Plan Is Working

In a formal opinion denying a general wage increase to 1,000,000 shipyard workers, William H. Davis, Chairman of the National War Labor Board, said on Aug. 9 that the over-all stabilization program, with the exception of food prices, has been "remarkably successful" and reiterated the Board's determination to adhere to the general stabilization policy.

While conceding that food costs "have gotten out of line," Mr. Davis' majority opinion said, "this does not mean that stabilization has failed. On the contrary, this single exception, when contrasted with the control of all other items of the cost of living, proves that the policy has in general been a success."

In United Press Washington advices of Aug. 9, the following was reported:

The board's decision, dated July 31, denied general wage increases to shipyard employees of 188 yards on the Pacific and Atlantic coasts, the Great Lakes and the Gulf of Mexico. They are represented by the CIO's International Union of Marine and Shipworkers and the AFL'S Metal Trades Department.

The CIO union had demanded a 9% wage increase, plus 5.83% of one year's wages to compensate for rising living costs. The AFL had asked merely for a general increase.

The decision, from which labor members dissented, said the board could not agree that the increases were justified because the Government, in a sense, had repudiated the assurance to wage earners that food costs would be strictly controlled.

Mr. Davis said it was clear that such costs "have gotten out of line with the general stabilization policy," but argued that this did not mean that the over-all program has failed.

The board ordered a general review of the wage-rate structure and job classifications in the shipbuilding industry.

Canadian Securities

By BRUCE WILLIAMS

Firmness continued to feature the Canadian bond market last week with Dominion issues closing near their recent highs. In Canadian stock markets the uptrend in prices which was temporarily halted by the break in U. S. stocks beginning a fortnight ago, appeared to have been resumed early in the week. However, some selling came in during the latter part of the week and prices gave ground, though only moderately.

Recent developments give strong indication of a continued gradual upward price curve for Dominion Government and guaranteed obligations. The same holds true for Canadian provincial bonds, allowing for selectivity of performance particularly among the higher-priced issues. Although all the better grade issues have gone below a 3% basis, the yield spread between them and prime domestic bonds is still too great.

Not overlooking the sympathetic ties between the Canadian and New York stock markets, there is a good reason to believe that Canadian security prices will hold at present levels or even go higher despite further irregularity in domestic stock prices. For one thing there is scant likelihood of a further boost in Canadian corporation taxes. With a 100% excess profits tax now in effect, any increase in taxes on companies not earning more than their pre-war standard might do more harm than good. Moreover, the swing away from the "Santa Claus" brand of liberalism which has dominated Canadian politics since 1934 has now become decidedly emphatic. In last week's Ontario elections, liberal seats were whittled down from 63 to 14.

On the other hand, we are faced with a different tax situation in this country. It appears that American corporations are belatedly in for higher taxes and this prospect, more than favorable war developments, would seem to have been an underlying cause of the present decline in stock prices.

* * *

The July report of the Toronto Stock Exchange gives the following interesting facts. Securities listed on the Exchange now total 546 issues whose combined shares outstanding amount to approximately 680,000,000. Current market value of these shares is roughly $4.6 billion.

Trading in the first seven months of the year, although still far below the 1937 level, involved a turnover of 71.6 million shares. against 21.7 million shares in the same period last year. In the first seven months of 1937, by comparison, the turnover was 204 million shares.

* * *

The downward trend in monthly dividend payments which, except for May and June, has been uninterrupted this year, continued for August. The schedule of August payments this year totals $9,741,115 as compared with $10,531,957 in the same month a year ago.

For the first eight months of 1943 Canadian dividend payments will aggregate $170,473,100 as against $174,847,449 in the like 1942 period. This represents a decline of $4.4 million in the eight months total from last year which, in turn, was $12.8 million below the corresponding 1941 period.

These figures are a reflection of the increased tax rates which are enabling Canada to pay for approximately 52% of her war effort out of current revenues. In this country where economy in Government and higher taxes have been shunned as "bad politics" we are still only paying for about 38% of our war effort as we go along.

NASD To Take SEC Decisions To Court

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for the Curb unlisted trading privileges in:

- Farnsworth Television & Radio Corp.;
- Lukens Steel Company;
- Merck & Co., Inc.;
- Northern Natural Gas Co.;
- Public Service Company of Indiana, Inc.;
- The Warner & Swasey Co.

NASD was successful in opposing an earlier application of the Curb to extend unlisted trading privileges to Pacific Gas and Electric 5% Cumulative First Preferred Stock. In that case, the Commission, on July 12, found that the Curb had failed to demonstrate that there existed in the vicinity of the exchange sufficiently widespread public trading activity in this utility issue to make it appropriate for the SEC to permit unlisted trading in it on the Curb.

In the case of Central Power and Light and Kentucky Utilities 4's, the Commission, for purposes of these decisions, concluded that the vicinity of the New York Curb Exchange comprises the States of Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio.

DIVIDEND NOTICES

acf

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET
NEW YORK, N. Y.

The following dividends have been declared:

Preferred Capital Stock

One and three-quarters per cent (1¾%) payable October 1, 1943, to the holders of record at the close of business September 24, 1943;

Common Capital Stock

Two dollars ($2.00) per share payable October 4, 1943, to the holders of record at the close of business September 24, 1943.

Transfer bo[illegible] be closed. Checks will be ma[illegible] Trust Company of New York.

CHARLES J. HARDY, *President*
HOWARD C. WICK, *Secretary*

August 4, 1943

THE ATLANTIC REFINING CO.

COMMON DIVIDEND — NUMBER 152

At a meeting of the Board of Directors held July 26, 1943, a dividend of twenty-five cents per share was declared on the Common Stock of the Company, payable September 15, 1943, to stockholders of record at the close of business August 20, 1943. Checks will be mailed.

W. M. O'CONNOR
July 26, 1943 *Secretary*

CHRYSLER DODGE **Chrysler Corporation** DE SOTO PLYMOUTH

NOW MAKING WAR PRODUCTS

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable September 14, 1943, to stockholders of record at the close of business August 20, 1943.

B. E. HUTCHINSON
Chairman, Finance Committee

COLUMBIAN CARBON COMPANY

Eighty-Seventh Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of $1.00 per share, payable September 10, 1943, to stockholders of record August 20, 1943, at 3 P.M.

GEORGE L. BUBB
Treasurer

Magma Copper Company

Dividend No. 84

On August 9, 1943, a dividend of Twenty-five Cents per share was declared on the capital stock of Magma Copper Company, payable September 15, 1943, to stockholders of record at the close of business August 27, 1943.

H. E. DODGE, *Treasurer.*

Newmont Mining Corporation

Dividend No. 60

On August 9, 1943, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable September 15, 1943 to stockholders of record at the close of business August 27, 1943.

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(Special to The Financial Chronicle)

LONG BEACH, CALIF.—**George O. Thomas** has become affiliated with **Pacific Company of California**, Security Building. Mr. Thomas was previously with Franklin Wulff & Co., Inc. and was local manager for Bankamerica Company.

DIVIDEND NOTICES

RADIO CORPORATION OF AMERICA

RCA

Dividend on First Preferred Stock

The Directors have declared, for the period July 1, 1943 to September 30, 1943, a quarterly dividend of 87½¢ per share on the outstanding $3.50 Cumulative First Preferred Stock, payable October 1, 1943 to holders of record at the close of business September 10, 1943.

GEORGE S. DE SOUSA
Vice-President and Treasurer

New York, N. Y., August 6, 1943

Southern Natural Gas Company

Common Stock Dividend Number 18

A quarterly dividend of 25 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 30, 1943 to stockholders of record at the close of business on September 16, 1943.

H. GORDON CALDER,
Vice-President and Treasurer.

Dated: August 12, 1943.

Spencer Kellogg & Sons, Inc.

A quarterly dividend of $0.50 per share has been declared on the stock, payable September 10, 1943, to stockholders of record as of the close of business August 21, 1943.

JAMES L. WICKSTEAD, Treasurer

THE UNITED STATES LEATHER CO.

A quarterly dividend of $1.75 per share will be paid October 1, 1943, to all holders of record at the close of business September 10, 1943, of Prior Preference stock of this Company.

C. CAMERON, *Treasurer.*

New York, August 11, 1943.

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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.

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War And The Stock Market

(Continued from page 591)

show any definite advantage from their status as "peace stocks." (In comparing individual fluctuations with the Dow-Jones Average, it should be noted that the "Average" is so weighted as to make its percentage fluctuation less than that of the individual stocks of which it is composed.)

3. This same list of individual declines, which shows that the decline was not based on the "war" or "peace" status of the industries covered, also shows a definite correlation between speculative buying in the past three months and current decline.

From these facts, I reach four conclusions:

A. The current market decline is really based on an over-bought speculative position, which has been building up for fifteen months without any real corrective reaction.

B. The Italian revolution was an excuse, rather than the basic cause of the decline.

C. Because the market has the support of neither "shorts" nor professional traders, it has fallen more precipitously than would have been the case a few years ago, but this should not be taken as indicating a long continued reaction. (This point was discussed at length and such sharpness of decline forecast in the Investment Survey of March 4, 1943.)

D. The market has so far registered only the opinion of volatile traders. The judgment of more sober investors will become apparent later.

On these grounds, it is pertinent to ask some basic questions.

Will Peace Really Be An Unfavorable Factor?

Before we speculate on whether peace has been brought appreciably nearer, it is well to appraise again the effect which actual peace will have upon security prices. For months now, the balance of published opinion in America has been that peace will release constructive, rather than destructive, forces in our economic life. According to stock price movements, the British still feel that way. So far our market offers a directly oposed opinion but, as developed in the preceding section, I doubt whether such an interpretation of our market action is justified.

There is not space to repeat here all of the reasons given over the past year as to why peace will be a constructive factor, but a quick resume follows:

1. Peace will bring to a close the destruction of human life and of material property; both of which are impoverishing the world.

2. The first effect of the destruction will be to call for a period of active replacement; the depressing factors are not effective on the surface until the replacement period is finished.

3. Technological progress during this war has been tremendous and its release at the close will not only be of long pull benefit but will accentuate the activity of the reconstruction period.

4. Private savings will be at a new high level.

5. Most of the "moral" restraints against inflation will disappear.

The most important point of this leter is the opinion that, **even over a period of one year, peace should be regarded as a "bull," rather than a "bear" point on securities.**

Is Peace Really Nearer?

Of course, the mere passage of time inevitably brings peace nearer. Similarly, every step in our invasion gives a clearer picture of Allied victory. The question really to be considered is whether the collapse of Italian Fascism makes it reasonable to expect peace at an earlier date than it might have been reasonably expected before that happening.

It seems to me that the answer is in the affirmative. It is true that Italian forces have not distinguished themselves as military or naval factors in the war, but they have occupied the time and used up the material of Allied Forces. Peace with them would be a definite saving of time, of equipment, and of lives. Still more certainly, the Italian collapse will influence other German satellites and will depress the morale of the Germans themselves.

I do not see that anything which has happened justifies me in placing my earliest possible date for European peace any earlier than the Fall of this year, which I have used before. That possibility assumed some such, then unknown, favorable "breaks" as this. The development is a definite cause for hope that the more optimistic forecasts may be right.—*Ray Vance, A. W. Smith & Co., Boston.*

Real Estate Securities

Hotel Bonds Strong In Real Estate Security Market Funded Debt Per Room Imporant Factor To Consider

Occupancy of New York City Hotels continuing around the 90% level will naturally increase net income considerably above the figures shown when average occupancy ranged from the 65% to 90% level. This factor, of course, has had a favorable market effect upon the hotel securities on properties which were earning fixed charges on the lower occupancy. It is believed that high levels will be maintained, this belief, being based partly on the experience after the last World War, when the hotel business was good for several years.

Mortgage indentures providing for use of surplus funds over interest for sinking fund operations will require the use of considerable money for funded debt retirement, increasing the value of the securities in the market and in many cases where the bonds carry all or part of the equity stock reduce funded debt more in line with present day realty values and creating a true value of the stock.

In the purchase of Hotel Bonds consideration should be given by the investor to the number of rooms in the property and the funded debt capitalization per room. Obviously a property with 1600 rooms with a small capitalization per room can benefit from the present high occupancy level more than a smaller property with a larger per room capitalization. The comparison given below of five New York hotel properties illustrates this point.

Of course, other factors should also be considered, such as current yield, rate per room, prospect for appreciation above present level due to business outlook, and amounts available for sinking fund operations. Generally speaking most hotel securities in view of present earnings and prospects are, in our opinion, considerably underpriced and are worthy of investigation by the speculative investor.

Aprrox. Yield on Bond		Number of Rooms	Funded Debt	Funded Debt Capitalization Per Room
10%	Park Central Hotel	1,600	$5,225,000	$3,284
7¾%	Hotel St. George	2,050	8,375,000	4,070
5½%	Hotel Lexington	750	3,677,000	4,900
5%	Hotel Gov. Clinton	1,100	5,560,000	5,050
5½%	Sherry Netherlands	375	6,000,000	16,000

New England Power Ass'n Situation Of Interest

The 6% Cumulative Preferred Stock of New England Power Association offers considerable attraction at present levels according to a circular being distributed by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges. Copies of this interesting circular may be had upon request from Ira Haupt & Co.

Liberty Baking Corp. Situation Interesting

Caswell & Co., 120 South La Salle St., Chicago, Ill., have prepared an interesting circular on the $4 cumulative convertible preferred stock (non-callable) of Liberty Baking Corp., which the firm believes offers interesting possibilities at the present time. Copies of this circular may be had upon request from the firm.

Our Reporter's Report

(Continued from page 590)

of 101.33 for the issue while the lowest was 99.30. The two intermediate bids were relatively close being 100.83 and 100.61 respectively.

United Gas Corp.

Current gossip indicates that United Gas Corporation is considering revival of its refinancing program first launched in the Spring of 1941. At that time the company filed registration data covering a projected new issue of $75,000,000 of first mortgage 3¼% bonds due in 1958.

Several delaying amendments were filed while hearings were in progress on the matter, the last revealing that the company had been unable to negotiate an extension of a purchase agreement which expired on Feb. 15 last.

Current reports suggest that the company is now contemplating a revision of the original program and that a new amendment to the registration may be in order soon proposing that the financing be undertaken on the basis of about $40,000,000 mortgage bonds and the balance in debentures.

Another Utility On The Fire

If things go along on schedule, bankers should soon receive a call for submission of bids for $19,000,000 first mortgage bonds, 20-year maturity, of the Laclede Gas Light Co., carrying a 3¾% coupon, and $3,000,000 of serial debentures to mature in 10 or 15 years from date of issue.

The company has registered with the Securities and Exchange Commission for that amount of new debt as part of a voluntary plan of reorganization now pending before the Commission.

The amended plan calls for the sale of Phoenix Light, Heat & Power Company and Laclede Power & Light Co., subsidiaries of Ogden Corp., to Union Electric Corporation, the latter part of the North American System, and of electric properties operated by Laclede Electric for a price of $8,600,000, of which Laclede Gas would receive $2,000,000. Hearing on the plan has been set by the SEC for August 19 next.

Public Utility Securities

(Continued from page 599)

ing his common stock and paying in his proportionate share of the cash necessary to retire the bank debt and preferred stock (approximately $11.67). After termination of the 60-day "take-down" period, the remaining assets would be divided among the four new companies, which would respectively assume the obligations under the bank loan agreement, and also issue their own shares of preferred and common stock in proportionate amounts to North American stockholders (who would also retain their original stock, since North America would continue as the "liquidating company").

In addition to dividing the remaining bank debt among the regional companies, it would be necessary to replace the preferred stocks by an equal aggregate amount of similar preferred stocks of the regional companies. Some hitch might occur in this part of the program unless the SEC should apply to a Federal court for enforcement powers, since a few stockholders might refuse to make the exchange voluntarily. Moreover, it is proposed to retire preferred stock at par rather than the call price, which has already raised objections.

Admittedly the entire plan is submitted only "for the record," since North American is still hopeful that the Supreme Court may obtain a quorum to hear its appeal from the Circuit Court decision affirming the SEC dissolution order. Possibly it is also hoped that Congress will take action to reduce the number of justices constituting a quorum, or enact a wartime moratorium on the "death sentence" feature of the Utility Act.

North America's plan is very ingenious, but the SEC may consider it "needlessly complicated," and it is doubtful whether other holding companies, with perhaps one or two exceptions, would find this method adaptable to their own dissolution problems.

WLB Declares Stabilization Plan Is Working

In a formal opinion denying a general wage increase to 1,000,000 shipyard workers, William H. Davis, Chairman of the National War Labor Board, said on Aug. 9 that the over-all stabilization program, with the exception of food prices, has been "remarkably successful" and reiterated the Board's determination to adhere to the general stabilization policy.

While conceding that food costs "have gotten out of line," Mr. Davis' majority opinion said, "this does not mean that stabilization has failed. On the contrary, this single exception, when contrasted with the control of all other items of the cost of living, proves that the policy has in general been a success."

In United Press Washington advices of Aug. 9, the following was reported:

The board's decision, dated July 31, denied general wage increases to shipyard employees of 188 yards on the Pacific and Atlantic coasts, the Great Lakes and the Gulf of Mexico. They are represented by the CIO's International Union of Marine and Shipworkers and the AFL'S Metal Trades Department.

The CIO union had demanded a 9% wage increase, plus 5.83% of one year's wages to compensate for rising living costs. The AFL had asked merely for a general increase.

The decision, from which labor members dissented, said the board could not agree that the increases were justified because the Government, in a sense, had repudiated the assurance to wage earners that food costs would be strictly controlled.

Mr. Davis said it was clear that such costs "have gotten out of line with the general stabilization policy," but argued that this did not mean that the over-all program has failed.

The board ordered a general review of the wage-rate structure and job classifications in the shipbuilding industry.

Canadian Securities

By BRUCE WILLIAMS

Firmness continued to feature the Canadian bond market last week with Dominion issues closing near their recent highs. In Canadian stock markets the uptrend in prices which was temporarily halted by the break in U. S. stocks beginning a fortnight ago, appeared to have been resumed early in the week. However, some selling came in during the latter part of the week and prices gave ground, though only moderately.

Recent developments give strong indication of a continued gradual upward price curve for Dominion Government and guaranteed obligations. The same holds true for Canadian provincial bonds, allowing for selectivity of performance particularly among the higher-priced issues. Although all the better grade issues have gone below a 3% basis, the yield spread between them and prime domestic bonds is still too great.

Not overlooking the sympathetic ties between the Canadian and New York stock markets, there is a good reason to believe that Canadian security prices will hold at present levels or even go higher despite further irregularity in domestic stock prices. For one thing there is scant likelihood of a further boost in Canadian corporation taxes. With a 100% excess profits tax now in effect, any increase in taxes on companies not earning more than their pre-war standard might do more harm than good. Moreover, the swing away from the "Santa Claus" brand of liberalism which has dominated Canadian politics since 1934 has now become decidedly emphatic. In last week's Ontario elections, liberal seats were whittled down from 63 to 14.

On the other hand, we are faced with a different tax situation in this country. It appears that American corporations are belatedly in for higher taxes and this prospect, more than favorable war developments, would seem to have been an underlying cause of the present decline in stock prices.

* * *

The July report of the Toronto Stock Exchange gives the following interesting facts. Securities listed on the Exchange now total 546 issues whose combined shares outstanding amount to approximately 680,000,000. Current market value of these shares is roughly $4.6 billion.

Trading in the first seven months of the year, although still far below the 1937 level, involved a turnover of 71.6 million shares, against 21.7 million shares in the same period last year. In the first seven months of 1937, by comparison, the turnover was 204 million shares.

* * *

The downward trend in monthly dividend payments which, except for May and June, has been uninterrupted this year, continued for August. The schedule of August payments this year totals $9,741,115 as compared with $10,531,957 in the same month a year ago.

For the first eight months of 1943 Canadian dividend payments will aggregate $170,473,100 as against $174,847,449 in the like 1942 period. This represents a decline of $4.4 million in the eight months total from last year which, in turn, was $12.8 million below the corresponding 1941 period.

These figures are a reflection of the increased tax rates which are enabling Canada to pay for approximately 52% of her war effort out of current revenues. In this country where economy in Government and higher taxes have been shunned as "bad politics" we are still only paying for about 38% of our war effort as we go along.

NASD To Take SEC Decisions To Court

(Continued from page 591)

for the Curb unlisted trading privileges in:

- Farnsworth Television & Radio Corp.;
- Lukens Steel Company;
- Merck & Co., Inc.;
- Northern Natural Gas Co.;
- Public Service Company of Indiana, Inc.;
- The Warner & Swasey Co.

NASD was successful in opposing an earlier application of the Curb to extend unlisted trading privileges to Pacific Gas and Electric 5% Cumulative First Preferred Stock. In that case, the Commission, on July 12, found that the Curb had failed to demonstrate that there existed in the vicinity of the exchange sufficiently widespread public trading activity in this utility issue to make it appropriate for the SEC to permit unlisted trading in it on the Curb.

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New England Power Ass'n Situation Of Interest

The 6% Cumulative Preferred Stock of New England Power Association offers considerable attraction at present levels according to a circular being distributed by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges. Copies of this interesting circular may be had upon request from Ira Haupt & Co.

Liberty Baking Corp. Situation Interesting

Caswell & Co., 120 South La Salle St., Chicago, Ill., have prepared an interesting circular on the $4 cumulative convertible preferred stock (non-callable) of Liberty Baking Corp., which the firm believes offers interesting possibilities at the present time. Copies of this circular may be had upon request from the firm.

A Tentative Intl. Monetary Stabilization Plan

(Continued from first page)

satz system of international credit relations. Its objective is to restore, in a preliminary fashion, the facilities which will permit the forces of capitalistic expansion to resume their operations on an international scale.

The Plan

The **purpose** of the International Reserve Bank (I. R. B.) is to foster the flow of commodities, services, and capital between nations, and restore the international credit of financially distressed countries. To accomplish these aims, the Bank shall:

(a) Establish, along the lines of sound banking principles, intermediary credit (working capital) facilities for countries which are otherwise not capable of fulfilling their current obligations abroad;

(b) Serve as an international rediscount institution in times of actual or impending monetary panics;

(c) Serve as an agency in managing, so far as necessary, the markets in foreign exchanges;

(d) Provide clearing between central banks and eliminate unnecessary gold movements.

* * *

The **monetary** unit of the I. R. B. shall be the Gold Dollar (G$1=1/35 ounce of gold).

Any central bank or similar institution may take out **membership** but no country shall have more than one membership. Each member must make a minimum "permanent deposit" of G$5,000,000 and agree to the following:

(a) To forgo an interest return on its "permanent deposit" in the I. R. B.

(b) To renounce all claims upon its "permanent deposit" in the I. R. B. in the event it withdraws from the I. R. B. before the term of its membership has expired.

(b-1) However, should the I. R. B. be liquidated the above *provision will not apply.*

(c) To refrain—except with the consent of two-thirds of all votes entitled to be cast—from changing, or permitting to be changed, the gold value of its currency (beyond the customary range of fluctuations within the gold points).

(d) To refrain in dealing with other members, from direct or indirect exchange-manipulations such as foreign exchange "controls," multiple currency systems, capital export or import prohibitions (except embargoes on listing foreign securities), international clearings of the German type, and commodity import quotas of the French type.

The *management* of the I. R. B. is to be vested in a Board composed of a representative or representatives of the members. Each such representative or representatives shall have one vote for every G$5,000,000 deposited in the I.R.B. by the principal of such representative or representatives. Unless otherwise specified, all decisions are to be made by majority vote.

At least 50% of each member's "permanent deposit" is to be paid in gold. The balance may be paid in currency which is recognized as full legal tender within the jurisdiction of the country in which the member is located or in the jurisdiction of some other member. The balance may also be a deposit in a recognized bank whether or not located within the jurisdiction of the country of the member. However, the privilege of paying up to 50% of the "permanent deposit" in a form other than gold is to be subject to the following provisions:

(a) The member offering the deposit guarantees the "face value" in gold of such legal tender or bank balances;

(b) The "face value" of such means of payment is determined by agreement between individual members and the Board of the I.R.B. The decision will require two-thirds of all votes other than those of the country or countries concerned;

(c) If the means of payment consist of a country's currency not involved in the transaction, or of bank balances located in a country not involved in the transaction, such country's consent to the agreement must be obtained.

Unless a membership is renewed at the end of twenty years the "permanent deposit" will become due and payable. For this purpose, 75% of I. R. B.'s net earnings are to be paid over to the members, each member to receive an amount proportioned to the "permanent deposit" made by said member. The rest of the net earnings are to be used to build up a surplus.

The I. R. B. may acquire or utilize additional ("borrowed") *funds,* by the following methods; such funds, however, are not at any time to exceed 100% of the capital funds of the I. R. B. plus the total sum of "permanent deposits":

(a) Accepting time deposits of not less than three months maturity;

(b) "Borrowing" on the credit markets of members (with their individual consent) through the issuance of I. R. B. short-term paper of 3 to 12 months maturity;

(c) Issuing I. R. B. medium-term bonds (5 to 15 years maturity) fully guaranteed by one or several governments of member countries;

(d) Guaranteeing medium-term obligations of members, or of institutions within the jurisdiction of the governments represented.

In case of liquidation of the I. R. B., its liabilities by "borrowing" (including those incurred by its own guarantee) shall be a prior lien upon all assets of the I. R. B., excepting the assets of the Clearing Fund.

The I. R. B. is to maintain at all times a **gold reserve** of at least 10% of its liabilities maturing within a year. Other outstanding obligations, direct and guaranteed, maturing in more than a year's time are to be serviced by an amortization fund, that shall consist of gold, the amount of gold being proportioned to the number of years of the obligations' maturity.

* * *

The I. R. B. may only **lend** to members, and with their consent to financial institutions within their respective countries. Each lending operation shall require the affirmative vote of two-thirds of all votes, excluding those of the "borrowing" party. If the purpose of the lending is to finance transactions between several countries, each of them to be regarded as a "borrower," a borrower shall not be entitled to vote at those times when he is an interested party.

The borrowing member or institution is obligated to keep its own lending rate at all times at least 1% over and above the rate at which it borrows from the I. R. B. or makes use of the latter's guarantee.

The I. R. B. cannot lend to any single country in excess of 20% of I. R. B.'s capital plus "permanent deposits."

* * *

Short-term lending, for not more than one year, is restricted to rediscount credits to members. If the amount borrowed is in excess of the member's permanent deposit, collateral has to be deposited preferably in the form of foreign securities or foreign properties held by the borrowing member. The interest charge on such lending operations up to the amount of the borrower's permanent deposit must be at least one-half of 1% higher than the rate at which the I. R. B. itself actually borrows or presumably would be able to borrow for a similar period; the lending rate must be at least 1% above the I. R. B.'s own actual or potential borrowing rate if the amount lent is in excess of the borrower's permanent deposit.

Short-term loans may be renewed, but members are not expected to be short-term debtors of the I. R. B. in more than two consecutive calendar years.

* * *

I. R. B. **intermediate credits,** for not more than 15 years, presuppose a thorough investigation by a Committee of the Board, on which the "borrower" is not represented, to advise about the purpose and desirability of the credit; its availability from other sources; repayment prospects without renewed borrowing from the I. R. B.; the legal status of a creditor in the borrowing country; the possibility of supporting the credit by special collateral, pledges, guarantees, etc.; the policies such as the balancing of the national budget, regulation of currency, and the like, which the borrower may be asked to adopt to regulate his economy; terms of the loan.

The findings of the Committee are to be published at least one month in advance of the granting of the credit, so as to provide opportunity for public discussion.

The credit may be granted in the form of a direct loan, or of a guarantee of the borrower's bonds by the I. R. B. alone or in conjunction with the guarantee provided by one or several member-governments. The terms of the credit may require the deposit by the borrower of specified collateral, or the pledging of specified sources of revenue.

* * *

I. R. B. intermdeiate credits may serve:

(a) To liquidate debts owed by the borrower to other members;

(b) To finance specified international transactions, such as the purchase or sale of inventories in foreign countries;

(c) To stabilize the gold or foreign exchange value of the borrower's currency.

In so far as the loan serves the last purpose (exchange stabilization), the funds lent by the I. R. B. remain under its direct control, to be utilized under its own management such as by the purchase and sale of currencies and internationally marketable credit instruments, including dealings in exchange "futures."

The intermediate "borrower" is to accept the following obligations in addition to those mentioned above:

(1) To forego the use of the credit for any other purpose but the one for which it has been specifically provided.

(2) To limit the combined volume of outstanding legal currency and central bank credit (other than currency) in the "borrowing" country to the amount outstanding at the time of the granting of the credit.

(3) To eliminate the deficit, if any, in the national budget, or else to finance it by the sale of long-term bonds, which are not to be eligible to banking institutions of the borrowing country either for investment or to collateralize loans.

Intermediate credits of the I. R. B. are to carry an interest charge which is at least 1% higher than the last ten years' average rate on long-term government bonds of the borrowing country. But in no event shall the interest rate be less than 3%, plus an annual amortization rate rising from year to year, so that in the year before the loan matures, the balance of the loan shall amount to not more than 50% of the original amount of the loan.

* * *

International Clearings by the I. R. B. are to be organized separately in a "Clearing Fund," but managed by the I. R. B. Board. Participation in the fund is open to all members of the I. R. B., and to financial institutions. Interest is not to be paid on "clearing balances." Each participant is to deposit a minimum "clearing balance," the amount of which as well as a service charge is to be determined by the I. R. B. Board in proportion to the activity of the account.

The minimum "clearing balances," none of which may be less than G$500,000, are withdrawable on 60 days' notice; "clearing balances" beyond the minimum are sight liabilities of the I. R. B. Accordingly, the fund is to keep at least 50% of the minimum balances and 80% of those in excess of the minimum balances in gold; the rest in internationally marketable short-term paper with at least two signatures (one of them of a recognized bank) drawn in the currency of a gold standard country.

All assets of the I. R. B. Clearing Fund are to be used solely in connection with clearing transactions and are not to be used or pledged for any other purpose whatsoever.

Commentary

After the war, relief and lend-lease cannot continue indefintely; financial aid to countries with a "distressed" balance of payments will have to be organized to enable and induce them to bring their houses in order. But this can be accomplished only if the "rich" are willing to make reasonable sacrifices for the benefit of restoring international equilibrium. With these two thoughts in mind, the U. S. might contribute something like $2,000,000,000 as an interest-free, long-term "deposit." It is likely that short of unexpected occurrences the U. S. as well as a number of other countries with a "favorable" balance of payments (or with surplus gold reserves), will be able to keep long-term balances with the I. R. B. A number of members may shift back and forth between the creditor and debtor position. At any rate, the entrance of the U. S. into the Bank, and the pressure exerted by the provision that no discriminatory monetary policies are permissible among members (but permissible against non-members) should induce every important country to participate. It is most desirable that membership in the International Bank be as comprehensive as possible to avoid monetary warfare and its disastrous consequences to prosperity and peace.

Indeed, the main objective is not so much to rescue individual currencies, but rather to bring about and maintain all-round stabilization, at least so far as the important trading nations are concerned. Credits **per se** could not accomplish this objective. We should avoid the repetition of the international credit policies which in the 1920s helped to create a "false prosperity" and led to a general breakdown. It is with this objective in mind that the members are asked to accept the obligation of restoring stable monetary conditions, eliminating discriminatory monetary policies directed against one another. Without some such provision of stability, all international credit action may prove futile, because its effects on restoring the distressed countries' balance of payments may soon be offset by discriminatory manipulations on the part of other countries. On the other hand, this provision does not imply more interference with the freedom of action of each country than was customary previous to 1931, when such methods as the devaluation of one's own currency were regarded as a punishment rather than as a privilege. It leaves to each member country the choice of the tariff system, and of tariff rates, and merely asks its consent to refrain from the arbitrary use of practices which were frowned upon until recently by the civilized nations of the Occident as detrimental to the perpetrators and unfair to others.

The Bank is to function in a business-like fashion. Its organization is based on the principle of allocating managerial power in accordance with the amount of risk capital invested. It may also attract "preferred" capital (without voting power) by borrowing. The Plan limits the amount that the bank may borrow, to avoid the danger of over-expansion, and obligates it for the same reason to maintain a reasonable liquidity reserve (in gold).

Further limitations against over-expansion are offered by the provisions of quantitative and qualitative control over the bank's lending operations. The total amount of credit as well as the amount extende[illegible] individual borrowing [illegible] be limited. More [illegible] the insistence of the plan upon business-like terms of each credit contract. The underlying idea is to direct the bank's credit policy so as to put pressure on the borrowers and to give them an inducement to liquidate their debts at the earliest opportunity.

This objective is served, in particular, by the provisions of the plan about interest and amortization rates charged to the bank's borrowers, and about those they in turn charge to their clients. The purpose is not only to put a premium on early debt-repayment, at the same time securing the liquidation of the bank's own obligations, but also to create an interest-rate-differential, which is imperative if the free flow of private capital from countries with a surplus in the balance of payments to those with an unfavorable balance should be resumed. Moreover, a higher rate of interest—and only a moderately higher one is suggested—is likely to have the effect of inducing greater economy in the public household of the borrower, and to strengthen its export position by a moderate "deflationary" impact on costs.

The same aims are served by the condition that the borrowers bring their national budgets in order. Neither this obligation nor the previous one (to raise interest rates) is intended to cause violent deflations. The prime purpose is merely to stop inflation in the borrowing country, as indicated by the prohibition against its issuing more legal tender and central bank money. As to balancing the borrowers' budgets, it should be brought about as a matter of ultimate financial reconstruction. But the plan foresees that this reconstruction may take a fairly long time, and suggests in the meantime that it may suffice to reduce the deficit to proportions which are absorbed by genuine savings. The provision that the borrower's budgetary deficit has to be limited to the equivalent of the proceeds of "non-bankable" long-term loans (volutary or forced), should fulfill this condition, namely, to avoid further inflation, without putting undue deflationary pressure on the borrower.

* * *

One of the most urgent post-war financial problems is that of the so-called abnormal balances owed to foreigners. London, in particular, is burdened with short term liabilities of such magnitude that the withdrawal would many times exhaust the British gold reserve. The plan proposes two ways to mobilize and ultimately liquidate such "frozen" liabilities. The debtor country may borrow from the I. R. B. to repay part or all of its overhanging foreign obligations. Or (and) the creditor country may mobilize its "frozen" claims against the debtor country by using them as part of its own permanent deposit at the I. R. B. In the latter case, the creditor receives payment in 20 annual instalments, without interest, possibly at a reduction in the gold value of the claim. Which method is chosen and how much discount is deducted from the original (par) value of the claim, will depend on circumstances such as the total of short-term foreign liabilities burdening the debtor country, and the urgency of the creditor's claim for repayment.

* * *

Essential as it is to the functioning of the plan that it should operate in a "self-liquidating" fashion, no provision is made to enforce the repayment of the loans extended by the bank—for obvious reasons. But safeguards are to be erected, so far as possible, to avoid its breakdown. In addition to limiting the bank's credit expansion, as discussed above, the following safeguards against an unsound utilization of its credit are offered by the plan:

(1) In no credit given by the bank should the member concerned have a say, other than in an informative capacity. The acceptance of a country's claims against another country in lieu of gold is, of course, tantamount to a credit extended to both, and eliminates the voting power of both so far as that transaction is concerned.

(2) The bank is entitled to demand specific collateral from borrowing members, or the pledging of specific revenue sources to service the debt. Such conditions are likely to be more acceptable to debtors if the creditor is a "neutral" institution with international management than if one or several individual creditor-countries would impose them.

(3) Whenever feasible the loan is not paid out at once to the borrower. In particular, loans to stabilize the value of the borrower's currency should be left in the hands of the bank, a specially appointed Exchange Management Committee of which should be in charge of the borrowed funds.

* * *

The prime factor in determining success or failure of an attempt to establish a "preliminary" equilibrium in the international accounts of distressed countries is the willingness of the people of the United States to cooperate by risking a substantial amount of gold. But the cooperation of other countries, which may not be in any need of immediate support by foreign funds, is also essential; the surplus liquid resources (gold and foreign balances) of countries like India and Argentina, South Africa and Brazil, etc., should be mobilized **pro rata**: This will not only strengthen the resources of the international institution, but will also prevent it from becoming an overwhelmingly American enterprise.

There are two more considerations which make it imperative to extend the membership of the I. R. B. practically all over the world. One has been pointed out before: that comprehensive membership in an organization operating on the principles outlined in the foregoing plan is vitally important to avoid the repetition of monetary warfare. Secondly, it is important that countries should not become members only if and when they need credit. No industrial banking could operate if corporations would only appear as customers when they need funds, and would never put their surplus funds at the disposal of the bank from which they intend to borrow. Some provision might be necessary to restrict the right of countries to borrow from the I. R. B. unless they were members from the outset, or else have been members for a waiting period of, say, two years. Perhaps, this will be accomplished by the mere fact that most countries in a favorable gold position at present are creditors with balances which are or might become, frozen. The possibility of liquidating these balances through "depositing" them in the I. R. B. may prove sufficient inducement for countries which might be otherwise inclined to the fallacious policy of financial self-sufficiency.

Calendar of New Security Flotations

OFFERINGS

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).

Offered Aug. 12 by Smith, Barney & Co. and associates at $22.50 per share.

NORTHERN INDIANA PUBLIC SERVICE CO.

Northern Indiana Public Service Co. has filed a registration statement for $45,000,000 first mortgage bonds, Series C dated Aug. 1, 1943, due Aug. 1, 1973. Interest rate will be supplied by amendment.

Address—5265 Hohman Avenue, Hammond, Ind.

Business—Public utility operating company engaged principally in the production, manufacture, purchase, supply, transmission, distribution and sale of electrical energy, gas and water.

Underwriting—Company will offer the bonds for sale under the competitive bidding rule of the Commission. Names of underwriters will be supplied by post-effective amendment.

Offering—Price to be supplied by post-effective amendment.

Proceeds—Proceeds from sale of Series C bonds, exclusive of accrued interest, will be applied, together with other necessary funds of the company, for the redemption of $45,000,000 face amount of 3¾% bonds, Series A, due Aug. 1, 1969, at 106¼% of the face amount or $47,812,500. Interest to the date of redemption on the bonds to be redeemed, plus expenses of the company will be paid out of other funds of the company.

Registration Statement No. 2-5178. Form S-1. (7-8-1943).

Registration statement effective 4 p.m. EWT on July 27, 1943.

Bonds awarded Aug. 9 to Halsey, Stuart & Co., Inc. as 3⅛s at a price of 101.719.

Offered Aug. 12 by Halsey, Stuart & Co., Inc., and associates at 102⅞ and accrued interest.

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

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

Offerings will rarely be made before the day following.

THURSDAY, 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).

WEDNESDAY, AUG. 18

FEDERATED DEPARTMENT STORES, INC.

Federated Department Stores, Inc., has registered 224,470 shares of common stock without par value—assigned value $10 per share—50,000 warrants and 10,000 bearer scrip certificates. Of the total shares registered 123,161 and 51,309 previously registered by the company in connection with a proposed plan to issue shares for stocks of subsidiaries and upon exercise of warrants are deregistered in a post-effective amendment filed.

Address—c/o Corporation Trust Co., Wilmington, Del.

Business—A holding company owning directly or indirectly securities of corporation engaged generally in the operation of department and specialty stores.

Underwriting—There are no underwriters.

Offering—According to the prospectus of the securities registered 123,161 shares of common of Federated are to be offered in exchange for common stocks of Wm. Filene's Sons Co., Abraham & Straus, Inc., Bloomingdale Bros., Inc., and F. & R. Lazarus & Co., subsidiaries of Federated. As to 62,692 shares to be offered, Federated is to receive 156,730 shares of Filene's common, at a price per unit of 2.5 shares of Filene's common; as to 33,822 shares, Federated is to receive 16,911 shares of Abraham & Straus common, at a price per unit of 0.5 shares of A. & S. common; as to 22,742 shares, Federated is to receive 37,904 shares of Bloomingdale common, at a price per unit of 1.66⅔ shares of Bloomingdale common, and as to 3,905 shares, Federated is to receive 3,905 shares of Lazarus common at a price per unit of one share of Lazarus common. Also, of the securities registered 101,309 shares of Federated common are to be issued upon the exercise of 51,309 warrants outstanding and 50,000 warrants now being registered. The warrants have been issued or are proposed to be issued for the purchase of or conversion into common stock of Federated to certain executives of subsidiaries of Federated under the company's warrant plan.

Proceeds—In so far as net proceeds are received by Federated from the sale of securities registered, they will be added to the general working capital of the company.

Registration Statement No. 2-5190. Form A-2. (7-30-43).

(This list is incomplete this week.)

"Our Reporter On Governments"

By S. F. PORTER

It's a funny thing, this talk about the tax-exempts. . . . The people worrying about the subject and spreading rumors which they fear may come true are bringing about exactly what they want least. . . . And that is conversation about removing the exemption. . . . And that is public knowledge of the situation. . . . And that is possible Congressional action on the matter because the conversation is going on and because the public is aware of the favoritism shown to banks who happen to hold the exempts. . . . This is straight and definitely accurate talk. . . . Without disclosing the source of these comments it may be said that they are completely representative of the opinion holders of exempts are most interested in knowing. . . .

To put it flatly and once and for all:

(1) Stop worrying about the possibility that the exemption on certain Government bonds may be eliminated by Congressional action or Treasury policy;

(2) Stop talking about the subject altogether;

(3) Ignore the unauthoritative and unwarranted gossip you may hear or read about a near-term change in the status of exempts;

(4) Don't let your judgment on purchase or holding of the exempt bonds be influenced by the gossip you hear now or by stories you may hear in the coming months when the "boys" have nothing else to talk or write about. . . .

This is "official". . . . And unless there's no basis for believing anybody any more—a most discouraging thought even to have for an instant—these few paragraphs may be accepted as "straight from on high". . . .

The key issue of the exempt list—namely, the 2¾s of 12/15/65/60—has now stabilized around 112 and slightly above. . . . The issue has been jumping all over the place, falling from 112.30 to 112.0, then rising back to 112.14 and declining to 112 again and now it's back to 112.3. . . . Indicating that 112 is the bottom, temporarily at least. . . . And indicating that unless the 112 bottom is broken, the bond is likely to rally along with the market for a while to any level buyers push it. . . .

"If the bond does break 112" says one dealer whose opinions have been remarkably accurate lately, "then it may sink down to the 111 point because the holders will be scared out". . . . "If it doesn't break, I'm buying them for a recovery if the market has any rallying power left in it at all". . . .

That's presented just for whatever it may be worth to you, assuming you've been bothered by the gyrations of this particular obligation. . . .

A DULL MARKET

As for the market generally, that too seems to have settled down for a bit. . . . Prices are holding near their lows on this move. . . . Trading has dwindled to a definite minimum. . . . According to the specialists, the market hasn't had any orders of size for some days. . . . Both buying and selling is on a small scale. . . .

But the 1½s are holding well around the 100.20 to 100.22 level. . . . The 2% issues are doing nicely too. . . . And the 2½s are down to a ¼ point premium which is low enough at this date. . . .

Of course the 2½s are depressed by the pending war loan drive. . . . It doesn't take any inside information to know that there'll be another multi-billion dollar issue of 2½s out within another four weeks. . . . So the longest issue of 2½s—due 1969/64—is now coming into some good competition from the next bond, slated for sale at par. . . . Thus the reaction in these from a high of 100.22 to the present price of 100.8. . . . Which is about as low as the bond can go for a while. . . .When the war loan drive actually gets under way, it may be that the 2½s will sink to a ⅛ premium or even down to a fraction over par. . . .

But this is to be expected and is exactly as it should be. . . .

Incidentally, knowing what the 2½s have been doing in the last year suggests that the smart trader can turn a few pretty pennies in playing the orthodox moves. . . . The bonds go down before a war loan drive. . . . Rally after the absorption process is completed. . . . Then sink when another war loan drive is on the way. . . . Then rally. . . . It's all in accordance with a pattern. . . .

And once you know the pattern, you can go on with your own policy from there. . . . Of course, the commercial banks can't play with these, so this is directed just at non-bank buyers. . . .

THE MONEY CURVE

Presented just for consideration. . . .

What about high-grades when peace comes? . . . What about the money curve, the long, long era of record-low interest rates? . . . And what about Government bonds when the war financing period finally reaches a peak and the need for rigid artificial control begins to taper off? . . .

We've been hearing a lot about this lately. . . . The stock market of course, has been under severe pressure as a result and stock prices have suffered one of their worst declines in two years. . . . High-grade bonds have been affected slightly, but not to anywhere near the same degree. . . .

But the rumors. . . . Those rumors of trouble to come. . . .

Here's one story. . . .

When peace comes and the realization that we may return to something like a normal economy hits the public, we may anticipate a reopening of the capital markets on a broad scale. . . .

The Investment Bankers Association's committee on financing, for instance, forecasts that post-war demands for capital through the medium of the securities marts may reach the staggering total of $5,000,000,000. . . . And the association hints that the amount may even exceed that figure. . . .

Surely, corporations will return to the market for new funds and for some refunding. . . .

Surely, the Government will find it has competition once again from private industry for investment funds . . .

And surely, investors will begin to look at other sections of the market outside of the U. S. Government list. . . .

Meaning? . . . Well, according to the group that holds this viewpoint is true, the long-term downtrend of money rates then will be reversed. . . . Short-term interest rates will harden first, long-term interest rates will follow later. . . .

And the prices of Government bonds will start descending. . . .

That's one story. . . .

Another holds that the Government will find the need for borrowing a continuing one and certainly, the need for refunding extremely significant. . . . And so the artificial control will continue for many years after hostilities cease. . . .

Meaning? . . . According to this group we may have some tightening of short-term rates but long-term rates will remain stable at these low levels for years to come. . .

And the Treasury and Federal Reserve will keep strong control over the market. . .

And prices of Government bonds will be kept under equally strong control. . . .

Think it over. . . . At this point, it seems silly to come to a one-two-three conclusion and it unquestionably would be impertinent to make any flat statements. . . . But the problem deserves mention and just thinking about it now is worthwhile. . . .

INSIDE THE MARKET

Federal Reserve hasn't been doing any selling of bonds recently. . . . This type of control hasn't been necessary. . . . The rise having been broken temporarily. . . .

Last of the Treasury's 91-day bills maturing on Wednesdays matured a few days ago. . . . From now on, discount bill issues mature on Thursdays, so that purchasers may have an extra day in which to make payment and congestion in market may be ended. . . .

Report that fourth war loan may come in December if third doesn't go exceedingly well is not given much credence among financiers. . . . Chances are third will go well—will be forced over the top—and Morgenthau probably will hold off on drive until after the Christmas gift season.

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 St., 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.

Morgenthau Silent On 'Invasion Money'

Secretary of the Treasury Morgenthau said on Aug. 5 that "for military reasons" he is unable to give details about Allied military currency.

"It will be explained in good time," Mr. Morgenthau said.

The Secretary had been asked at his press conference for comment on questions by Walter S. Spahr, Professor of Economics at New York University and Secretary of the Economists' National Committee on Monetary Policy. He said he had not seen Dr. Spahr's questions, but that the Treasury's recent announcement covered all details disclosable at present.

Dr. Spahr's queries on the invasion money appeared in our issue of Aug. 5, page 516.

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