

## WAR ORDER STOCKS

### Prices Have Risen Without Justification—Exaggeration and Duplication of Orders

Investors have been reminded on several occasions by *The Monetary Times* of the dangers of speculation in so-called war order stocks. The speculation in these securities has reached both in Canada and the United States, what is admittedly a point of great danger, and the best authorities are agreed that it is a question only of time when a natural collapse must follow. As the *New York Journal of Commerce* points out in an interesting article on the subject, this speculation is under the leadership of unscrupulous operators who have been associated in the past with a number of reprehensible railroad deals of the first magnitude, and who are probably second to none in the art of shrewd market manipulation. To such leaders the possibilities of manipulation contained in the war stocks are almost without limit.

"War orders" are necessarily more or less confidential arrangements, and it is with extreme difficulty that rumors which are put forward to influence stock prices can be either confirmed or denied. Some managers of the large companies when questioned by stockholders deny that the orders they have received justify anything like the advances in prices that have been forced. But the alleged explanation of their statements is soon made that the managers themselves are complaining of "sour grapes" because they are not "in the deal." This indicates the extent to which the speculative fever has developed. The public resents criticism or reason and is putting its money into a gamble quite as wild as in the past has been shown in mining stocks, petroleum, rubber or other of the speculative bubbles.

#### How Shares Have Risen.

An indication of the extent of this speculation in the war stocks is contained in the following comparisons of the sales of the ten most active railroad stocks and the ten most active industrials:—

Canadian Pacific ...	55,000	Allis-Chalmers . . . .	178,000
St. Paul . . . . .	31,000	Amer. Can. . . . .	303,000
Rock Island . . . .	34,000	Amer. Loco. . . . .	50,000
Erie . . . . .	25,000	Baldwin Loco. . . . .	172,000
Missouri Pacific . .	18,000	Cent. Leather . . . .	42,000
Pennsylvania . . . .	10,000	Col. Fuel and Ir. . . .	46,000
Reading . . . . .	43,000	Crucible Steel . . . .	359,000
Southern Pacific . .	50,000	Rep. Iron and S. . . .	127,000
Southern Railway . .	18,000	U. S. Steel . . . . .	407,000
Union Pacific . . . .	57,000	Westinghouse . . . .	362,000
	341,000		2,046,000

#### Business Does Not Justify.

All thoughtful persons will admit that the receipt of profitable war contracts by manufacturing concerns must prove beneficial to the companies concerned. But such flights of prices as from 40 to more than 200 in Bethlehem Steel, from 30 to 50 in American Locomotive, from 26 to 60 in American Can, from 16 to 36 in Maxwell Locomotives, from 64 to par in New York Air Brake, and from 78 to 110 in Westinghouse Electric, will require continuance of the present rush of business to justify the higher prices. The advances are those above the prices prevailing prior to the war period of July, 1914; they would be necessarily greater in comparison with the low figures that in a number of instances followed the actual commencement of the war.

There is no efficient check, as has already been noted, available upon the real volume of the war contracts received by these various companies, whose shares are being so actively boomed. However, it is known that a big amount of exaggeration and duplication accompanies the orders. A financial authority last week took occasion to figure out the various channels in which one order of \$80,000,000 had been distributed among various concerns by the original contracting corporation on account of the latter's inability itself to handle the entire contract. These contracts with the sub-contractors necessarily came out as new business, and instead of the original order of \$80,000,000, the various sub-contracts converted the amount into \$200,000,000. This instance is very largely symptomatic of general war order conditions.

Another feature of the war order situation that merited attention is, what would happen in the event of the war suddenly ending? The answer most generally heard in this respect is that as the contracts are being placed through a responsible banking house they would not be violated, and ample compensation would be furnished in the event of goods not being needed. On the other hand, it should be recalled that the end of hostilities would necessarily mean the termination of the exigencies of the buyers. At the present moment the demand for prompt deliveries is so completely urgent that the foreign buyers are not disposed to be over-critical as to the technical compliance with contract specifications. If the demand for the products should suddenly cease there would be a complete change in this provision and complete compliance with every detail of contracts would be insisted upon. The *London Times* has recently asserted that it had good authority for the statement that the Kaiser had advised German bankers that the war would end in October. German news agencies have denied that such assurance was given. There seems, however, reason to believe that the present huge proportions on which the war has entered cannot permit of great extension in the conflict. This feature has a bearing on the permanence of the prices of war industrials.

## FOR BUSINESS MEN, A NOVEL

The modern financier and business man of this continent does not make a habit of reading the latest novels. Thoughtful friends, however, will probably see to it that a large number of our business men get a copy of "*A Far Country*," just published, and written by Winston Churchill, the well-known novelist. It is the autobiography of a typical business or professional man, in this case a lawyer, of America. He tells the story of his life from the time when, as a lad, he grew up in a thick Presbyterian atmosphere, a stranger to his father and secretly loved, but from a distance, by his mother. Becoming a junior in a prominent legal firm, he traces his growth to the fame and wealth of a prosperous corporation lawyer. Telling his own story, he also relates the lives and secrets of the big men whose schemes he is helping to forward by the aid of his legal talent. By an almost unconscious process, he reaches a period when the man in the street does not quite know in which criminal class to place him. The story is a severe arraignment of American business life, with its neglect of home, its worship of power and wealth, its political machinations, and its bribery and corruption. There is enough romance in it to make the volume appeal to the lady reader, but chiefly it is a book written for the benefit of the American business man who is off the moral track, but does not know it.

"*A Far Country*," by Winston Churchill; published by the Macmillan Company of Canada, Bond Street, Toronto. Price, \$1.50, postpaid.

The question of using Nova Scotia coal by the British admiralty is being looked after by the province's agent-general in London, Mr. J. Howard. The provincial government claims that the collieries produce one thousand tons of washed nut coal daily, equal in every respect to Welsh coal, and it urges a test by the imperial government. It will be remembered that Nova Scotia offered 100,000 tons of coal to the admiralty as a gift in the early stages of the war, but the offer was not accepted, the reason assigned being the transportation difficulties.

The best method of economizing gold for individual circulation is engaging the attention of Mr. McKenna, British chancellor of the exchequer, who is desirous that the public utilize currency notes as far as possible. No steps will be taken to interfere with legitimate exports of gold, Mr. McKenna told the house of commons this week, but means will be adopted as and when required for the purpose of foreign exchanges. The question was raised in parliament by a questioner asserting that quantities of British gold daily were taken to the continent by travellers, and that Boulogne was infested with German agents engaged in buying the gold coins. Mr. McKenna promised that travellers hereafter would be more closely scrutinized.