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FINANCIAL NEWS AND THE SITUATION

More Liquidation With Drastic Curtailment of Credit Features Week.

MONEY SUPPLY LIMITED

Strong and Weak Points of an Unusual Condition Ruling Investment Situation.

By WILLIAM JUSTUS BOIDS. For the first time since the European war put the world out of joint the American people are evincing a lively interest in orderly deflation and the necessity of forcing their Government to spend less than \$18,000,000 a day. Wall Street, as usual, has been many months ahead of the game in reducing speculative loans, deflating security rices and discouraging the development of new speculative ventures. As a consequence outstanding loans secured by Stock Exchange collateral are just about half what they were during the feverish trading of last year, when many peo-ple saw nothing but blue sky ahead. On the other hand, absorption of credit by the Government through financing five Liberty bond issues on a basis which forced 30,000 commercial banks to carry the nearly \$3,000,000,000 of Treasury cer-tificates has made it impossible for the banks to finance day to day business in the usual way. That theup of credit is more examperating at a time when it requires \$3,500 to finance a carload of wheat and about \$12,000 to carry a carload of butter, which, at the price basis of five years ago, tied up less than

War Loans,

Instead of financing the war through the sale of bonds yielding a sufficient interest rate to compel their absorption by individual investors the Government brought out prodigious issues at a fictitious price basis and coerced the banks into selling them to their customers on the partial payment plan. The result has been that the bonds re-acted sharply in price, with an immense ors to thousands of holders who have been forced to sell and further denoralization of the general bond market. Under those conditions the banks could not distribute the bonds and have been forced to carry thousands of such loans, which tied up a vast amount of credit needed by the country's business inter-ests. As Gov. Harding of the Federal Reserve Board said in his letter to Senator Owen last week, it is not the Federal Reserve Board's duty to adjust rediscount rates with the view of sus-taining the market value of Government bonds, since the law provides that such rates shall be fixed with the view of accommodating commerce and business

bringing Government bonds back to par, it is the board's belief that the desired result would not be attained, while the demand upon the Federal Reserve banks would be so great that they would have left no resources available for the acommodation of commerce and business. As a matter of fact, the policy of the Federal Reserve Board to curb infla-tion will in the long run result in improving the market value of Liberty onds, and a contrary policy of furnishing credit at cheap rates at a time like 8145 this would impair the market. The 129 value of a promise to pay a certain sum 2714 at a future date is impaired by the inflation which the board is trying to 29 14 control."

Deferred War Claims.

The Government has been grievously at fault in holding up the payment of immense aggregate claims due contractors, sub-contractors and others during the war. The exact status of that account is not known, because the facts count is not known, because the facts of it have been withheld at Washington, but, from the loans tied up in this city and elsewhere, it is apparent that the credits represented by such deferred payments aggregate an immuse indebtedness. The banks interested in those claims must await the liquidation of the account, which is bound up in a mass of Governmental red tape which may take many years to unravel. Those delays are working great hardship to the money market, because until the claims shall be paid the banks of this and other cities cannot finance the business that they would otherwise be gind to take care of had the Government paid its just debts within a reasonable time. Many of the claimants are business men of small capital who have not resources sufficient to pay off the loans them-selves and take their chances with the Government. If the banks should press them the borrowers would go to the wall and a delicate credit situation would be made much worse. But the full account ought to be settled forthwith, as the claims are long overdue and the inaction has contributed materially to intensify

the credit strain.

In describing the needs of railroads last week Daniel Willard, chairman of the rate commission of the railroads of eastern classification territory, told the Interstate Commerce Commission that the carriers could not be expected to finance their requirements through the sale of bonds at a time when United on a 6 per cent. income basis and good industrial loans were being placed at 7½ and 8 per cent. That disclosure prepared the way for the subsequent request for a \$500,000,000 Government loan, as well as a generous freight rate increases which the religions rease, which the railroad manager country the facilities which it is in need of. It has direct bearing on the credit strain, due in no small measure to failure of roads to move produce piled up in warehouses throughout the country, brild in elevators and on railroad sidings everywhere. Several billion dellars worth of merchandise, on which the banks have made enormous loans, is thus rendered unavailable at a time when it is highly important to convert it into cash. It is apparent, therefore, that an important freight blockade must lead inevitably to a

to be hoped that the necessary relief will be granted without delay, because t will take several months to produce off or refund before the end of this year. the law was partly at fault, but in the This country's foreign trade is being light of what has happened it is to be

unsettlement, decreased industrial proceeded in organizing any relief credits duction and further credit strain. It is for carrying that business, exporters for carrying that business, exporters have had to finance the transactions themselves with the aid of their bank credits. The War Finance Corporation, which is virtually closing up its affairs,

ing of which the welfare of every other industry depends.

The country cannot get along without railroads, and if they are maintained in a slipshod manner as at present the people will pay the bill through business unsettlement, decreased industrial production and formal and industrial production and formal industrial production and industrial pr delayed merchandise deliveries and in-creased business caution. Our Federal tions of great industries. One of the most Reserve system has more than 40 per urgent problems has to do with provid-cent, cash reserve against a cash rethe equipment after the orders are given which is virtually closing up its affairs, serve of about 13 per cent, of the Bank workers, which is of life and death importance to the millions of people fed s300,000,000 of maturing securities to pay those credit arrangements, for which per cent, of the world's gold reserve.

per cent. of the world's gold reserve.

Purious speculation has subsided and There are better days ahead sad under-

This country's foreign trade is being light of what has happened it is to be the country is making progress in valargely financed with short term credits regretted that an institution with a rious directions. The average business cause of honest curtailment of non-obtained from banks of this city, which \$1,000,000 credit at its command has not man, like the average householder, is essential expenditure.

TOTAL TRANSACTIONS IN THE NEW YORK STOCK EXCHANGE WEEK ENDED MAY 8, 1920. 7,336,664 High. Low. Last. Chge. High. Low. in 5 Yield. Sales.

7 8.89

100 Loose Wiles Biscuit 1st pf 96 1/2 35 1/4 96 1/4 2 2/4 2300 Lorillard (P) Tobacco. 144 135 143 4 5 1/4 5 1/4 800 Louisville & Nashville. 101 1/4 100 1/4 10 7 7.00 400 Am Woolen pf.
600 Am Writing Paper pf.
2500 Am Zinc, L & Smelt pf.
4 6.96 14200 Amaconda Copper
100 Am Arbor pf.
400 Am Arbor pf.
500 Assets Resilvation | 400 Ann Arbor pf. | 500 Assects Realization | 1400 Assects Realization | 1400 Assects Realization | 1500 Assects Realization |

| 900 Ontario Silver Mining | 900 Otis Elevator | 2500 Otis Steel | 3 5.45 | 700 Owens Bottle Co. | 4 5.80 | 1600 Pacific Development | 10.87 | 800 Pacific Gas & Electric | 1 3.28 | 100 Pacific Mai | 1 600 Pacific Mai | 1 600

2 4.76 700 Reading 1st pf.
2 4.76 809 Reading 2d pf.
9400 Remington Typewriter
110806 Replogle Steel
200 Republic Motor Truck.
5 5.28 134900 Republic Iron & Steel.
7 7.23 800 Republic Iron & Steel pf.
100 Robert Reis
5.20 4.16 82300 Royal Dutch Co N Y . 1
6.25 1200 St Joseph Lead.
. 35600 St Louis & San Fran.
700 St Louis & San Fran.
2200 St Louis Southwestern pf.
610.16 600 Savage Arms Corp.
6500 Savage Arms Corp.
6500 Savan Motor
200 Seaboard Air Line pf.
8 3.61 700 Sears Roebuck Co.
600 Shattuck Aris Copper.
74c 1.19 34900 Shell Trans & Trading.
118000 Siloss Metfold S. 4.1

Gov. Harding added: "Were rates reduced with a view of

6 10.00 899 Consolidated Cigar ...
7 8.85 199 Consolidated Cigar pf. ...
8 195 5500 Consolidated Cigar pf. ...
8 195 5500 Consolidated Cigar pf. ...
8 195 5500 Consolidated Cigar pf. ...
8 195 500 Continental Can pf. ...
9 200 Continental Can pf. ...
19 8.25 2800 Continental Can pf. ...
19 8.25 2800 Continental Can pf. ...
19 8.26 2800 Continental Can pf. ...
19 8.27 2800 Corn Products Ref. ...
10 500 Corn Products Ref pf. ...
11 500 Corn Products Ref pf. ...
12 500 Corn Products Ref pf. ...
13 100 Corn Products Ref pf. ...
14 500 Corn Products Ref pf. ...
15 500 Corn Products Ref pf. ...
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17 500 Corn Products Ref pf. ...
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19 500 Corn Products Ref pf. ...
19 500 Corn Products Ref pf. ...
19 500 Corn Products Ref pf. ...
10 500 Corn Products Ref pf. ..

8 8.33

1 10.00

42600 Crucible Steel Co

100 Crucible Steel Co

100 Crucible Steel Co

200 Cuban Am Sugar.

27800 Cuba Cane Sugar pf.

27800 Cuba Cane Sugar pf.

3000 Deere & Co pf.

500 Delaware & Hudson

100 Denver & Rio Grande

3000 Denver & Rio Grande pf.

100 Detroit Edison Co.

10 Detroit Edison Co.

700 Dome Mines

400 Dulth, S & All.

200 Durham Hoslery Mills pf.

600 Elk Horn Coal Corp.

200 Emerson Branting

100 Emerson Branting

100 Emerson Branting

100 Emicott Johnson

1000 Endicott Johnson

1000 Eric 1st pf.

800 Eric 2d pf.

12900 Famous Players-Laskey

2000 Famous Players-Laskey

200

Supporting the Railroads.

serious credit strain, even in normal simes. But in a season when the coun-try is doing business at the highest price basis ever known an embargo on freight shipments is an incident of seri-ous import to the banking community.

Necessary Facilities. The testimony of experts is that the The testimony of experts is that the country is short 100,000 freight cars, \$,000 locomotives, \$,000 passenger cars and 1,000 baggage cars, which at present prices will cost \$\$10,000,000, without allowing for replacements and other necessary outlays. The banks have advised the roads that they cannot borrow any more money on equipment trusts, and until their credit shall have been restored it will be impossible for them to make large sales of long term bonds. The roads asked for a 25 per cent, increase in freight rates and a \$500,000,000 revolving credit for which the law frevides. However the commission regards those specific requests, there is little doubt that adequate relief with he

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