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EDITORIAL

As We See It

Again We Ask: "What Is This 'Point IV' Business?"

When in January of last year the President came forward with his grandiose proposal of some "bold new" plan for effecting revolutionary changes in the lot of many of the so-called backward peoples of the world, a great many citizens of this land of ours wondered just precisely what the Chief Executive had in mind. It is rather more than doubtful if the President himself could have enlightened them very much. "Point IV"—as this suggestion has since become known since it was the fourth in a series of proposals in the President's inaugural address — has remained a mystery and a subject of much speculation and rumor.

The business began, so apparently reliable rumor has it, with a feeling of need on the part of the newly re-elected Mr. Truman for some electrifying program in the foreign field which would follow worthily in the footsteps of the "four freedoms." Effort has been frequent if not constant ever since to put some definite meaning into phrases then assembled for their effect upon the rank and file. Word from Washington has varied from solemn assertions that no great expenditure of funds was contemplated to grapevine reports that presently billions would be poured annually into these underdeveloped lands —to help the poor heathen, to enrich the people of the United States and to keep these areas from the clutches of the Kremlin. The reception the matter received last week in Congress was hardly encouraging to those who have been counting

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Abolish Farm Price Support Program!

By PAUL C. JOHNSON*
Editor "Prairie Farmer"

Asserting "hot house" treatment of farmers through subsidies "has put them out on limb," prominent editor of agricultural journal calls for re-examination of whole farm program. Opposes allotments and quotas and other bureaucratic devices, and attacks present agricultural price support methods. Says Brannan plan would make farmer dependent on Uncle Sam for income and would lead to Socialism. Calls for return of free competitive market and greater self-reliance on part of agriculture but upholds subsidies for soil conservation. Says aid to the marginal farmer, through educational instruction and credit or through building industries in rural areas, is needed.

I dare say a large proportion of the men and women in this audience were recruited from the farm in their youth, and like most of other business people, you have a sentimental interest in what goes on on the land. But, being bankers, you also have a pretty good idea of the strong influence of farm economics on the economy of our whole country. You know that a healthy farm situation helps give tone and substance to business everywhere, and that it has a direct influence on better than 50% of our people even if less than 20% are now active farmers.

Paul C. Johnson

You also know that, notwithstanding a lot of sweat and stew over the years about farm relief and farm programs, American agriculture has continued to be richly productive, and farm people have resisted with remarkable success the plague that business as a whole has wrestled with during our generation—the false doctrine that the way to get more is to do less.

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*An address by Mr. Johnson before the Illinois State Bankers Convention, Chicago, Ill., June 6, 1950.

The Perils of Chronic Deficit Financing

By JOSEPH STAGG LAWRENCE*
Vice-President, Empire Trust Co., New York City

Dr. Lawrence, in calling attention to continuous deficit financing as leading to inflation and national bankruptcy, says Federal Government is ignoring basic rule of public finance by not living within its income. Holds our present paper money system is a species of fraud and warns of delusion that chronic deficit financing can lead to permanent prosperity. Calls upon bankers to avoid their own slaughter by educating public to the perils of deficit spending and spreading knowledge regarding danger of our present irredeemable currency system.

Uncle Sam, in living deliberately, consciously, and continuously off the cuff, is challenging one of the basic canons of banking and business. It is a first rule in that real world in which all of us live that our expenses must in the long run be kept within the limits of our income. The business that violates this rule goes broke. The banker who disregards this rule soon finds that he is no longer a banker.

Jos. Stagg Lawrence

All the procedures of banking involved in the examination of a loan applicant stress the necessity of adjusting outgo to income. In fact the applicant who deliberately refuses to apply this rule to his own business is an applicant who thereby becomes a poor credit risk. Unless he can show excellent reason for temporary failure to live within his income, he is usually turned away from banking doors.

As we examine this applicant, we ask him a series of questions, all of which are designed to determine the prospective success of this borrower in living within his income and showing, at the end of the loan period, an accumulation sufficient to service the loan.

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*An address by Dr. Lawrence before the Illinois Bankers Association, Chicago, Ill., June 7, 1950.

PUBLIC UTILITY ISSUE NEXT WEEK—The "Chronicle" of Thursday, June 15, will feature the proceedings of the Edison Electric Institute Convention at Atlantic City, N. J. The same issue will contain pictures taken at the recent outing of the Bond Club of New York.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

This Week's Forum Participants and Their Selections

American Cyanamid 3½% Conv. Pref. and Phillips Petroleum 2⅜% Conv. Pref.—Richard A. Eising, Member of New York Stock Exchange. (Page 2.)

Chester (Penna.) Municipal Authority Water Revenue Issues—Walter D. Fixter, Manager of Municipal Bond Dept., J. W. Sparks & Co., Philadelphia, Pa. (Page 2.)

Canadian Pacific Railway Common Stock—Sidney R. Winters, Manager of Security Research Dept., Abraham & Co., Members of New York Stock Exchange. (Page 30.)

RICHARD A. EISING

Member, N. Y. Stock Exchange

(American Cyanamid 3½% Convertible Pfd. and Phillips Petroleum 2⅜% Convertible Pfd.)

Because of exceptional growth possibilities and a limited capital risk two convertible issues in my opinion afford the best medium for investment at this time. They are: (1) American Cyanamid new convertible preferred 3½% "B" (109) which is convertible into the common at 72. This is the present price of the common at the time of this writing; and (2) Phillips Petroleum convertible 2⅜s of 1975 (107½), which bonds are convertible into common at 70. The common is selling at 67½.

Richard A. Eising

The companies are aggressively managed and are devoted to research and invention. Together they represent an investment in science, in chemicals, ethical drugs, oil and natural gas.

Moreover, the safety factor is not based on the above average future prospects of these companies. Given such adverse market conditions that Cyanamid and Phillips common halved in price from current levels, it is reasonable to assume that the convertible issues would suffer no more than a 10% decline. On a straight money basis the Phillips Petroleum 2¾s of 1964 sell for 102½. On the other hand when American Cyanamid sold at 35 last year the 3½% series A convertible preferred held at 99—some 17 points above this preferred's value in terms of common at the time. (This stock is convertible into 2.35 common.)

In other words, these issues sell fairly close to their pure investment basis where they would stand on their own feet—"ex" the conversion feature. In addition, these senior securities would almost immediately participate in any rise in price in the common stocks.

For those investors satisfied with moderate current return and who seek growth through imagination, research, and development with relative safety, these issues appear to be eminently suited.

WALTER D. FIXTER

Manager, Municipal Bond Dept., J. W. Sparks & Co., Philadelphia

(Chester (Penna.) Municipal Authority, Water Revenue Issues)

Ever since the Municipality Authorities Act of June 28, 1935 was enacted into law in the Commonwealth of Pennsylvania and since amended (May 20, 1937 and May 17, 1939) there has been extreme activity in the financing of water, sewer and now, school authorities. These municipally-operated revenue projects have all been well-conceived and readily marketed to the astute purchaser of tax-exempt securities.

Walter D. Fixter

In the writer's opinion there is one, however, which assumes the characteristics of a well-founded and conceived project and the resulting financing through bond issues of a tax-free nature has proved both satisfactory and attractive. Reference is made to the Chester (Penna.) Municipal Water Authority with its first financing occurring in December, 1939 through the issuance of $5,900,000 principal amount of 3¼% water revenue bonds maturing serially from Dec. 1, 1940 to Dec. 1, 1979. The proceeds derived from this original financing were used to purchase for the authority the physical properties of the old Chester Water Service Company which company had served the City of Chester and surrounding communities with water both for home and industrial use. This latter company, as a corporate body, was a well-managed, successfully operated income-producing service utility as was evidenced by a Moody Rating of A given to the bonds issued by Chester Water Service Company.

In later years it was decided to create a new source of water supply for its consumers and to discontinue the use of the Delaware River. After a thorough investigation Octoraro Lake, approximately 40 miles to the west by north of the City of Chester, was selected. To create this new dam supply, extensive financing was necessary. As a consequence, during the past four or five years additional bond issues have been marketed toward the completion of this program and present indications point to the final phase of financing in the form of an additional issue of serial and/or term bonds in the amount of approximately $4,500,000, such offering to be made available to the public some time during the year 1951. The whole Octoraro Project should cost in the neighborhood of $14,000,000.

All of the above is normal financial procedure. It is important to note, however, and to bear in mind the terms of the Indenture covering the original issue of bonds dated Dec. 1, 1939. In this Indenture covenants are made that all net revenues after (1) operation and maintenance charges and (2) renewal and replacement charges must be placed in a separate fund to be known as "Chester Municipal Authority Revenue Bond Debt Service Fund" and used solely for the protection and/or benefit of the bondholders. These covenants pertain to any issues of bonds subsequent to 1939 and issued on a parity with the 3¼% securities of that year and exist as long as there are any bonds of the 1939 issue outstanding which means, in other words, to the year 1979. Furthermore, inasmuch as this project under the old set-up (Delaware River water supply) was capable of producing excellent revenues its future capacity to perform under the Octoraro source of supply would seem to warrant the same success. Monies accumulated in this Debt Service Fund can only be utilized in the purchase of U. S. Government obligations and for the purchase, in the open market, of Chester Municipal Authority issues and if the latter is done such bonds are to be immediately cancelled. The history of revenues produced by the Authority's operations bears proof of ready and sizable accumulation of monies in this Debt Service Fund.

To illustrate the possibility of sizable money accrual in this fund it is to be noted that in the year 1949 the Debt Service Fund purchased and subsequently cancelled approximately $1,325,000 principal amount of its own Authority bonds, of which $1,242,000 were bonds of the issue of $5,680,000 sold publicly on Dec. 3, 1949. Likewise, at the year-end, Dec. 31, 1949, the Debt Service Fund showed a balance of cash and securities approximating $774,185. In this Fund there was cash of $470,456 and U. S. Government bonds in the amount of $353,729.18. This certainly indicates a rapid accumulation of money in the Debt Service Fund and such accumulation undoubtedly will be expedited when the completion of the new Octoraro water supply is accomplished late in 1951. The capacity of this new system will assure the City of Chester a maximum supply of 34,000,000 gallons per day, sufficient for many years to come. Based upon past performance and future patronage for its new water and resulting increase in revenue, it is estimated that monthly accruals to the Debt Service Fund will be substantial.

I believe that the provisions and covenants of this 1939 Indenture are most unusual and do not represent the normal course of financial proceedings. Not until 1979 will the Chester Municipal Authority be permitted to set aside in the Debt Service Fund only those monies necessary for principal and interest required for a period say of one to two years and then use surplus revenues for general purposes. It is quite evident that the covenants found in this Indenture are most definitely to the best interest of the purchasers and holders of bonds of the various Chester Municipal Authority issues. Such provisions and covenants should provide protection to the bondholders, stability of market value and an unusual margin of safety as to principal and interest payments.

I believe that the unusual circumstances noted above lend an attractiveness to the bonds of this Authority to the point of satisfying the most cautious and astute investor.

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European Steel-Coal Union: Cartelization in Disguise

By MELCHIOR PALYI

Contending proposed Western European Steel-Coal Union is in reality new version of the old international steel cartel, Dr. Palyi attacks it as "a monolithic and monopolistic monster that does not mean a single step toward ideal of transcending national frontiers." Foresees difficulties which may lead to "internationalization" of industries, and all-round industrial unbalance as well as overproduction.

I

Mountains labor and a mouse is born. And it is not an innocent little mouse either.

Dr. Melchior Palyi

Western Europe's salvation, supposedly, is in union or integration (the good old One World cut down to size). Now, we have what is being advertised as the first step in European integration and co-ordination: the Franco - German steel-coal pool. E.C.A.'s perennially optimistic Mr. Paul G. Hoffman hails it "as a sign that free Europe does not mean to tarry on the road to unity, strength and security."

That it is in reality a new version of the defunct international steel cartel—which the shrewd Monsieur Loucheur promoted in the 1920s under pacifistic slogans—should be obvious, all denials notwithstanding. There is this difference, however; the old cartel left untouched the independence of its members. The proposed pool is to be totally centralized. It will be a trust rather than a mere cartel. At any rate, it is a monolithic and monopolistic monster that does not mean a single step toward the ideal of "transcending national frontiers." To integrate, the participants would have to reduce trade barriers and eliminate monetary restrictions, swap deals, etc. Nothing of the kind is involved here. What is involved is a more complete protectionism for the super-protectionists.

To French eyes, the monster is a beauty. Their hothouse-bred and spoon-fed heavy industry will be protected against its most formidable rival. Together with the Saar, which is French in all but name, France is to have the weight—presumably 54% of the vote—to choose the "high authority whose decisions will be binding" to all concerned. And in view of the fact that French coal is fully nationalized the "high authority" could be no one but a high official or trustee of the French Government. In other words, that government will have the power to fix prices and wages, to determine investments, to allocate export quotas and markets, etc. Full control over Germany's war industrial potential as well as over her basic competitive power is a worth-while return to the French for reversing their postwar attitude of obstructing Germany on every occasion. If other Continental European countries join, they are bound to support France so as to out-vote the Germans (whose resentment against the French policy in the Saar is to be softened, too, by the "bold" French move).

Germany, in turn, is anxious to submit. The cartel is a great advantage over her present station. She wins French benevolence. Probably, she will be permitted to expand her steel capacity from the present 11.1 million tons per year imposed by the Level of Industry Law to some 12.5 million tons. German know-how will be permitted to participate in the (American financed) development of French colonies. In short, the Germans would rise from underdogs to partners of France—if very junior partners only.

As was to be expected, Mr. Acheson embraced the concoction of Monsieur Schuman and Herr Adenauer, and Mr. Truman joined in the embrace enthusiastically. So did the American press, with one or two notable exceptions. Mr. Bevin approved it reluctantly. The British have reason to worry about the competing (or rather dumping) power of the monster. They, too, will rejoice if it turns the trick of making Congress feel happy over Europe's apparent progress in "unification." That might help to loosen the strings of the dollar-purse. But the British Conservatives, cartel-minded as they are, indulge in fantastic eulogies; "Time and Tide" compares the steel-coal "statesmanship" with Churchill's proposal of an Anglo-French union in 1940.

II

How is the steel-coal "union" to operate? It is to "equalize" prices, which presupposes the equalization of costs. That was the first point on which the discussion of details started in Bonn between Chancellor Adenauer and Director Monnet of the French Planning Commission. For one thing, the French claim that their higher social security burden adds an extra 20% to costs. Then, their wage rates are higher than those in Germany. But there is more to differentials in labor costs than wage rates plus open and concealed payroll taxes. And there is more to cost-differences than labor costs alone. In short, cost coordination or "equalization" amounts to **total planning** of these basic industries with a vast number of products of widely di-

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The Near-Term Business Outlook

By EDWIN B. GEORGE*
Director, Economics Department
Dun and Bradstreet, Inc., New York

Asserting we are now standing at the highest financial point in our history, and makings of another six months of prosperity is evident, business economist lists high consumer spending and continued heavy government spending as maintaining activity. Points out reasons why there was no basic cave-in during 1949, but looks for some reduced consumer spending and less consumer saving after completion of insurance refunding to GI's.

I submit herewith two versions of what may happen to us during the rest of 1950. You may find both of them plausible; and I trust that you will permit me to put the opposing arguments in the vernacular, where alone, as I will try to show, many of them can survive.


Edwin B. George

First let us enjoy the happy carol, to wit: Business generally, with only a few soft spots, is at a high level. Construction for this year will probably outdo last year's banner performance. Hitherto drooping machine tool sales and tell-tale gear and paperboard sales are all looking up. Investment in new equipment, generally number one in the gloom books, is actually rising. Retail sales are at a peak. Automobiles cannot slide seriously because 58% of existing cars are still 8½ years old or older. Public works are both obsolete and in serious arrears. Federal deficits are deplorable but wonderful for today's business. Private finances are strong. What more could we want?

Plenty, croak the pessimists, who were probably not even listening. In the first place, it is done mostly with mirrors — the mirrors of deficits. A Federal deficit of close to $4 billion, consumer credit up $3 billion. Both eventually incurring a cost that no one will want to pay. For consumer credit it will probably be this year. Through mortgage credit also we are borrowing business from the future, and will find the future rifled when it comes. All the beautiful things you have been saying belong in last September's forecast; they tell us nothing about next September. When housing turns down, as it may this year, it will not only take with it the buying power that it has been generating (through both down payments and new debt), but also open a long season of deflationary debt contraction. Postwar plant expansion is completed, except for flurries. A rate of six-million-plus cars and trucks a year is fantastic and cannot possibly be sustained. The labor force is rising too rapidly for the economic system to absorb the annual additions.

*A paper by Mr. George before the National Savings and Loan League Convention, Chicago, Ill., May 31, 1950.

What is the matter with these duelists — assuming improperly that very many observers in real life would line up so cleanly for either the white outlook or the black? There is truth in the particulars cited on both sides. The main trouble is that, as it stands, the recital lacks any statistical weighting, any qualitative criticism, and any regard for interrelationships of cause and effect. It adds horses and rabbits. It is also a meaningless mixture of short-term and long-term factors. Let us do our best, in one of the several ways available, to segregate the values.

The immediate past is for analytical purposes a part of the present, and a brief word picture is necessary. Almost everyone is agreed now on what some insisted on at the time—that there was no basic cave-in during 1949. We were witnessing an extraordinary inventory phenomenon. The loss of momentum provided by a spectacular rate of accretion in the last half of 1948, *plus* the actual decline in the last three quarters of 1949, added up to a reversal of spending force in this factor *alone* (and without regard for its own multiplying effects) that approximates the extreme dollar rate of decline in total national activity. And there were some autonomous weaknesses elsewhere. Net exports dropped, and plant and equipment outlays were obviously losing some of their momentum. The fact that in the face of this little bevy of adverse occurrences, GNP or total activity declined from a peak of $270.3 billion in the fourth quarter of 1948 to a low of $254.6 billion in the third quarter of 1949—or only $15.7 billion—was to my mind an excellent testimonial to the persistence of underlying strength in the general situation. Some of the manifestations of that strength become quickly apparent. We know what has happened in the fields of automobiles and housing. Prices of key materials such as copper, lead, zinc, and scrap steel began to firm, as did orders for previously weak items of equipment. Inventories rose in the first quarter of this year. Total retail sales reached a new peak despite a decline in the proportion of disposable income that was spent by consumers and public and private credit continued to expand; this partook of cause rather than manifestation, but for the present purpose it counts. Result: GNP has climbed back to nearly $264 billion, close to the old 1948 peak, the F.R.B. index of industrial production is now probably well over 190, unemployment is temporarily at least back to an exacting "full employment" level.

Current Factors

To appraise the effects of pending developments we must first refresh our minds as to their relative importance. Here is a conventional breakdown, together with contrasting figures for the first quarter of last year:

GROSS NATIONAL PRODUCT

	First Quarter —1949—		—1950—	
Consumers' Expenditures	$178.7		$183.0	
Gross Private Domestic Investment	40.0		41.0	
New Construction		$16.8		$20.1
Producers Durable Equipment		20.7		19.3
Change in Business Inventories		2.5*		1.7
Net Foreign Investment	1.0		—2.0	
Government Purchases	42.3		42.0	
Federal		25.2		23.2
State and Local		17.1		18.9
Totals	$262.0		$263.9	

*Declined thereafter through 1949.

These are the three great pillars of whatever spending and therefore of whatever material well-being America is to enjoy during the balance of this year. Whatever happens to each of them, with due allowance for its effect on the others, is a matter of personal concern to each of you.

Let us first of all see if we can pin down one of the most volatile elements in a capitalistic system—private investment, or what we call private gross capital formation—and hope that we can pin it at a point auguring well for the future. If the term is not a customary one with you, some of its ingredients certainly will be. It includes producers' plant and durable equipment, residential construction (nonfarm), changes in inventories, and net foreign balance on private account. Will these components separately and collectively be above or below those of the recent past? Because they are volatile, much of the fate of our forecast depends on the luck of our guesses about them.

Private Construction

Let us first take a closer look at new private construction. This is really a congeries of items — plants, warehouses, residences, commercial buildings, stores, hotels, utilities, institutions, etc. —that I shall consider as a single package. Regrettably, I am not privy to the plans of all the executives and contractors in the country, and have to rely on the testings of the various construction authorities. I need hardly add that they disagree. There is a general feeling, however, that the weak spot in the picture is private business building, which in the opinion of some observers will continue a decline that has now lasted four years (at least in physical volume, although not consistently in dollar terms). Personally I would not be surprised to see an upturn in even this lagging sector of construction. It could be overdue. Of this group, industrial building has been the weakest; it has been weak long enough in a prosperous country. At the end of April it was running 21% below the corresponding figure of last year, and 1949 as a whole was 30% behind 1948. In other divisions of the private nonresidential field, however, there are elements of strength. Hospitals may jump 30% or thereabout; office buildings, stores and warehouses should edge over last year's mark; and while utilities as a whole are likely to be off, gas may run counter to the trend. Remember that I am talking about private business construction. Public construction will obviously be higher, and the wise men seem to agree that total volume will reach an all-time high, beating even last year's record by as much as a billion dollars. The resulting $20 billion plus would set an awesome pace. But we want to keep our accounts clean and overall government prospects will emerge in good time.

It is really a presumption to tell you anything about housing. You should be making the speech on this subject and I would gratefully listen. But I have at least the obligation to disclose the assumptions I have made in compiling my totals.

We are in history's greatest homebuilding boom. We have just witnessed the most spectacular winter homebuilding season. Although the drama has centered on apartments, which in 1949 were 41% above 1948, the largest number of one-family houses were also started, squeaking out over what was then looked upon as 1948's glittering performance by about 3%. And as to recent and current performances, one might wonder if houses were to replace the flowers of spring in American folksongs. The 126,000 starts for April again broke the all-time monthly (April expenditures were up 60% over last year), and the resulting total of 396,000 starts for the first four months of 1950 is more than 53% ahead of the 1949 volume for the same period. It is almost an anti-climax to report the seeming agreement of experts that we are headed toward another banner year. The minimum figure of 1,160,000 starts, as against 1,025,100 last year, has been mentioned to me and I shall tentatively use it. I shall not distinguish between private and public.

Always of interest in the now complicated housing field is the distribution over different types of financing categories. From informal conversations with Mrs. Shirley K. Hart, Director of Research and Statistics of the FHA, and others, the following approximations are envisaged: 250,000 or more privately financed 2-or more family structure rental units might be put under construction in 1950 (as compared with 196,400 in 1949)—perhaps half or thereabouts under Section 608, less than 50,000 now under Title VIII (military posts) and less than 25,000 under Section 207 (cooperative and other rental projects), and more than 10,000 now under Section 203 (two to four family structures) — plus about 60,000 rental units financed without benefit of any kind of FHA insurance. As to single-family homes in 1950, some 250,000 plus units might be started under FHA inspection. At best, according to these authorities and Dr. Ewan Clague, U. S. Commissioner of Labor Statistics, privately financed one-family units will slip under last year's comparable 792,400 figure—although they may top 700,000.

(Parenthetically, I have been interested to notice, that of all lending groups, the savings and loan institutions have shown the least dependence on government aid, particularly FNMA, and have a higher proportion of conventional, i. e., non-FHA and non-VA, loans than any other group.)

On the overall basis, the question is still wide open as to the direction and shape of the housing trend through the rest of this year and beyond. If the total for 1950 is to be 1,160,000 and we have already started 400,000, we do not need the experts to tell us that we can hardly expect starts throughout 1950 to continue at the level of 50% above 1949.

Indeed matters may be put much more pointedly. If we assume that May starts merely equal those of April—a fantastically conservative assumption—the aggregate for the first five months of this year will be about 170,000 units above that for the comparable period in 1949. On this basis a total of 1,160,000 would imply for the last seven months as a whole a decline of 35,000 from 1949. Even a total of 1,200,000 would on the same basis represent only a nominal gain over last year in the balance of this year. Since it is probable that May will run well ahead of April and June will show a substantial excess over June of last year, it seems clear that we shall fall short of 1949 performance in the second-half. And since the favorable record for last half of 1949 arose largely from a terrific fourth quarter, the bulk of the decline may be expected to occur in the last three months. If you want my personal hunches for whatever they may have, they are as follows: Starts in May and June will exceed those in the comparable months of last year by enough to place the total for the first-half around 225,000 units above first half of 1949. I should think too that the summer months would not fall below last year's hectic rates by more than a moderate amount—say, 20,000 units in aggregate. On these calculations, and assuming the year's total to reach 1,160,000, starts during the fourth quarter would be about 70,000 units, or more than 25%, below the closing quarter of 1949. Whether or not this will be the upshot, I cannot say. But that a significant downturn is in prospect, seems unquestionable.

These comments, it must be re-emphasized, relate only to starts. Dollars expended on non-farm housing in the third quarter will doubtless be quite a bit above last year because of completions on the much higher rate of second quarter starts and perhaps higher

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the country as a whole the past week, notwithstanding a four-day work-period, managed to hold at a high level and to moderately exceed that for the comparable period in 1949.

For the week ended May 20, latest available figures on employment reveal that total continued claims for unemployment insurance tapered slightly, while initial claims rose for the same period.

For the month of May employment rose to 59,731,000, or a gain of 1,063,000 over April, according to the Department of Commerce. This was the highest level since August, 1949, the same source asserts, adding that only a lag in the number of farm workers kept total employment last month from topping 60,000,000 for the first time since July, 1948.

Unemployment in May dropped to 3,057,000, or a decrease of 458,000 from the preceding month and the lowest since April, 1949.

* * *

Despite record-breaking steel output, order backlogs continue to swell under consumer pressure reminiscent of the frantic buying in the scarcity market two years ago, and vacation curtailments next month promise further tightening in supply conditions, states "Steel," national metalworking magazine. The mills already hold commitments extending into fourth quarter on light, flat-rolled products and carbon bars. Plate and shape deliveries are lengthening. Specialties, such as stainless and electrical sheets, are sold out for weeks ahead. Orders for line pipe extend into 1954. Jobbers' stocks of standard pipe are unbalanced and inadequate to meet steadily rising demand.

With carryover tonnage into third quarter promising to take most of that period's production, consumers are turning increasingly to the premium markets for relief. As a consequence, the national metalworking authority notes, conversion business is rising and some converters now are reported booked into late fourth quarter.

One of the most important bullish factors influencing steel market developments currently is the sharp advance in scrap prices, the magazine adds. Although mill buying is limited a rush for tonnage is on among brokers seeking to cover commitments in competition with conversion market purchasers.

Isolated price advances on finished steel products continue to be made, however, despite sharply increased production and raw material costs, especially scrap. The view prevails that no general price increase by the large integrated steelmakers is in the cards. Capacity production and high earnings argue against such at this time.

* * *

The automotive industry the past week suffered a contraction in its record high output attained three weeks ago.

The Memorial Day holiday, plus an additional day off the Monday previous at plants of General Motors Corp. and others, was responsible for the drop. Daily rates at several Chrysler plants showed further gains, while Saturday work is planned at a number of General Motors assembly plants, "Ward's Automotive Reports" stated.

A new record for a month's passenger car production in the United States was set in May, with an estimated 581,317 units turned out. This agency predicted that this figure will be exceeded by nearly 100,000 in June.

* * *

Building Activity in May exceeded the seasonal peaks reached in the fall of 1949 and 1948, the Departments of Labor and Commerce report. Almost $2,000,000,000 of construction was put in place in May, 14% above April and over 20% above May, 1949. Reports of the National Lumber Manufacturers Association for the close of May indicate the building boom will continue strong in June. At the same time, two other reports showed trends that could slow down rapidly rising building costs. The lumber manufacturers said production in the week ended May 27 was greater than new orders and the report of the Bureau of Labor Statistics noted that wage increases in the construction industry in 1950 were smaller than a year ago.

* * *

There was a moderate month-to-month decline in the rate of new business incorporations during April last, although the number remained substantially above the level of a year ago. It marked the seventh successive month to show an increase over the like month of 1949 with the number of concerns chartered totaling 8,375, according to Dun & Bradstreet, Inc. This represented a drop of 8.8% below the March figure of 9,180, but a rise of 15.2% as compared with 7,273 for April one year ago.

Steel Output Again Scheduled to Top 1,900,000 Tons

American steel companies are adding more than 2,000,000 tons to their annual ingot capacity this year states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. In addition, they have already scheduled an increase of 1,790,000 tons for 1951. Experience indicates that this figure will top 2,000,000 tons, too. The gains are coming from installation of new facilities and improvements to existing plants.

These capacity increases—about 4,000,000 tons in two years—were disclosed in a confidential survey of the nation's steel companies just completed by "The Iron Age." They mean that in the six years following the war the steel industry will have added more than 11,000,000 tons to its steelmaking capacity. This additional capacity alone would permit output of more steel than was

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How to Expand Common Stock Investments

By WINTHROP H. SMITH*
Managing Partner, Merrill Lynch, Pierce, Fenner & Beane
Members, New York Stock Exchange

Executive of prominent stock exchange firm, denying there is any real shortage of equity capital, holds essential problem is to induce more people to buy stocks through education and publicity. Points out revolutionary shift, induced by high income taxes, in source of new capital from wealthy classes to middle income groups, thus causing "an acute shortage of capitalists." Recommends more action be taken by corporations to spread business ownership and to dispell ignorance regarding common stocks. Urges corporation executives and managers hold substantial amounts of shares in their own companies and thus indentify themselves with interest of stockholders.

I don't believe there has been a meeting of industrialists, businessmen or bankers in recent years that someone hasn't talked about equity capital. If there was ever a question one would assume had been completely covered, certainly the equity capital problem is it.

Winthrop H. Smith

But there is still a great deal to say about equity capital that hasn't been said. A lot has also been said with which I am in sharp disagreement. Specifically, I don't think there is any real shortage of equity capital.

Equity capital has not been flowing through normal investment channels at the rate our wealth and industrial activity should justify, but it can be made to flow. I know it can be done because my firm has had success with a number of new issues in the past several years and we anticipate still more success in the future. But I don't want to get ahead of my story.

I believe it may be helpful if I limit my field of discourse and define my terms so that we can explore this problem together without having our minds run off at tangents. There are two different types of equity capital that I think should be distinguished. Legally and economically they are quite similar. From a practical point of view they are vastly different. There is adventurous capital on one hand—money used to launch a new business or money needed for highly speculative ventures—and one the other hand additional common stock money used for expansion purposes by well established corporations.

The biggest tears are shed over the lack of money for untried ventures. Taxes, government regulations, the uncertainty of political action and the disappearance of the old pioneering spirit that motivated our forefathers are usually offered as the explanation of the shortage for this type of money, but I shall exclude this part of the problem completely from my discussion, not because I think it is unimportant, but for two much better reasons. My firm, as a matter of policy, does not engage in the underwriting of promotions or of venturesome enterprises that do not have a record of earnings over a period of years. Consequently, I can claim no unique knowledge of these problems. Secondly, you gentlemen all represent companies that have long since passed this stage of corporate development and are, therefore, potential clients for the kind of funds we have available.

Equity Capital for Going Concerns

I proposed to talk about that part of the capital problem which I know best and which concerns you most directly—the raising of equity money for sound existing businesses that have demonstrated earning power. I think the problem of raising equity money for going businesses involves enough critical questions to keep us well occupied this morning.

When an established business needs money for capital expansion, there are four main sources to which it can go. Traditionally, the corporation seeks private, individual investors through investment bankers. Secondly, it can reinvest its own earnings.

In recent years another important source of new capital—debt, of course, not equity—has been the institutional investors such as life insurance companies, fire insurance companies, and sometimes even banks. Finally, since the founding of the RFC, some businesses have taken their capital needs to a benevolent government.

What has happened to the individual private investor over the years? Has corporate management been forced to resort to the reinvestment of earnings, to government handouts and to borrowing from institutional customers, or has it been a matter of choice? We have some acute problems here.

Let us take a look at the individual, private investor for a few minutes. Specifically, I should like to try to answer two questions.

First, "Is he numerous enough and does he have enough money to supply the capital business needs?"

Secondly, "What will induce

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*An address by Mr. Smith before the 27th Annual Conference of the American Management Association, New York City, June 2, 1950.

U. S. Supreme Court Rules Bond Premiums Are Tax Deductible

Sustains lower court in decision permitting premiums to be figured as loss after callable date.

An important decision of particular interest to bond investors was rendered by the United States Supreme Court on June 5. It was ruled by a majority opinion of the court that an investor in computing his Federal income stock may deduct the premium paid when acquiring a bond over the par or call price value after the call date has arrived, even if the bonds were not sold or turned over for redemption.

The case involved a premium paid for American Telephone and Telegraph Company bonds paid by Christian W. Korell who sought the deduction after purchasing 500 bonds in 1944. The bonds were 15-year 3% convertible debentures. They had $100 face value and were purchased at slightly over $121, and were callable by the company on thirty days' notice at $104. The owner in figuring his 1944 income tax deducted $8,638, representing the difference between $60,638 which the bonds cost him and $52,000 the price at which they were callable in 1944. The tax collector disallowed the deduction, but the United States Circuit Court in New York approved it, so the case was appealed to the Supreme Court by the government.

J. P. Morgan & Co. Promotes Officers

George Whitney, President of J. P. Morgan & Co. Incorporated, has announced that the board of directors has promoted the following officers to be Vice-Presidents: Homer P. Cochran, Barkeley Gaynor, Edward E. Norris, William B. Weaver, Jr.

Mr. Cochran and Mr. Gaynor, both of whom joined the staff of J. P. Morgan & Co. in 1935, are the senior officers in charge of the investment advisory department.

Mr. Norris joined the staff of J. P. Morgan & Co. in 1935, and is in charge of the department of analysis and statistics.

Mr. Weaver, who joined the staff of J. P. Morgan & Co. in 1932, has been in charge of the commercial credit department in General Banking.

Also Renville A. Yetman and William G. Stott were promoted to be Assistant Vice-Presidents, and Harry E. Pendry to be Assistant Treasurer.

British Socialism Has Failed!

By RT. HON. LORD WOOLTON*
Chairman, Conservative Party in Great Britain

Asserting Socialism has failed, prominent British conservative leader nevertheless holds the experiment in Britain has rendered service to world in playing up its defects. Says Labor Government has converted profitable competitive concerns into losing socialized industries, thereby incurring heavy burdens on taxpayers as well as raising prices to consumers. Contends workers have not benefited or increased their productivity. Lays fundamental error of Socialism to misunderstanding of human nature, which seeks individual self-advancement and profit. Defends limited health insurance, without extravagant layouts, and predicts Conservative victory in next election.

I am honored that you should have considered giving me this reception, and I assume it to be your wish that I should tell you something of the movement of political opinion in my own country. You may, indeed, like me to answer the question, "Is Great Britain moving downhill to the Socialist State?" The fact that that I put the question in that form indicates that I am not free from political bias. You will observe that I said "downhill" to the Socialist State.


Lord Woolton

There are many people in my own country who would say, "You mean uphill to the higher life that comes from men ceasing to struggle against one another in a competitive world: to a life where a planned economy guides the life of the country, where the element of fear has been replaced by a perpetual and abiding sense of security, where a system of heavy taxation opens up the Road to Heaven—for the Bible says, 'It is easier for a camel to go through the eye of a needle, than for a rich man to enter into the Kingdom of God'; you can't become rich or stay rich in Great Britain—they have redistributed wealth." That is how they would put it.

*An address by Lord Woolton at a testimonial dinner given by the Institute of Fiscal and Political Education, New York City, June 2, 1950.

These are the aspects of the theory of Socialism that brought many people in Britain — many people with fine ideals—into the Labor Party. It's that theory that gave many of them a sustaining sense of right-mindedness. Even when the facts appeared to be running so obviously against them, and caused others to believe that the non-Socialist Party were the "big bosses," people who were concerned more with personal profits than the welfare of the country, and who had succeeded in accumulating personal wealth out of the chaos and struggle—and indeed the misery — of the competitive world. Of these idealist people let me say that, for the most part, their hearts ruled their heads, and were more active, but they have never erred in being too generous about their opponents.

Before I proceed to the development of this argument, there are one or two things that I must make clear for personal reasons: the first is this—I am a visitor, enjoying the hospitality of your country, and nothing that I say must be taken either as criticism, or as support, of any acts of your own government. I have neither the competence nor the desire to comment upon it. Secondly, I want to make it abundantly clear that, whilst, I am considerably opposed to the domestic policy of the government of my own country, I do not criticize its foreign policy. I would indeed add this—that I believe the principle that you have adopted, of a bi-partisan foreign policy, is the right one for any country. Be that as it may, if there is anything that we don't like about the actions of our own country in world affairs, the place to say it is at home, and not abroad.

Problems of Human Relations Within a Country

It is not to problems of foreign affairs that I propose to address myself today. I am concerned with the problem of human relationships inside the economy of a country, and perhaps there are lessons to be learned from our recent experimenting in Britain. The discoveries of science, the enormous advance in technology through the application of science to our industrial and domestic life, the wide advancement of public education, have created circumstances widely different from those even of half a century ago. We must recognize the facts of change even though we realize that just as all action is not progress, so all changes are not changes for the better. The unskilled laborer of the past has become the man or woman who looks after a machine of infinite complexity. Both the agricultural worker and the factory worker have become mechanics, and the boy from the cottage home, or the tenement house, has found himself on the broad highway of education that leads from the primary school to the university, and from there onward and upward. We have become an educated people: and especially is this so on political matters in Great Britain as a result of the Education Acts of the Nineteenth Century. In industry there has been great change. The possessor of capital, who used to be the owner of his enterprise and the controller of its destiny, is now joined with others in extending his ideas, and through public company organization limiting his risks.

In this fluid state of society it is no wonder that the successes and the ambitions of some should have aroused the envy and, on occasions, the hatred of those who were less successful. People have surely wondered whether the successes of the few were not unduly rewarded, and whether a more equal distribution of wealth might not, in the end, raise the general standard of life of the whole community.

That is the way in which thought has been moving, and not only among people who were actuated by envy: I would say that it has been almost a characteristic of the thought that was predominant in the universities in my own country during the last quarter of a century. It is a line of thought that captured the British public after the war, and was, I think, mainly responsible for the return of the Socialist Government in 1945 — a government that was pledged primarily to the Socialist creed of the nationalization of the means of production, distribution and exchange; and which had also, as an essential part of its philosophy, the idea of a redistribution of wealth by government action, through taxation.

As you know, Great Britain is a very old and mature country: new ideas can be grafted on to it without unduly disturbing the whole of its life, people take them quietly and in good faith, not recognizing that behind them may be a deliberate and long-term plan to revolutionize society. We have been trying out the Socialist State during the last five years. I suggest that, in the process, we have given some service to the political thought of the world. It has been a sort of vivisection: we have survived in spite of it. If the people of America will learn rightly the lessons that have been derived from our experience, you will get some reward for the most generous way in which you have given financial support to the Government of Great Britain during this last five years.

American Financial Aid and the Socialist Experiment

Without your aid, this experiment in Socialism would have been wrecked by unemployment. Now Socialism has been tried, and many people—I think the majority—realize that it has failed, but, because we have had full employment, and only socialism on a very limited scale, many people, encouraged by self-interested politicians, say that the one causes the other and that a return to full free enterprise means a return to unemployment. Let there be no mistake about the meaning of my words. I am glad that you gave aid to Britain. Your money has been well spent, and were it a proper subject of my speech to you tonight, I would develop the theme that the money that you have spent on the European Recovery Program—in what we call "Marshall Aid"—has been expenditure that has been actuated not only by a most praiseworthy spirit

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From Washington Ahead of the News

By CARLISLE BARGERON

Washington propaganda has been degenerating of late to the level of Broadway press agentry. It smacks of such old time city slicker stunts as Anna Held taking a bath in milk.

Several months ago there appeared on the front pages of many Eastern newspapers a statement of Dave Lilienthal's creed, what he conceived the American Democracy to be. It was spoken apparently on the spur of the moment before a Senate committee investigating his custodianship of the Atomic Energy Commission, and was immediately hailed by Leftist propagandists as one of the remarkable documents of our time, something that should be placed on the walls of the schoolrooms for the oncoming generations to read. I don't think it got on many schoolroom walls but it was posted around the halls and offices of the Department of the Interior.


Carlisle Bargeron

The phoney thing about it was that it was not spontaneous as the public was led to believe but had been prepared many days in advance with the collaboration of the Leftist propagandists who ballyhooed it and copies were promptly available at the committee hearing. The stunt, however, didn't serve to save Dave's job.

Now just recently we have been treated to some more theatrics. Out of a clear sky, Senator Margaret Chase Smith, women's gift to the Senate, rises in her seat in that august chamber and delivers what is described as a Declaration of Conscience. Co-signers, so to speak, of this masterful document, are a group of alleged fellow Republican Senators.

It is spread in bold type on the front pages of the same newspapers and the Leftists propagandists assure us it is the result of long anguished soul-searching on Margaret's part.

It would seem to be more than this if we did not know the truth. It would seem to be that Margaret stayed up many nights taking a correspondence course in rhetoric and also that the screaming of a Banshee has frightened her into deeper and more worried thinking than has been her wont. Margaret has been in politics for many, many years, with her husband in Congress before his death, and she succeeded to his seat, and her contribution to her constituents has not been of the educational or leadership type, but rather one of sending them seeds given away by the government, and government pamphlets on how to rear a baby or to prepare a meal.

Several members of Congress have a way of writing a weekly column for their constituents which many of the smaller papers run. Margaret does this and its enlightenment is even less than Mrs. Roosevelt's "My Day." It chats along gaily about her visit to the Veterans' Bureau in behalf of a GI, or how she escorted a group of her supporters to the Washington Monument. There is nothing in her weekly pratings of the prose of Declaration of Conscience or to indicate that as long as she can remain in office there is anything wrong with the world. Undoubtedly her sudden attainment of great stature as the author of a document to be rated along with the Truman Doctrine, the Marshall Plan and Dave Lilienthal's creed must have startled the folk of Maine.

The plain fact is that this is another cooked-up propaganda stunt and that about all Margaret had to do with it was to speak her assigned piece. It was prepared by the same propagandists who cooked up the Lilienthal stunt.

The terror of these Leftists over the furore that Senator McCarthy has stirred up becomes more intense day by day, and to the uninformed layman out in the hinterlands their apoplectic shrieking must add to his feeling that something is, indeed, wrong. If I knew not a thing in the world about it I am sure this would be my reaction.

Insofar as Margaret is concerned they have been buttering her up ever since she came to the Senate, telling her that great things were in store if she joined the group of so-called Senate Republical Liberals: Tobey, Aiken et al. She had been showing considerable resistence and had been following a middleground policy. But some months ago she was sold the idea that if she followed the right course she stood to be the Vice-Presidential nominee and inasmuch as there is but a heart beat between this and the Presidency she might become the first woman President of the United States. This has been too much for her. As former Senator Henry Fountain Ashurst was wont to say there is no bigger sucker than a Senator who has been smitten by the Presidential bee.

Now, it so happens that the House Lobby Investigating Committee headed by Representative Buchanan of Pennsylvania, has just directed some 150 corporations to report on every visit any of their representatives have made to Washington over a prescribed time, just what they came here for, who did they see and what did the trip cost. Why doesn't some "liberal" get up a Declaration of Conscience on a thing like this?

William Ginn Opens

GOLDSBORO, N. C.—William M. Ginn is engaging in a securities business from offices at 301 South Center Street. He was formerly with Bache & Co.

Leonhart Opens

BALTIMORE, Md.—W. Harold Leonhart is engaging in a securities business from offices at 38 South Street. Mr. Leonhart was previously with Price & Co.

T. E. Rowland Opens

OKLAHOMA CITY, Okla.—Thomas E. Rowland is engaging in a securities business from offices at 1109 North West 55th Street.

Unexchange, Inc.

Unexchange, Inc., has been formed with offices at 30 Church Street, New York City, as successor to United Exchange & Trading Co. Principals are Alfred Stern and Bruno Hellinger.

New Issues

$70,310,000

State of New York

4%, 1¾%, 1½% and 1¼% Bonds

To be dated June 15, 1950; to mature as shown below. Principal and semi-annual interest (June 15 and December 15) payable in New York City. Coupon Bonds in denomination of $1,000, registerable as to principal and interest in denominations of $1,000, $5,000, $10,000 and $50,000.

Interest Exempt from Federal and New York State Income Taxes under Existing Statutes and Decisions

In our opinion, these Bonds meet the requirements as Legal Investments for Savings Banks and Trust Funds in New York, Massachusetts, Connecticut and certain other States

These Bonds are acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policyholders and to the Superintendent of Banks in trust for Banks and Trust Companies.

These Bonds will constitute, in the opinion of the Attorney General of the State of New York, valid and binding general obligations of the State of New York, and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds.

AMOUNTS, MATURITIES, COUPONS, YIELDS OR PRICES

$58,310,000 Housing 4% and 1¾% Bonds

Due $1,190,000 each June 15, 1952-2000, inclusive

The State reserves the privilege of redeeming, at par value and accrued interest, on June 15, 1990, or on any interest payment date thereafter, all of the bonds then outstanding or all of the bonds of a single maturity beginning in the inverse order of their maturity.

Due	Coupons	Yields
1952-60	4%	no reoffering
1961	1¾	1.35%
1962	1¾	1.40
1963-64	1¾	1.45
1965-66	1¾	1.50
1967-68	1¾	1.55
1969-70	1¾	1.60

Due	Coupons	Yields or Price
1971-72	1¾%	1.65%
1973-74	1¾	1.70
1975-77	1¾	100
1978-80	1¾	1.80
1981-83	1¾	1.85
1984-86	1¾	1.90
1987-89	1¾	1.95
1990-93	1¾	2.00

Due	Coupons	Prices	Approx. Yields
1994	1¾%	92½	2.01%
1995	1¾	92	2.02
1996	1¾	91½	2.03
1997	1¾	91	2.05
1998	1¾	90½	2.06
1999	1¾	90	2.08
2000	1¾	89¾	2.08

$12,000,000 Grade Crossing Elimination 4%, 1½% and 1¼% Bonds

Due $600,000 each June 15, 1951-70, inclusive

The State reserves the privilege of redeeming, at par value and accrued interest, on June 15, 1967, or on any interest payment date thereafter, all of the bonds then outstanding or all of the bonds of a single maturity beginning in the inverse order of their maturity.

Prices to yield 0.70% to about 1.56% according to maturities

(Accrued interest to be added to all prices)

The above Bonds are offered subject to prior sale, for delivery when, as and if issued and received by us and subject to the approval of legality by the Attorney General of the State of New York.

Interim certificates will be issued pending the delivery of definitive bonds.

The National City Bank of New York — First National Bank — Bankers Trust Company — J. P. Morgan & Co. Incorporated — Lehman Brothers

The First Boston Corporation — Smith, Barney & Co. — Harriman Ripley & Co. Incorporated — Halsey, Stuart & Co. Inc. — Phelps, Fenn & Co.

Glore, Forgan & Co. — Lazard Frères & Co. — Goldman, Sachs & Co. — Union Securities Corporation

Drexel & Co. — Continental Illinois National Bank and Trust Company of Chicago — The First National Bank of Portland, Oregon — Eastman, Dillon & Co.

Merrill Lynch, Pierce, Fenner & Beane — Lee Higginson Corporation — Wood, Struthers & Co. — Alex. Brown & Sons — Harris, Hall & Company (Incorporated)

Stroud & Company Incorporated — The Boatmen's National Bank of St. Louis — Hirsch & Co. — Wm. E. Pollock & Co., Inc. — Ira Haupt & Co. — Dominick & Dominick

Roosevelt & Cross Incorporated — Robert Winthrop & Co. — Coffin & Burr Incorporated — Laidlaw & Co. — Dick & Merle-Smith — F. S. Smithers & Co.

American Securities Corporation — Bacon, Stevenson & Co. — Central Republic Company (Incorporated) — Eldredge & Co. Incorporated — National State Bank Newark, N. J.

Trust Company of Georgia — Tucker, Anthony & Co. — G. H. Walker & Co. — Hayden, Stone & Co. — R. S. Dickson & Company Incorporated

Bramhall, Barbour & Co., Inc. — City National Bank & Trust Co. Kansas City, Mo. — Andrews & Wells, Inc. — H. M. Byllesby and Company (Incorporated) — Byrne and Phelps Incorporated

G. C. Haas & Co. — Heller, Bruce & Co. — E. F. Hutton & Company — Mackey, Dunn & Co. Incorporated — Newburger, Loeb & Co. — Tripp & Co. INC.

June 7, 1950.

Second Phase of Rising Stock Market Cycle

By BRADBURY K. THURLOW
Analyst, Minsch, Monell & Co.
Members, New York Stock Exchange

Separating cycle of rising stock price movement into three phases, viz. (1) recovery; (2) re-establishment of confidence; and (3) over-confidence, Mr. Thurlow says market is now in second or self-correcting stage, and therefore has a distance yet to go before final stage is reached.

It is becoming more apparent as time passes that the climate of speculation in this country is changing. Such a change, as we have pointed out many times in the past, is a necessary adjunct to any important shift in the level of security prices. The explanation is simple: if one group of investors are courageous enough to buy General Motors at 55 or Youngstown Sheet at 59 from another group of investors, they must, if their judgment is to be right, have eventually an opportunity to dispose of these at much higher prices. In order for this to take place other groups of investors, each theoretically destined to be less successful in proportion as they have been more respectful of mistaken public opinion, must follow suit. It is elementary that it is the entry of new money into the market and not general business conditions or other abstract considerations which makes stocks rise in price.

B. K. Thurlow

In the language of the cynics (who by and large have made more money as speculators than those who make fun of them) each important advance consists of three phases. In the first phase, stocks are so cheap that their holders, finding no logical explanation, become worried about the future and sell them "back to their rightful owners." The second phase occurs when the more intelligent and less timid see the recent error of their ways and "take appropriate action." The third and final phase is the reentry of the public into the market to buy back the stocks they sold in the first phase. In this last phase, buyers' and sellers' roles are exactly reversed from what they were at the beginning of the move, and the psychological parade in the ensuing decline follows the exact pattern of the rise with the shearing of those speculative sheep who wondered at the top why everyone didn't buy stocks for a living instead of working.

In the more familiar language of economics the rising part of the cycle is labeled (a) recovery from panic; (b) reestablishment of confidence; (c) appearance of overconfidence. When we look at past markets we shall see this pattern repeated in a constant series. The pattern itself seems to be a measurement of permanent mass behavior rather than a peculiar stock market phenomenon. It is the specific and detailed working out of an age-old principle, known to many a successful retailer—namely, if the public won't pay $1 for your goods, hide them under the counter and charge $2, because nothing stimulates buying like rising prices and scarcity.

This all leads us to a diagnosis of the present state of affairs in the market. It is easy to break the 11-month rise from June to date into segments: the first from the middle of June to mid-September (160 to 180 in the Dow Averages with daily volume consistently under 1,000,000 shares); the second from mid-September into mid-January (180 to 200 in the Averages with daily volume running around 1,400,000 shares); the third from January into April (in which the Averages advanced another 15 points, while many individual stocks underwent pronounced corrections and volume at one time exceeded 3,300,000 shares). It is our guess that the market from June through January witnessed the recovery and reestablishment of confidence in better grade issues and that the January-April period was a period of internal correction in the market prior to the reestablishment of confidence in secondary issues.

To the reader who is not versed in the frequently ridiculous jargon of Wall Street (into which we all fall too often from mental inertia) all of the above may sound like mere words. All that we are trying to say is that we think this rise has been to a large extent self-correcting and therefore has a good distance yet to go, but that the speculative profits from here on are likely to be made in speculative issues. This last may sound like a commonplace, but anyone who held speculative stocks between last June and this April is well aware that the real money was being made in the du Ponts and General Motors, because virtually no confidence was generated in speculative issues. The period since April we would call Phase 2. It may end in a severe reaction and be followed by months of doldrums, but we think Phase 3, in which foolish people begin to buy stocks away from not-so-foolish people at skyrocketing prices, is still well ahead of us.

Fred'k Grimshaw With G. H. Walker & Co.

G. H. Walker & Co., 1 Wall Street, New York City, members New York Stock Exchange, announce that Frederick M. Grimshaw is now associated with them as manager of their municipal bond department. Mr. Grimshaw for many years was with Barr Bros. & Co.

R. Emmet Byrne Now With Morfeld, Moss

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—R. Emmet Byrne has become associated with Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange. Mr. Byrne was formerly manager of the trading department of Dempsey-Tegeler & Co. and prior thereto was a partner in Edward D. Jones & Co.

Kuhn, Loeb & A. C. Allyn Offer Bonds of Utility

Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc., are offering to the public $13,000,000 Gulf States Utilities Co. first mortgage bonds, 2¾% series due 1980. The bonds are priced at 101.02%, plus accrued interest to yield 2.70% to maturity. The issue was awarded the bankers, bidding alone, at competitive sale June 5 on their bid of 100.741%.

Proceeds from the financing will be used to finance part of the company's 1950 construction program, pay off unsecured short-term notes, and provide for other corporate purposes.

The company is engaged principally in the business of generating, distributing and selling electricity in southeastern Texas and in south central Louisiana comprising approximately 28,000 square miles. It also sells natural gas and water in parts of the area served by the electric system.

Tellier Offers Stock of Television Equip. Corp.

Tellier & Co., on June 7, publicly offered 1,120,000 shares of common stock of Television Equipment Corp. at 25 cents per share.

Net proceeds from the offering will be added to the working capital of the corporation.

Television Equipment Corp. is engaged in the business of developing, manufacturing and distributing various items of equipment useful in the television, radar and electronic fields. Recently, it entered the high price quality home television set field and has developed and is manufacturing a quality television receiver which, it is anticipated, will be sold to the better type stores throughout the United States. The company's plant is located in New York City.

Name to Be Changed to Henry, Franc & Co.

ST. LOUIS, Mo.—On June 15 the firm name of Waldheim, Platt & Co., 308 North Fourth Street, members of the New York and Midwest Stock Exchanges, will be changed to Henry Franc & Co. On the same date Dennis J. O'Leary and Burtick V. Burtch will be admitted to partnership. Mr. O'Leary has been with the firm for some time as cashier.

Alfred Young Joins J. C. Bradford Co.

J. C. Bradford & Co., members of the New York Stock Exchange, announced that Alfred W. Young has become associated with the firm's New York City office, 40 Wall Street, as a sales representative. For the past ten years Mr. Young has been with the firm of Baker, Weeks & Harden.

J. C. Bradford & Co, whose main office is in Nashville, Tenn., plans increased activity in the distribution of securities and new issues.

Another Special Situation and Neglected Opportunity —Middle West Corporation—

By IRVING ALLEN GREENE
Partner, Greene & Co., New York

I wish to call particular attention to Middle West Corporation which is in liquidation. The stock is traded over-the-counter, also on the New York Curb Exchange, and is selling at approximately $2.80 per share. The liquidation plan, which has just been approved by the Securities and Exchange Commission, will be presented on June 29 to the Federal District Court in Wilmington. Since no opposition is indicated, prompt court approval is expected.

Irving A. Greene

Apparently, the plan will provide for three liquidating distributions as follows:

The initial distribution of $2.50 per share is payable 45 days after the court order is issued.

At the end of 1951, a second liquidating distribution will be made of all of the assets of the company, except those reserved for lost stockholders. This second liquidating distribution can be between 40c and 60c per share, but will probably be in excess of 50c per share.

The residue, or final liquidating distribution, will come five years after the Court signs the order, which would take it into the middle of 1955. This will consist of another 3c per share, in my opinion.

After recovery of the initial $2.50 per share the residual cost will be approximately 30c. Assuming that another distribution is made of 55c at the end of 1951 a gross profit of 25c is realized. This will be a gross return of well over 50% on the residual investment.

Middle West Corp. is one of the many special situations and neglected opportunities to which I have called attention over a period of years.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

British Securities — Discussion of appreciation possibilities — Burnham & Co., 15 Broad Street, New York 5, N. Y.

Catholic Church and Institutional Bonds — Memorandum—Keenan & Clarey, Inc., National Building, Minneapolis 2, Minn.

Chemical Companies — Booklet containing the financial records of 37 companies in the chemical field since 1929 — Issued by F. Eberstadt & Co., Inc., 39 Broadway, New York 6, N. Y., managers and distributors of Chemical Fund, Inc.

Commodity Trend — Weekly bulletins giving trading recommendations accompanied by advice as to exact prices at which stop-loss orders should be placed —Current bulletin on request—Commodity Trend Service, 30 Church Street, New York 7, N. Y.

Department Stores—Analysis of common stocks of **Allied Stores, Gimbel Bros., and Federated Department Stores**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Also available is a circular on **International Harvester Co.**

Legal in Massachusetts — Individual studies of New York City bank stocks now legal for Savings Bank investment in the State of Massachusetts — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New Jersey Municipal Bonds—17th annual edition of statistical handbook—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a circular on **Tri-Continental Corp.**

Oil Situation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Stocks—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

* * *

Aetna Standard Engineering Co.—Circular—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Allied Chemical & Dye Co.—Circular—Carl M. Loeb, Rhoades & Co., 61 Broadway, New York 6, N. Y.

Also available is data on **Doehler-Jarvis Corp.**

Aluminum Company of America—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Anemostat Corp. of America—Analysis—J. May & Co., Inc., 32 Broadway, New York 6, N. Y.

Also available is an analysis of **Cooper Tire & Rubber Co.**

Caterpillar Tractor Company—Bulletin—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Cooper Tire & Rubber Co.—Complete Analysis—Hunter & Co., 52 Broadway, New York 4, N. Y.

Fedders-Quigan Corporation—Memorandum—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Firestone Tire & Rubber—Analysis—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Gulf, Mobile & Ohio Railroad Company — Memorandum—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

General Motors—Memorandum—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

General Time Corp.—Circular—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is data on **Libby, McNeill & Libby.**

Harris Seybold Company—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

International Furniture Company — Memorandum — Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Kelsey-Hayes Wheel Company—Analysis—Lawrence Turnure & Co.-Blyth & Bonner, 50 Broadway, New York 4, N. Y.

Lion Oil Company—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Line Oil Co.—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Long Bell Lumber Co.—Circular—Uhlmann & Latshaw, Board of Trade Building, Kansas City 6, Mo.

Mexican Light & Power Co., Ltd. — Card memorandum — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Northern New England Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a brief review of the Cement Industry.

Shedd Bartush Foods—Circular—Moreland & Co., Penobscot Building, Detroit 26, Mich.

U. S. Thermo Control—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Charles R. Hall With Nathan C. Fay & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Charles R. Hall has become associated with Nathan C. Fay & Co., 208 Middle Street. Mr. Hall was formerly an officer of Carl K. Ross & Co., Inc. with which he had been associated for many years.

G. G. Paul Joins Sidney P. Kahn & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — G. Gibson Paul has become associated with Sidney P. Kahn & Co., 486 California Street, members of the San Francisco Stock Exchange. He was formerly with Schwabacher & Co. and Brush, Slocumb & Co. In the past he was a partner in Wulff, Hansen & Co.

Zlinkoff, Zrike Co.

Zlinkoff, Zrike & Co. will be formed with offices at 36 Wall Street, New York City, as of June 15. Partners in the new firm will be Sergei S. Zlinkoff who will acquire the New York Stock Exchange membership of the late Gregory P. Maloney, and Victor Zrike. Mr. Zrike has been head of V. Zrike Co., Inc.

Charles H. Hatch With Hogan, Price & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Charles H. Hatch has become associated with Hogan, Price & Co., 118 South Beverly Drive. He was formerly with Fox, Castera and Co. and in the past was head of C. H. Hatch & Co.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Fred R. Barger is with Slayton & Company, Inc., St. Louis.

LETTER TO THE EDITOR:

Sees Stock Market in for Major Technical Reaction

Alfred Hecht writes advance in stock market over last year has been discounted, and advises "reap your profits, it may be later than you think."

Editor, Commercial and Financial Chronicle:

When a member of your organization honored me with a visit the other day and invited me to write about my "favorite" stock, I could not help but advise him that your invitation seemed a little late. I wish you had asked me to write about an individual stock just a year ago. Now it looks to me like going to a ball just before the orchestra stops playing.

Alfred Hecht

About a year ago I wrote clients that real speculative opportunities could be found then. Anybody who was willing to take a chance, believing that all cyclical conditions are usually naturally overcome, was well rewarded. During the first half of last year, the market was in such a depressed state that one was able to buy securities from which the "water" was squeezed out. Then the best bargains could be found as the growth possibilities were not yet discounted marketwise. The securities which were most neglected bore the seed in themselves to become prime favorites later.

Up to now our government needled business through the veterans' bonus, a very necessary rearmament program and many other measures. Our present wave of prosperity is to a great extent built on this and on consumers' credit. While the proportions are not too alarming yet, this kind of prosperity seems to fit in very well with the present national policy of credit expansion.

This fall we shall have elections again and President Truman does not seem to think that his Fair Deal policies have the approval of the majority of the American voters. The outcome of the Florida primaries showed this to him and, therefore, he stumped the country making prosperity speeches. Maybe we shall have a swing here, like in England, toward the conservative side. A balanced budget would be the best thing that could happen to the taxpayer, small and large alike. The consequences for the market would be a period of readjustment, while the doctor has stopped giving the patient the needle continuously and is trying to cure him from a chronic state of delirium. This does not mean that we shall enter a period of depression, but some people may be dropped from padded Federal payrolls and subsidized enterprises. When they are absorbed again in sound private enterprises, their dollar wages might buy much more than they do today.

After an uninterrupted advance of about a year's duration, the market seems to be entitled to a major technical reaction which, when it comes, might be steep and quick. Many signs point toward it. People who would not buy securities a year ago, when they were at the bargain counter, will not sell them today. Continued, seemingly never ending inflationary forces influence the public to put them away. Also ever so many new common stock buyers are entering the market now, a phase which usually precedes major technical setbacks. If this reaction should happen a rebound should occur till about election time, as the market usually makes double bottoms and double tops.

To summarize my ideas, I would like to say: "Reap your profits it may be later than you think!"

ALFRED HECHT

Hecht & Co.,
Members, New York Stock Exchange,
June 2, 1950.

N. D. Biddison to Admit

Harry Lenart, member of the New York Stock Exchange, and Charles J. Stava, who will acquire the Exchange membership of the late Ned D. Biddison, will be admitted to partnership in N. D. Biddison & Co., 115 Broadway, New York City, as of June 15. On the same date Helen N. Biddison, general partner, will become a limited partner in the firm.

Ernest MacLean Joins Fairman Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ernest C. MacLean has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Cantor, Fitzgerald & Co. and prior thereto was with Walston, Hoffman & Goodwin and Sutro & Co.

With Russell, Long

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — Earl J. Carson has become connected with Russell, Long & Burkholder, 257 West Short Street.

Atlantic Coast Line RR. Exch. Offer Extended

Under the Atlantic Coast Line RR. Co.'s offer providing for the exchange of its first consolidated mortgage 4% bonds, due July 1, 1952 for new general mortgage 4% bonds, series A, due March 1, 1980 (bearing interest at the rate of 4½% per annum from March 1, 1950 to Sept. 1, 1952), assents had been received as of June 2 1950 from over 800 bondholders with aggregate holdings in excess of $21,900,000 principal amount of bonds due 1952, it was announced on June 2 by C. McD. Davis President.

The offer will remain open at least until the close of business on June 21, 1950, but may be terminated on that date or at any time thereafter.

The new general mortgage series A bonds were ready for delivery beginning June 7, 1950.

Three Join Staff of Walston, Hoffman Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Leslie J. Bohrer, Verlin W. Pierson, and Timothy Wood, Jr. have become associated with Walston, Hoffman & Goodwin, members of the New York Stock Exchange. Mr. Bohrer was formerly with Merrill Lynch, Pierce, Fenner & Beane; Mr. Pierson was with E. M. Adams & Co.; and Mr. Wood for many years with Dean Witter & Co. in Portland and California.

With Gottron, Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio.—John M. Gorman is with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange. He was previously with Bache & Co.

Puerto Rico Government And Municipal Financing

By RAFAEL BUSCAGLIA*
President, Government Development Bank, Puerto Rico

Executive of Puerto Rico's leading fiscal agency, after describing recent economic improvement in Puerto Rico, explains work of his institution as Fiscal Agent of Insular Government, and the methods and procedures in financing municipalities. Points out Puerto Rico municipalities are supervised and controlled by much the same methods as in continental U. S.

Puerto Rico is a part of the United States. The paramount Law of the Land is an Act of Congress of the United States entitled "The Organic Act of Puerto Rico." This act is in fact our State Constitution. It creates our system of government with a political status almost identical to that of a State of the Union and incorporated therein is the basis of the United States Citizenship of the People of Puerto Rico, who enjoy all of the political and economic advantages connected with such status.


Rafael Buscaglia

San Juan, Puerto Rico can be reached from New York City in six hours' flight time, and from Miami in four hours, with 10 flights a day direct from New York and four from Miami. In addition to air transportation, four carriers with regular schedules provide ocean transportation between Puerto Rico and the Mainland, and regular steamship service is maintained by eight other lines serving major points in Canada, South America, and Europe.

Puerto Rico as Market for U. S. Goods

It should prove interesting to you to know that Puerto Rico, although small in size, is a major market for manufactured goods and agricultural products of the Mainland. It absorbs such products from the Continental United State at a rate approximating one million dollars per day. The trade between Puerto Rico and the Mainland has risen during the last 15 years from about $140 million to $520 million annually and Puerto Rico has become the largest per capita consumer of exported American goods in the world.

The economic outlook for Puerto Rico has shown progressive improvement over the years which is rather dramatically demonstrated by the expansion of annual of net income of Puerto Rico from $227.8 million during the fiscal year 1939-40, to an estimated $652.6 million for the fiscal year 1948-49. This represents an increase of approximately 186% during that nine-year period.

Agriculture continues to be a major factor in the Puerto Rican economy. But, in the last 10 to 15 years, industrial growth has shown that in the near future Puerto Rico will have a more solid diversified economy. The increased importance of industry is due in a large measure to the highly successful program being sponsored and financed by the Insular Government through the Government Development Bank for Puerto Rico and the Puerto Rico Industrial Development Company, which promote the establishment of diversified light industry and manufacture in new lines of endeavor as well as the expansion of well established lines, all of which is aiding the diversification of Puerto Rican economy. It is both interesting and encouraging to note that since the beginning of this program the acceleration of industrial expansion through private initiative, without direct government assistance, has expanded very substantially.

Puerto Rico, U. S. A. has consistently been an ever increasing market for mainland products and vice versa. And Puerto Rico has been feeling with increasing force the benefits available to it through the substantial money markets existent in the Continental United States.

The Government Development Bank for Puerto Rico

It is important that you know something about the Government Development Bank, Fiscal Agents of the Government of Puerto Rico, its municipalities and authorities, before going behind the scenes to compare the fiscal procedure of our government with those of other States with which you are familiar.

The Government Development Bank for Puerto Rico, established by an Act of the Legislature of Puerto Rico in 1942, has acted since its inception as the Fiscal Agent for the Treasurer of Puerto Rico. This function was formalized and amplified by an Act of the Legislature in 1945 which has made it even more practicable to funnel all financing by the government of Puerto Rico, its 76 municipalities and all of its authorities and agencies through the Government Development Bank. This law was incorporated into the Charter of the Bank in 1948. I will not on this occasion discuss other aspects of this bank not relative to its fiscal agency activities.

You have had more than one opportunity to view the unfortunate market influence on issues due either to poor timing, or to the competitive effect of one issue on another from the same immediate area, or due to malprocedure in general.

The Government Development Bank as Fiscal Agents serves a dual purpose for the Insular Government since all finance procedure is studied and handled by this sole instrument of the government and resulting issues marketed through it. This affords the best possible protection from two standpoints; first, in location and establishment of market and of market procedure and secondly through the setting-up of prospective issues on a basis that will aid in the portection of the public credit which has always been the major objective of the government of Puerto Rico and its instrumentalities.

Through this Fiscal Agent the Island of Puerto Rico has accomplished the following major projects:

$25 million in Insular Financing; about $10 million in financing and refinancing of the 76 municipalities in Puerto Rico; over $140 million in revenue financing and refinancing through a combination of revenue bonds and notes, which encompass the Puerto Rico Water Resources Authority, the Puerto Rico Aqueduct and Sewer Authority and the Land Authority of Puerto Rico.

I would not like to attempt an estimate at this time of the savings afforded Puerto Rico by the retirement of insular and municipal debt through an open market purchase policy established some seven years ago when interest rates for bonds of Puerto Rican emission were at relatively higher levels.

The refunding of municipal securities through the Government Development Bank in cooperation with the Treasurer of Puerto Rico has secured a saving in excess of $2,000,000 to the 76 municipalities which will reflect to their benefit over a period of years.

Prior to the establishment of the Bank, the price level at which Insular and municipal financing were being accomplished, did not recognize the unexcelled credit history of the Island which has maintained a non-default, non-delinquency record going back into history for more than two centuries.

There can be no question but that the Bank may look back with pride on the part it has played as an instrument of the government in bringing about new lower interest cost levels for Puerto Rican financing. Each year has brought broader markets at comparatively lower rates, which means that we have established at least the beginning of what we hope will eventually be full market recognition of the true value of securities of Puerto Rican emission.

Financing of the Insular Government

Except from the standpoint of the intervention of the Government Development Bank of Puerto Rico as Fiscal Agent of the Government of Puerto Rico in the marketing of Insular Government securities and its intervention as Advisor to the Governor of Puerto Rico and Treasurer of Puerto Rico, fiscal procedure relative to debt issuance by the People of Puerto Rico is comparable to that existent in most of the 48 States. One factor in debt servicing, however, is not comparable to all of those States since, by an Act of Congress of the United States, debt service of Insular Government obligations is a first charge on the total annual resources of the Insular Government.

Financing of Municipal Governments

As regards municipal issues the picture is very different to existing procedures in your respective communities.

All States in the Union restrict to a limited degree, the financial autonomy of their municipalities and other political sub-divisions with relation to the issuance of debt, and yet none of these apply the fundamentally sound and proven principles established in Puerto Rico and consistently improved upon. Regulations and procedure governing the issuance of municipal bonds in Puerto Rico include the normal legislative restrictions relative to debt and tax limitations, and requirements for the meeting of municipal assemblies for the purpose of proposing debt incurment. Once we have proceeded beyond these three points similarity in regulations and procedure ceases to exist.

A municipality, through its municipal assembly, proposes by ordinance the emission of municipal debt, incorporating therein the purposes for which such funds are to be expended. This ordinance is then sent to the Executive Secretary, Treasurer, Auditor, Commissioner of Interior, Commissioner of Agriculture and Commerce, Commissioner of La-

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*An address by President Buscaglia at Luncheon Meeting of the Municipal Forum of New York, New York City, June 5, 1950.

Impact on United States Of International Situation

By DR. MAX WINKLER*
Partner, Bernard, Winkler & Co.
Members, New York Stock Exchange

Dr. Winkler recounts our experience in lending financial aid to Europe following World War I, and contends current postwar conditions are more complex and more aggravated than they were after 1914-1918 holocaust. Says ECA aids in maintaining level of U. S. business and profits, but foresees only slight setback when aid ends. Doubts Point IV program can be implemented under present world conditions, and calls for more concentration on peace.

Economic conditions in most of the so-called Western World have shown material improvement since the cessation of hostilities. Rehabilitation and reconstruction of war damaged areas have progressed satisfactorily, due largely to the generous aid extended by the United States. The improvement is the more remarkable, because it has taken place in spite—or shall one say, because of a marked deterioration in the political realm.


Dr. Max Winkler

If financial assistance rendered so generously by the United States derived primarily from a desire on the part of the donor to restore world economy, to revive foreign trade, to develop backward areas, to raise the standard of living, to combat illiteracy, and to improve sanitary conditions throughout the world, the efforts would have to be accepted as most commendable.

And what is of even greater significance, the results of such program would have to be regarded as most constructive and far-reaching. The expenditure thus incurred would go into revenue producing channels, and the recipients would be enabled to develop an economy which would make it possible for them to demand and employ and pay for goods and services, after the gifts and grants should stop.

On the other hand, if the donations or what some euphemistically designate as loans, are made for political or strategic, rather than economic reasons, the economy in the country of the lender as well as in that of the recipient, will reflect such gifts, but will recede as soon as these will cease.

World War I Experiences

Those who are familiar with the economic history of the past generation are in a position to bear out the accuracy of this view. Following World War I, the damage resulting from the war had to be made good and working capital which was destroyed in whole or in part during the conflict, had to be replenished. Since it was generally felt that failure to do these things would result in permanent chaos in the realm of world economics and finance, the so-called capitalistic countries found it desirable, nay necessary, to go to the aid of countries in need of funds.

Because investors had lost heavily through the purchase, immediately after the war, of foreign currency bonds, the losses through the purchase of German marks and mark bonds alone, sustained by American investors being placed at $2½ billion, it was doubtful whether foreign lending through private channels could be undertaken successfully on a large scale.

Two important obstacles had to be overcome: Losses incident on currency depreciation and fear of a new catastrophe. The underwriters of foreign issues found the remedy. New loan contracts would stipulate that payments should be made in gold, that is, in dollars of a certain weight and fineness. In this way, the investor in a foreign security would be protected in the event of currency devaluation or deterioration. Loan contracts further stipulated that bonds would be serviced in time of peace as well as in times of war, irrespective of the nationality of the owners.

The investing public felt confident that the above provisions would afford them maximum protection. The investor was prepared to, and actually did respond cordially, to new offerings of foreign loans. These were underwritten on behalf of foreign nations, political sub-divisions and corporations on an ever-increasing scale. The profit to the underwriter was large and the return to the investor was liberal. Those who questioned the safety of the investment in the light of the very high yield, were told that the latter was designed to offset the risk incident on the purchase of the security in question.

Accompanying America's flow of credits abroad was a rising level of business activity. Employment increased. Unemployment declined. Corporate profits advanced. Dividends were raised. All this found reflection in higher prices for securities and commodities.

What the Scotch philosopher-economist, David Hume had said about the connection between foreign loans and domestic prosperity was being proved. Hume was doubtless right when he maintained, in substance, that whenever the wealth of a nation increases faster than that of its neighbors, the trend of profits at home is distinctly downward, and that the only way effectively to arrest the downward trend, is to export capital to foreign lands.

In order to achieve their objectives, i. e. to increase domestic prosperity, foreign loans must be of a constructive and revenue-producing character. Otherwise, the flow of credits abroad will be accompanied by domestic prosperity, but its cessation will bring about a serious setback at home.

It is regrettable that much of the lending during the Twenties was of a non-productive character. It is useless to speculate as to who is to blame: the banker, the borrower or perhaps the investor himself who refused to heed all warnings in respect of the risks he was assuming. New loans were contracted and sold, frequently to repay old loans which, because of their non-productive nature, could not be met or serviced out of the borrower's own economy. One recalls the statement by a Continental cynic

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*Address by Dr. Winkler before the Third Canadian Forum on Mutual Funds, sponsored by Investment Distributors, Ltd., Montreal, Canada, May 30, 1950.

Walston Hoffman Open New Seattle Office

SEATTLE, Wash. — Walston, Hoffman & Goodwin, members of the New York Stock Exchange, opened their new boardroom and brokerage office in the Washington Athletic Club Building at 515 Union Street, June 5.

The new quarters provide investors of Seattle with the most modern investment and brokerage facilities available in the United States. The Seattle office is equipped with a modern full-view quotation board including virtually every major corporation whose stocks are actively traded on the New York Stock Exchange; a direct private wire to the New York and San Francisco offices of the firm; a Translux ticker, a Dow-Jones news ticker and complete statistical and research facilities.

Participating in the dedication ceremonies held on Monday and Tuesday, were members of the firm who flew to Seattle from San Francisco, Oakland, Los Angeles, Modesto and Portland offices. Among the partners present were Managing Partner V. C. Walston, Claire Goodwin and Hubert J. Soher. William Fleming, Office Manager of Southern California; Timothy Wood, Jr., Manager of the new Portland office; M. D. Harmon, Manager of the Modesto office; Patrick D. Kavanaugh and Ben Cecchini, executives of the San Francisco office, also attended.

Walston, Hoffman & Goodwin acquired the business of the long-established firm of Hartley Rogers & Co. in March, 1950 and have been operating from their offices in the interim. Walston now has 29 offices located throughout the United States from coast to coast. They are members of most leading stock and commodity exchanges and are recognized as one of the largest firms in America.

Heading the Seattle office is Jack E. Jones, Resident Manager, who was formerly President of Hartley Rogers & Co. Other prominent members of the firm include Girton R. Viereck, Martin V. O'Donnell, Theron Hawkes, Edward Hartley, Ray Moore, Edward Gutherless, John Grover, Alan Ewing, John Rose and John Reed. Miss Mina Becker is Cashier.

Commenting on the firm's expansion program, Mr. Jones said: "Walston, Hoffman & Goodwin believe that Seattle, with its Columbia River Valley hinterland, where billions of dollars are being expended in development work; the Orient with its trade potentialities; Alaska with its undeveloped resources; and the State of Washington with its forward looking and progressive citizens, holds the greatest opportunity for business, industry and labor in the entire Continental United States."

Government Price Fixing

By ROGER W. BABSON

Commenting on heavy purchase and storage of butter by government under the price support program, Mr. Babson contends butter surpluses arise from high prices. Contends not only government butter price fixing, but whole phoney system of support prices is rancid.

Can anyone tell me, why, in the name of common sense, our government bought and stored away 114,000,000 pounds of butter last year at a cost to you and me of better than $78,000,000?

Roger W. Babson

The cry has gone up from farmers across the land that people's eating habits are changing. They say folks aren't eating as much butter as they used to. Obviously not — they can't afford to! But why not? Because the economic medicine men in Washington have pushed the price so high that substitutes have to be bought. The family physician may tell you that vitamin-reinforced margarine is just as nutritious as butter, but abolish your phoney controls on price and you will see which spread the people really prefer? They prefer good creamery butter.

Last year, for example, we spead only 1½ billion pounds of butter as against 2¼ billion pounds prewar. But still the farmers cry in their churns over the sharp increases in margarine sales —from 300 million pounds prewar to nearly 1,000 million pounds last year. Yet they let the Department of Agriculture continue turning their churns! If the boys in the Agriculture Department keep on, they will churn butter producers right out of business. And I say this as a boy brought up on a dairy farm who has both milked cows and delivered milk.

We Want Golden Butter

But this isn't the end of the sad tale. People cannot afford to pay current high prices for butter. Hence, consumption falls off. The government buys mountains of the stuff to maintain high prices. So the dairy farmers go merrily on churning out more and more spread for no one to buy; but for Uncle Sam to store away, and for you and me to pay for the privilege of not using.

What's the government going to do with all the golden butter bricks? Who knows? Recently they have been trying to give them to relief agencies, schools, and so forth. But takers are few because they haven't the kind of money it takes to pay transportation charges, especially when a good substitute answers the purpose. Anyway, who wants rancid butter? To my way of thinking, not only the butter, but the whole phoney system is rancid.

Action and Reaction

This is but one illustration of the system of false economics in vogue in this country today. You just can't tamper for long with the law of supply and demand before it will boomerang. Newton's law of action and reaction also applies here as aptly today as two hundred years ago. Ostrich economics (the head in the sand variety) is due for a terribly rude awakening some day.

Yet, our President is urging other spending programs like the butter program that could run up a debt of nearly $15,000,000,000 in three years. Projects requiring huge outlays of public money—when business is at near peak performance—will lead some day to economic disaster. If we must prime the pump in this fashion in good times, what can the soothsayers possibly have in store for us in hard times? The awful consequences of this kind of reckless spending ought to be taught by all high school teachers to their classes. The harsh object lessons of Great Brtain offer excellent source material.

Unemployment Is Rising

Unemployment is currently and steadily rising. Even Leon Keyserling suggests we may have as many as 12,000,000 jobless by 1954. I wonder if Mr. Keyserling sees the connection between a mountain of butter and the mounting unemployed. As long as business is stifled by an increasing tax burden to hold up prices there just isn't venture capital sufficient to create and expand business.

Capital Reserve Corp. Is Being Formed

WASHINGTON, D. C.—Capital Reserve Corporation is being formed with offices at 1346 Connecticut Avenue to engage in a securities business. Officers are Charles R. Connolly, President; Joseph R. Donaldson and George S. Elmore, Vice-Presidents; and Edward R. Terry, Secretary-Treasurer. Mr. Connolly was formerly head of Charles R. Connolly Co. and prior thereto was with A. W. Benkert & Co. of New York City. Mr. Donaldson was a director of Plough & Co., Inc. and prior thereto was associated with Weil & Arnold.

Frank Fetters Joins F. S. Yantis & Co.

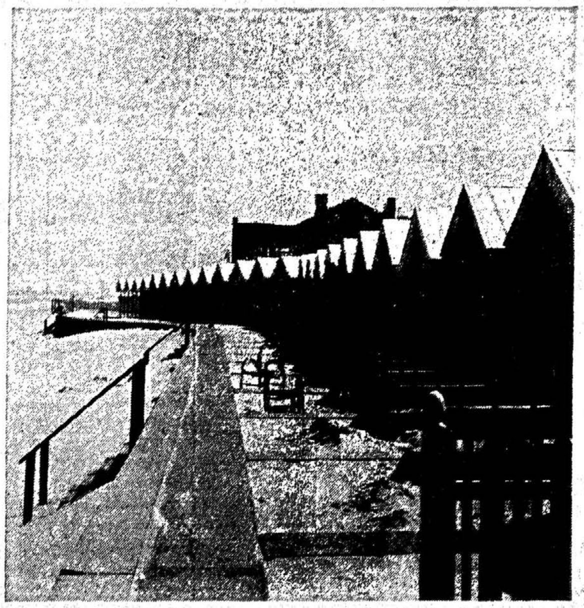
CHICAGO, Ill. — Frank Fetters has become associated with F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Fetters will be the special representative for E. W. Axe & Co. in the dealer distribution of the Axe-Houghton Funds in the Chicago area.

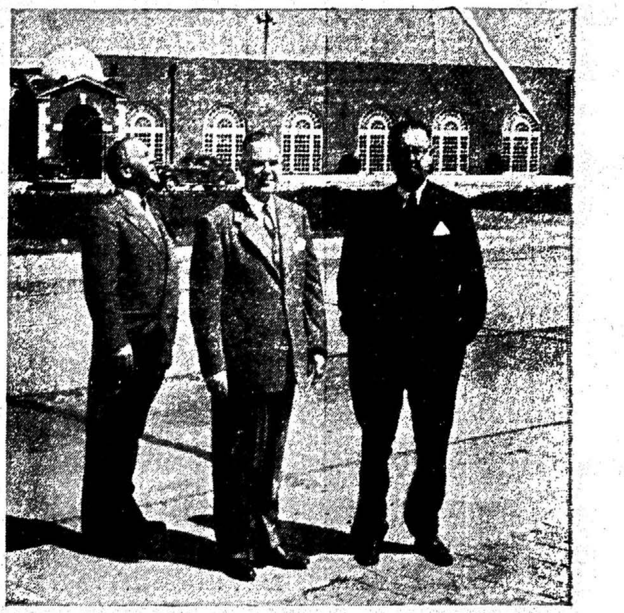
Joins Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Rudolph Wihl has become associated with Shields & Company, 510 West Sixth Street. He was formerly with Dean Witter & Co. and E. F. Hutton & Company.

NSTA Committee Visits Virginia Beach





Planning for the 17th Annual NSTA Convention has been under way since last January under the direction of Edward H. Welch of Sincere & Co., in Chicago, assisted by Herbert H. Blizzard of Herbert H. Blizzard & Co., in Philadelphia. It was not until mid-April that the leaders of the Convention Committee together with NSTA President H. Frank Burkholder of Nashville, Tenn., and Secretary Morton A. Cayne of Cleveland, visited Virginia Beach and completed many plans while inspecting the facilities of The Cavalier Hotel which will be Convention headquarters.

Aside from the Hotel and its beautiful grounds, the Committee visited the Beach Club, with its cabanas and the Cavalier Yacht and Country Club where the NSTA Calcutta golf tournament will be conducted.

Again a special train will be operated starting in Chicago and stopping for a day in Washington, enroute to Virginia Beach. Side trips are also a part of the program and a day will be spent in visiting Williamsburg, Virginia.

Members are urged to start planning now to attend what promises to be the largest attended NSTA Convention on record. Applications for convention registration and hotel space will be sent to all members on July 10th.

Current Construction

By JOHN L. HAYNES*

Chief, Construction Division, U. S. Department of Commerce

Predicting building will keep its present pace throughout 1950, Commerce Department specialist ascribes present high level to home building. Points out other construction is below normal, and total construction is about equal to prewar level. Sees no likelihood building costs will decline in near future.

It seems that my task calls for a few very brief remarks on three subjects: (1) What's the relative size of our present construction boom—or is it a boom; (2) Where do some of the economic indicators relating to construction point, and (3) How serious is the material appearing in the May issue of the "National Savings and Loan League Journal" on the "Future Demand for Housing."

John L. Haynes

Point No. 1

An unusually mild winter in most sections of the country is in part responsible for the high level of construction activity during the first four months of this year which amounted to a little over $6 billion, a rate 20% higher than last year. On a seasonally adjusted basis we have a construction volume which is going at the rate of almost $22 billion a year, certainly the highest on record. In addition to this there is, of course, several more billion of maintenance and repair work.

Home building dominated construction activity throughout the winter; some other types of construction yielded a bit to the weather but housing didn't. Private and public housing, data among the latter being proportionately small at present, together accounted for around 45% of all new construction put in place during the first few months of this year. Some 400,000 new dwellings were started during the first four months and this figure, by the way, does not include farm houses. The 110,000 houses started in March exceeded all previous records, but the record didn't stand very long, it was beaten in April with 126,000 starts.

According to the F. W. Dodge Corporation, contracts awarded in the 37 Eastern States set another major building record. During the first four months of this year contracts were let at the rate of about 60% greater than in the corresponding period last year.

Costs — Average construction costs with some fluctuation continued to inch upward during the first months of this year. Our composite index stands at a little over double the prewar level. Wholesale prices of building materials also increased and have been on the increase, gradual though steady, for about five months.

Boom?—While it would be hard to deny that construction is booming, certainly housing has been to a much greater extent than commercial and industrial construction; but if we compare construction expenditures to all other expenditures maybe we don't have a boom. Over a long period of years 10 cents of every dollar that the wife spends when she goes downtown somehow finds its way into the construction of department stores, street car tracks, housing or some other form of building. In the years immediately following the war only five cents of every dollar spent resulted in building of some kind, but now the ratio is back to 10% again. So maybe we can say that insofar as construction in general is concerned this is not a boom but just a "normal" good year — and I think that's enough statistics on the dimensions of construction.

Point 2

Let me read 10 lines—on some of the economic indicators affecting home building:

Personal incomes are rising, even when G. I. life insurance refunds are excluded.

Nonagricultural personal income in the first quarter of 1950 exceeded even its previous peak in the final quarter of 1948—farm income was somewhat lower.

The general outlook for profits is better than at any time last year — though profits in home building may be squeezed a bit.

Unemployment has declined significantly. There were a million more people at work in April than in March.

Payrolls moved upward during first quarter of this year from the fourth quarter of 1949.

Personal consumption expenditures in the first quarter were at a rate higher than at any time in 1948.

New orders on the books of manufacturers established a new postwar peak in March.

Steel production currently is above 100% of theoretical capacity. At the end of April shortages of steel are beginning to appear.

Retail trade, seasonally adjusted, during the first quarter was 4% ahead of the closing quarter of last year. Sales of housefurnishings were especially strong.

Point 3

The editors of your Journal are, in my opinion, to be complimented—among other reasons, for including in the May issue an article on "The Relationship of Family Formation to the Demand for Residential Building." I say this not because the article originated in the Commerce Department but because this analysis forecasts the need for action if our present rate of home building is to be maintained. While to the economist the article is interesting reading I might take two or three minutes to summarize it for those who may have found the statistical process heavy going.

Those Census figures called vital statistics are among our best statistics. May I say here that while vital statistics, particularly those relating to family formation, provide an excellent, rough measure of the demand for housing in the near future I realize that they—that is vital statistics—are not the only things that sell houses.

Recently households were being formed at the rate of 1,400,000 per year. This much greater than normal increase in households resulted principally from three causes:

(a) the more than normal increase in number of married couples, reflecting the very high postwar marriage rate.

(b) the undoubling of married couples previously living as subfamilies in other households, and

(c) the setting up of additional households by single persons, or two or more unrelated persons.

Contrast the figure which I just mentioned of 1,400,000 with the average of only 600,000 households created from '40 to '47. In no small part the recent high family formation was due to the marriage rate being almost twice the normal rate. Although still above normal the marriage rate has been declining since 1946.

Long-range projections by the Census Bureau forecast that the rate of new family formation will drop to about 440,000 per year in the five years from 1950 to '55 and to 390,000 per year in the following five years.

Your immediate reaction must be to dispute the figures. If we had family formation of about 600,000 during the war with several million men overseas part of this time why is it going to be so low in the coming decade?

A simplified answer is that there will not be as many young people around, because:

(1) the low birthrate in the depression years causes us to have in the near future a low population of marriageable folks.

(2) this low population of prospects for houses has been reduced still further by the very high marriage rate following the war—these marriages using up in advance, if you don't mind the expression, the inventory of eligible girls and bachelors.

Without going through the detailed statistical processes tonight as to the effect of demolitions, immigration, the fact that 30,000 farm boys move to the city per year, and the many other factors, I will merely say that reasonable computations lead to the conclusion that family formation beginning about 1952 will be at a level only half our present home building rate.

What may result from tomorrow's easy financing—the lure of the new house with an efficiency kitchen — better roads and cars, which extend suburban living, and a host of other factors will to some extent, perhaps to a considerable extent, offset the fact of low family formation in the future.

*An address by Mr. Haynes before the Annual Convention of the National Savings and Loan League, Chicago, Ill., June 1, 1950.

NSTA Notes

AD LIBBING

Herbert H. Blizzard of Herbert H. Blizzard & Co., Philadelphia, Pa., is a member of the N.S.T.A. Advertising Committee as Chairman of our Philadelphia Affiliate.

Herb has had all the honors bestowed upon him by both the Investment Traders Association of Philadelphia and the National Security Traders. He is a past President of these organizations and is a most active member. He has attended all of our national conventions and participates most sincerely in all discussions. His advice and counsel are always sought at national committee meetings.

Herbert H. Blizzard

About 10 years ago when President of N.S.T.A. he was most cooperative with the advertising committee and now his experience and popularity should place our Quaker City affiliate up with the first three in revenue producing contracts for the 1950 Yearbook or supplement of "The Commercial and Financial Chronicle."

HAROLD B. SMITH, Chairman
N.S.T.A. Advertising Committee
Pershing & Co., 120 Broadway, New York City

Pink Promises for Pale People

By DONALD R. RICHBERG*

Former New Deal Federal official, justifying early New Deal policies as need for quick-acting, although dangerous remedies, finds in it today a transformation from constitutional republican form of government into national paternalism. Admits New Deal educated many people to unhappy dependence upon government, and asserts many self-reliant individuals exchange their liberties for political pledges that are "pink promises for pale people." Attacks FEPC and socialized medicine proposals.

Carlyle expressed sorrow more than a century ago that there was no Morrison's Pill for curing the maladies of society. But since that time there have been great advances in both medical and political science. Lydia Pinkham, Smith Brothers and Father John have led a glittering parade of the healers of sick human beings, preparing the way for those healers of a sick society: Uncle Joe, Aunty Attlee, Paul Robeson and Oscar Ewing, who have been quietly perfecting panaceas for all social and economic diseases.

Donald R. Richberg

Pink pills and pink promises for pale people are similar compounds, both sugar coated. A popular medicine either to improve liver conditions, or living conditions, must be easy to swallow and offer quick relief from distress without the annoyance of discipline, diet and hard work that might lead to a permanent cure. In brief, it should be an attractive, habit-forming dope.

You may think that, although perhaps qualified to talk about political doping I know little about medical doping. But, as a patient guinea pig who has been on the receiving end of medical dope for 60 odd years, I think that I have a fair understanding of why millions of guinea pigs keep on going to doctors and millions keep on going directly to drug stores with prescriptions written by sympathetic friends or gifted ad writers.

The remedy offered by a scientific medico or politico often seems more unpleasant than the disease, and many a scared patient is still more scared of the surgeon than of the undertaker. And so miracle pills and magic tonics have been the stock in trade of charlatans in medicine and politics—ever since the original snake assured Adam and Eve that an apple a day would keep the doctor away.

Even before psychotherapy rose from its lowly estate in patent medicine advertising to its present lofty eminence as a metaphysical art of healing, physicians and politicians had a common understanding of the need to inspire their followers with more confidence in their remedies than they themselves felt. They had also a common understanding of the need to provide quick relief from pain and worry. Such relief, even although temporary and not curative, should arouse faith, hope and a charitable acceptance of the superior wisdom of the medicine man.

A National Paternalism

Perhaps this explains the toleration with which many disciples of Hippocrates have watched the rapid transformation in recent years of our constitutional republican form of government into a national paternalism. They probably recognized, in the early days of the New Deal, the need for quick acting, although dangerous, remedies.

They saw millions of workers unemployed and fear-ridden. They saw millions of farmers in desperate need, millions of home owners facing the loss of their homes. They saw great banks closing and huge enterprises going down. Our whole economic structure was apparently disintegrating. It was no time for political doctors to advise an austere economical diet, self-discipline and plenty of rest, fresh air and sunshine. These people needed a shot in the arm, not a kick in the pants, nor a lecture on mental hygiene.

The universal cry was: "Why doesn't the government **do** something?" That cry is like a fire alarm to a good politician. He slides joyfully down the brass pole and soon, as a helmeted hero, he is smashing your windows, cutting holes in your floors and pouring tons of water over your household treasures, with a ruthless determinatoin to save the community from destruction by fire—even though you may be drowned or bankrupted by the process of salvation.

As a surviving veteran of the rescue brigade of 1933 I can assure you that the dominant aim of the original New Deal was to save a free economy and a free government from destruction. It was a rush of red-helmeted firemen to stop the spread of revolutionary flames. There were not red-shirted conspirators trying to kindle new fires, although it must be confessed that every now and then someone made the mistake of pouring gasoline on red hot coals.

You may find it difficult today to believe that these follies were not officially approved, particularly in view of the programs which are now being advanced and described as mere extensions of the New Deal design. It is also now evident that the New Deal educated many people to an unhappy dependence upon government, that it granted special privileges in payment for votes, and that it helped prepare the way for selling what the socialists call "security" to a host of timid people who have lost confidence in their ability to support themselves in the competitive struggles of a complex civilization. Thus millions were educated to sacrifice the individual liberties of a self-reliant people in exchange for political pledges which can never be redeemed—pledges, not of freedom to **do** things, which a government can guarantee, but of freedom **from** fear and want, which no government can guarantee — pink promises for pale people.

But how could the American people and their government avoid being influenced by the apparent "wave of the future" which was carrying all the little crafts of private enterprise off the stormy seas into the "security" harbors of paternal, big government? Look back and recall that Mussolini had created a Fascist socialism in Italy; Hitler was coming to power, bringing a Nazi socialism to Germany; Stalin was toughening a communist socialism in Russia. In the Far East Japan was moving forward in the imperial design of dominating Asia.

There was a mood of defeatism in depressed America that could welcome—that almost demanded —a dictatorial President—a mood in which Congress passed law after law giving vast, unprecedented powers to the President. I would be the last to claim that all such powers were wisely granted or wisely used. But I will assert that, in the high command of the national government, there was no one of commanding influence who, before the Second World War, had any design or desire to transform our republican form of government into a national socialism in the pattern of either Fascism or Communism or any other variety of a paternalistic state.

Finding No Cure for Economic Ills

And yet, unfortunately, in the years from 1933 to 1940, our government moved from one expedient remedy to another, always seeking and never finding a lasting cure for economic ills, and always under pressure to give several million patients a quick relief from pains and worries that seemed intolerable—relief for the unemployed, for struggling farmers, for worried home owners, for depressed business men. Even those who clamored for less government and more economy usually accepted the need for more government controls and more government spending than were good for them. Like the millions who voted for prohibition and patronized bootleggers, they advocated paternal discipline for others and sought lawlessly to retain individual liberty for themselves.

Then came the Second World War, moving nearer and nearer to our shore until it finally broke upon us with the fury of a hurricane. It is interesting here to recall that President Roosevelt himself then observed that Doctor New Deal had now become Doctor Win-the-War. But, Doctor Win-the-War had not become a socialist. The government did not even take over the railroads as in the First World War. The government summoned all the energies of a free people, cherishing as much of a free economy as could be maintained, tolerating exasperating obstructions and exactions by organized free labor, safeguarding the properties and the futures of farmers and business men, and dealing patiently with all the harassments of a self-governing people and the inefficiencies of a democratic government.

And so the war was won by a free people who proved again that there are reservoirs of strength available to the leaders of a free people that cannot be equalled by all the dammed up resources of an efficient tyranny.

The victorious end of the war should have imposed a command upon farsighted politicians to restore promptly to the people their powers of self-government and their obligations of self-support. In America, at least, there was no such superhuman task of reconstruction as drove millions of confused, impoverished people in Europe to seek in new tyrannies a power great enough to establish a new order—a radically new order in which those who had suffered more in the war would suffer less in the hardships of reconstruction and reap more of the hoped for gains of future cooperative production.

A Postwar Communist Wave

But the pre-war fascist "wave of the future" had been supplanted by a post-war communist wave that threatened to engulf Europe and Asia and leave America isolated in a largely hostile world. Doctor Win - the - War must now become Doctor Win-the-Peace. The political medicine men, like other medicine men, are profoundly influenced by prevailing currents of opinion. "Social responsibility" became the keynote of political action here as in other lands. The United States, the greatest available reservoir of economic strength in the world, was told that it must accept its "social responsibility" for the welfare of mankind. It must tax and tap its great resources for the rebuilding of Europe. At the same time it must tax and tap those resources to raise the standard of living of all of its own citizens.

Here was a vast project for which there could be only one management—the national government. So we were told that we must socialize industry and agriculture — in order to stop the spread of national socialism. We must level down all inequalities of birth or achievement, whether social, economic or political and eliminate those sinful incentives of private gain which are scorned by all well-trained communists. We must protect the precious liberties of revolutionists to conspire and connive to overthrow the government; and we must curtail the old "selfish" liberties of individuals to pursue happiness in their own way, to serve themselves and to take care of their dependents. We must subordinate these ancient liberties to our new obligations as "servants of the state."

Such is the program that has emerged from the new doctrine of "social responsibility." In England it is called socialism. In Russia it is called communism. In the United States its disciples call it "liberalism" and its opponents recognize it as the "new slavery."

A New Form of Servitude

There is an Article in the Constitution of the United States which provides that neither slavery nor involuntary servitude shall exist within the United States, except as a punishment for crime. As a lawyer I wish I could assure you that servitude to the government is forbidden by that supreme law. But as a lawyer I must tell you that, under a Federal law, a farmer is not now permitted freely to raise grain on his own farm and feed it to his own livestock, without being subject to severe penalties; and **that law** has been sustained by the Supreme Court. In other words, a man can be forbidden to work for himself and to use his own products, without conforming to a law regulating the price of his products and the amount of his production. Such a law may be benevolently administered, but the benevolent treatment of slaves has never justified slavery.

But the new doctrine of social responsibility is used to justify the new slavery; and the psychologists and psychiatrists of the new era have played no small part in persuading bewildered, guillible people that social responsibility enforced by government is the road to human salvation. According to the new gospel of Saint Marx the supreme personal responsibility is to be a faithful servant of political rulers whom we must rely upon to lead us, or to drive us, into the Promised Land. The Kingdom of God will be no longer within us; it will be within the tender keeping of the Masters of the State.

If, as some of my old friends and enemies believe, I ever con-

Continued on page 27

*An address by Mr. Richberg before the Clinical Club of Washington, D. C., May 16, 1950. Mr. Richberg is a member of the law firm of Davies, Richberg, Beebe, Busick and Richardson, Washington, D. C.

Mutual Funds

By ROBERT R. RICH

This week we turn our attention to a speech made by Charles Bacon on June 5 at an insurance convention in New York. Mr. Bacon, who is manager of the Mutual Funds Department of Ira Haupt & Co., discussed, with no toe-treading, the problem of inter-industry competition—namely, between life insurance companies and mutual funds.

Mutual Funds, in the scheme of national economic life, is no longer an obscure oddity, a sales scheme for selling securities. Its growth has been electric. Bidding actively for the attention of labor union treasurers and for the handling of pension plans, the growth of Mutual Funds may even be more phenomenal in the future.

That there should even arise a discussion of inter-industry competition between insurance and mutual funds is indicative of the fact that battle lines are to be drawn or compromises made. The Funds have moved into the ranks of large-scale industries.

Clearly then, on the policy level, the Funds industry needs its leaders and their wisdom for this crucial stage in its growth. With a sensible, far-sighted approach, there will be no excuse or reason for other than sane and intelligent regulation by government. Regulation extant now to correct the well-known and flagrant abuses of the dim past can only be lessened by the honest forthrightness and good practice of the industry itself, in its behavior toward its customers and other industries.

With these few comments in mind, one might read Mr. Bacon's speech. It certainly is not all-inclusive—he ignores the difference in risk factors, for example—nor will it be the last word. However, new courses must be set, and the issues raised in Mr. Bacon's speech are indicative of the growing pains to come.

The essence of Charles Bacon's discussion follows:

Insurance men sell an instrument which can provide for future education, payment of a mortgage, and many other human needs. The greatest function you perform, it appears, is for the protection of those left behind.

Charles E. Bacon

Now Investment Trust shares perform these identical services plus one other which I believe you will agree cannot be accomplished by insurance. This extra service is sort of an "eating of the cake and having it too." For where insurance provides for protection after death, Mutual Funds' objective is to provide protection for you while you are still alive. At the same time, the corpus of the Fund exists for the protection needed by others after we die. The retirement income policy and annuity do this, but not to the same degree. There is quite a difference between investment in these policies and in Mutual Funds.

Friendship

As I have said, it is perfectly natural that Mutual Funds and insurance should go hand in hand without friction other than the healthy competition necessary to all aggressive progress. The insurance salesman should not, of course, belittle or condemn the Mutual Fund program his prospect either has, or is contemplating. He should insist that his prospect's assets in emergency funds, life insurance and investments be balanced, just as we do. The only possible quarrel that I or others in Mutual Funds may have with insurance programs is when they are offered as investment programs. Insurance is not a proper medium for investment any more than Mutual Funds are a proper medium for death protection. We each have our place and we in Mutual Funds have no place in the usurpation of the prerogatives of insurance.

I am thinking of the high-preminum policy. In small amounts, up to $5,000, I believe it is perfectly proper to consider the endowment policy an investment, for the relatively small amount of premium, up to the age 35, could not be employed in an investment to greater advantage. But when one considers larger face values, $10,000, $15,000, or more, and premiums involved, I do not believe there is justification for investing in such a program. I believe the prospect's needs are better filled through an investment program plus insurance protection, than by *investing* in insurance.

Same Interests

We have the same purposes and interests. For instance, where you provide for education, payment of a mortgage, and for other matters, through monthly, quarterly or annual premiums, with insurance protection, we also offer Periodic Payment Plans for these purposes whereby one accumulates shares in one Trust or another. Of course, being a Mutual Funds man, it is very difficult for me to understand why we should not have all of the investment end of such programs and you have all the insurance end. In other words, a hook-up of low-premium life insurance protection with an investment program. Of course, that is not the way it is. The exception comes in the insurance field with that agency devoting its time to estate building programs. Here there is justification for the sale of the larger endowment policy and other high-premium insurance. Here you sell this type of policy for other than death protection since it fits into an estate program for other reasons non-existent with the "middle group" who look for and need only death protection.

Main Difference

The main difference between Insurance and Funds is in method, mechanics and time. To lump together method and mechanics, the difference lies in the investment medium used and in merchandising techniques. The third element, the time increment, is the important difference. An insurance policy should be protection for others while ownership of Mutual Fund shares is protection for you and others. Death Protection—Living Protection.

How do they do it? Both insurance and Mutual Funds do it in about the same way. They both invest their client's money in a portfolio although the securities are of a different nature in an insurance portfolio, so that the client, every time he pays his premium, is investing in securities. The insurance company provides, as does the Mutual Fund, that skilled management of investments which makes it possible for claims to be met.

Now, therefore, what is the great difference between the two? It lies in the period of time at which each becomes most effective. For the insurance policy holder that period of time is his death. He has bought death protection. If he has other policies that give him living protection, they cannot be as great as we furnish in Mutual Funds.

On the other hand, Mutual Funds provide both living and death protection. There is a substantial income to be derived in ratio to what one has put aside for retirement. Likewise, the principal sum may be passed on as a death benefit to heirs and assigns.

The advantage of the insurance policy over Mutual Funds as a protection during life is obvious. If you die during the accumulation period your heirs and assigns will have much more money for much less outgo. However, the Mutual Funds advantage is that if you live, you will have much more real income and principal sum to transfer at death. I think you will agree that both insurance and Mutual Funds have their proper place side by side in estate planning.

* * *

Some Things Need Retelling

George Putnam, of Putnam Fund, mentions in "The Trustees' Review" some of the things about mutual funds which he believes ought to be retold to investors today.

"First, we ought to tell investors —and keep on telling them—that mutual fund investing is *no 'cure-all.'* There never has been and there never will be a riskless investment, for 'do what you will, the capital is at hazard.' In our enthusiasm for the 'mutual fund' way of investing, we are apt, at times, to overstate the case. That's understandable, but let's present mutual funds for what they are—as a sound way to fulfill various investment objectives — as the means of securing professional investment management at a reasonable cost—but *not* as a 'cure-all' or a way to get rich quick.

"Second, we ought to tell investors that mutual funds *differ importantly* as to objectives, policies, and degrees of risk.

"Third, we ought to tell them that they must *expect fluctuations* in the value of their investment; therein is the big difference between the savings deposits and mutual fund shares. There is nothing wrong or unusual in these fluctuations. They are a normal part of all investing.

"Fourth, we ought to emphasize that investors shouldn't put their money in any mutual fund with the idea of 'selling out at a profit tomorrow.' Investors should be encouraged to look at mutual funds as they look at their homes —as something to keep and cherish as long as they meet their requirements and give them satisfaction, regardless of the periodic ups and downs in price.

"Mutual funds are the means whereby two highly desirable objectives may be realized—first, the building of 'trust estates' for large and small investors everywhere, and second, a wider public ownership of American business. There is a bright future ahead for the mutual fund industry as long as *all of us* continue to build soundly and with one thought uppermost in our minds at all times—*service to the investor.*"

Keystone Officer Speaks in Montreal

William C. Cusack, of Keystone Custodian Funds, in the course of a speech delivered at the Third Canadian Forum on Mutual Funds, May 30, in Montreal, entitled "Labor Meets Capital Through Mutual Funds," listed ten points for helping labor through Mutual Funds.

"We, in the mutual fund business, can aid both labor and capital and, by so doing, we can make a vital contribution to the welfare of our country and assist in lessening the effect of Communistic planning on our capitalistic system.


William C. Cusack

"What can we do to help labor? First of all businesswise we should list all the unions and officers that we can find.

"Second, we should knock at their doors, tell them we believe we have a service to render them and ask for a conference.

"Third, we can prepare a financial analysis of their investments because much of this information is public.

"Fourth, we can point out to them the specific returns they are receiving on their investments, which they already know, and upon which we think we can improve through the mutual fund.

"Fifth, we can remind them in their own organization of the fact that skill and experience are important for a job. They understand that, too, because many of their wage scales are based on those factors. We can remind them that skill and experience are just as important in managing securities as in anything else.

"Sixth, in our conferences we can remind them that it is important to have an architect assist in planning a house, otherwise the results may be unsatisfactory, and that it is important for a financial architect to assist in planning the financial house for labor. In our conversation it is advisable for us to tell about the different types of mutual investment funds. Some are of the industry type, such as the steel industry and the railroad industry, others have the balanced concept, that is, a portion of the investment is placed in bonds, preferreds and common stocks, still others assume the overall management and others have classes of securities whereby the investor can participate in a class of bonds, a class of preferred stocks, a class of common stocks, or a combination.

"Seventh, in our conference we should not attempt to sell securities as such but professional management, education, information and as much knowledge as we have on the subject of investments and express ourselves in such language that they will understand—not in the language of the English squire, the old capitalist, but in terms of Joe Doakes, the new capitalist.

"Eighth, we can point out that the mutual investment fund, as a medium for investment, provides for safety through broad diversification, better than average income, professional skill and supervision in the management of funds and ready marketability.

"Ninth, we can remind them that over a million investors in the United States and Canada own these funds and that mutual funds have been time-tested through wars, depressions and recovery periods and today several thousand hospitals, churches, fraternal organizations, insurance companies, educational institutions own them.

"Tenth, we can tell them that the laws of some of the states are such that mutual funds are legal investments for savings banks and other fiduciaries and we can remind them that no single open-end investment company has ever failed to pay a dividend and that Federal and State laws control within strict limits the operations of mutual companies."

National Securities Changes Mailing Method

For the past 10 years, National Securities' trustee bank, Empire Trust Co., has been sending certificates for National Securities Series shares to members of its Selling Group by registered mail. Effective May 1, this system has been changed so that certificates go forward first class mail covered by insurance.

A large and well known bonding and surety company has recently developed a new type of surety bond under which they will insure the sending of non-negotiable securities by first class mail *unregistered*. This policy has been written for a number of the large New York banks and Stock Exchange firms, as there are definite advantages in delivery and speed in settlements.

A Lengthy Process

Under the registered mail procedure, it was necessary for the dealer to advise the trustee of the non-receipt of the certificates. The trustee was then obliged to advise the post office department to put a tracer on the registered mail item and this could take anywhere from ten days to a month. Upon receipt of the report from the post office department that the certificate was lost, the commercial insurance company of the trustee would post a bond and a duplicate certificate would then be issued. This was a lengthy process.

Under the new first class mailing covered by insurance, it is only necessary for the dealer to advise the trustee of the non-receipt of the certificate. The surety company then sends the dealer an affidavit to execute together with one dollar to cover the notarization fee. Upon return of the affidavit to the surety company, an open penalty bond is filed and the new certificates are issued immediately.

While an extremely small number of certificates have gone astray, it is felt that the new system will speed up delivery of certificates and simplify the procedure in those few cases where loss of certificates does occur.

Group Securities Holders To Vote on Changes

Broadening of the investment powers of the Agricultural Shares class of Group Securities, Inc. and a simultaneous change in its name to "The Common Stock Fund of Group Securities," has been recommended by the directors of this investment company and the proposal will be placed before the shareholders at a special meeting on June 26, 1950.

At the same time, shareholders will be asked to approve a change of name only by identifying four Groups as "funds" rather than classes. These changes, according to the Group management, will distinguish between the five cross-sectional funds, including The Common Stock Fund, and the 17 industry classes of the Group structure.

Munderloch on "Organizing Your Sales Talk"

Investors Diversified Services, in its "Broadcaster" for May, 1950, highlights a pithy article by A. C. Munderloch, Central Sales Manager, entitled "Organizing Your Sales Talk." It should be "must reading" for Funds salesmen.

Nesbett Fund Increases

Net assets of the Nesbett Fund on May 17, 1950 totaled $575,000, or $9.58 per share, compared with $555,000, or $9.38 per share on Feb. 28, 1950 and $422,000 or $8.55 per share on May 17, 1949.

Eberstadt Compiles Financial Records of Chemical Fund Cos.

A booklet containing the financial records of 37 companies in the chemical field since 1929, a period covering war and peace, depressions and boom years—an era of great industrial development—is being issued by F. Eberstadt & Co., Inc., 39 Broadway, New York 6, investment bankers and managers and distributors of Chemical Fund, Inc. The study reveals the rather striking growth of the chemical sector in the nation's economy, particularly in the case of a number of smaller companies which have now become important factors in the industry.

Selected Series on Common Stocks

Selected American Shares, in comprehensive bulletins, is providing shareholders and potential shareholders with readable and well-reasoned analyses of why Selected American prefers common stocks. Titles of the bulletins so far are: Population Growth—Another reason for confidence in stock values; Something New Has Been Added—Our third reason for liking stocks; New Industries—A fourth reason why we favor common stocks for investment.

Engle to Represent Knickerbocker

Knickerbocker Shares, Inc., announce that Tracy R. Engle will represent them on the Pacific Coast. Formerly head of his own firm and later resident manager for Buckley Brothers, Mr. Engle has been a governor and officer of the New York Security Dealers Association and a member of the District 13 Committee, the Committee on Business Conduct, and the Quotations Committee of the National Association of Securities Dealers.


Tracy R. Engle

Schaub on European Trip

Harry P. Schaub, President of Harry P. Schaub, Inc., investment dealers of Newark, N. J., is leaving on a European trip with Mr. Schaub and their daughter Carol on the S.S. "America" from New York on June 7. An automobile tour will be made of France, Italy, Switzerland, Denmark, Sweden, Norway and England. They will return early in August and will spend the remainder of the summer at their summer home on Nantucket Island, Mass.

Small Wonder!

"The American people are and always have been a progressive people. Reaction they want none of; conservatism they want in moderate amounts; but above all they seek a party with a leadership which is realistic, possessed with common sense and able to recognize conditions and problems as they are. They are seeking a party with a policy and program geared to meet these conditions, and to solve these problems without engulfing the country in totalitarianism." — Senator Irving M. Ives.

* * *

"The Republican Party can best serve the American people by clearly joining the issue as to whether America shall go forward in a freedom-of-opportunity society, with its promise of ever-increasing reward for individual effort, thrift, and initiative, or whether it is to be sucked backward into the quicksand of governmental regimentation, control and ruinous taxation, which offers no rescue except more regimentation, control, and even greater taxation."—Association of New York State Young Republican Clubs in convention assembled.

What the Senator means by these glittering phrases is clear in the main from the record. He is definitely a "me-too-er."

It may be questioned whether the young Republicans really themselves know precisely what they mean.

Small wonder the party makes so little headway!

Bond Bros. Inc.

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—Bond Bros., Inc., has been formed with offices in the Starks Building to engage in the securities business. Officers are O. S. Bond, President; Clarence Bond, T. J. Turley, Jr., W. J. Chambliss, Jr., and A. A. Savage, Vice-Presidents, and L. R. Brooks, Secretary-Treasurer.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Robert L. Hedges to Walter C. Haeussler will be considered by the Exchange on June 15.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

A few more signs have raised their ugly little heads in the past few days pointing to a setback. The chief problem is that nowhere is there any indication of how deep such a reaction can run.

* * *

That last sentence sounds ominous; like I'm saying that a reaction is really ahead. The plain fact is that I don't know if it is or isn't. All I can point to is the suspicious behavior of the past few days and say, "Look, Dr. Howell, ain't those a couple of nasty looking clouds?"

* * *

The eminent rainmaker, Dr. Howell, can then tell me that what I don't know about clouds will fill libraries. I can then tell him back that what I don't know about markets can fill even bigger libraries, and there we'd be — all squared off with me standing there with my ignorance showing.

* * *

Last week I joshed "the market-is-due . . ." boys and flatly said markets go up or down for better reasons than I've heard bandied about so far. Just to keep the record clear, nothing has happened in the market the past few days to make me change that ers than sellers the market view. If there are more buy-will go up. If there are more sellers than buyers the market will go down. It's as simple as that.

* * *

The problem is how can one make money out of such statements. I don't have the answer to that. I merely throw it at you to show you I know what you're thinking of.

* * *

To get back to bed rock: Two weeks ago the market looked higher. A few days later it looked like nothing at all. Then it looked higher again and now it looks lower. To get away from that position the market will have to hold above the recent lows. This won't mean an immediate uptrend. It will mean a pulling back from the edge.

* * *

To reverse itself and definitely show new up signs, it will have to go through last week's highs and stay there.

* * *

All this may sound like it will take a lot of doing. Actually the range isn't more than a couple of points in either direction. And I figure that can be taken care of in one market session.

* * *

Re-reading the foregoing I realize I haven't given you very much to chew on. Yet I can't force markets to talk. I can merely try to interpret what I think I see.

* * *

You now have Certain-teed, Flintkote and Timken Detroit Axle. Their buying prices were 18, 33 and 17, respectively. Their stops are still 15, 29 and 14, respectively. So long as they stay above the latter figures I suggest holding.

* * *

[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.]

Business Man's Bookshelf

Government and Business—Vernon A. Mund—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$4.75.

Havana Charter for an International Trade Organization, The—Arguments Pro and Con—Howard S. Piquet and Hermann Ficker—Library of Congress Legislative Reference Service, Public Affairs Bulletin No. 82—Paper.

New Facts on Business Cycles—Arthur F. Burns—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper.

Oil Producing Industry in Your State, The—1950 Edition—Independent Petroleum Association of America, Ring Building, Washington 6, D. C. and 1437 South Boulder, Tulsa 1, Okla.—Paper.

MacCallum & Co. Is Formed in Mt. Vernon

Harry MacCallum, Jr.

MT. VERNON, N. Y. — Harry MacCallum, Jr., has formed MacCallum & Co. with offices at 22 West First Street to engage in the securities business. Mr. MacCallum was formerly an officer of Peabody, Tyner & Co.

Morgan Stanley Group Offers $60,000,000 of Northwestern Bell Debs.

Morgan Stanley & Co. and 52 investment firms on June 6 offered to the public a new issue of $60,000,000 Northwestern Bell Telephone Co. 34-year 2¾% debentures due June 1, 1984. The debentures are priced at 101.107% plus accrued interest to yield 2.70% to maturity. The issue was awarded earlier in the day at competitive bidding. Shortly after the issue was placed on the market Morgan Stanley & Co. announced that it had been oversubscribed and the subscription books closed.

Proceeds of the sale will be applied toward the redemption on July 14, 1950, at 104.375%, of the company's outstanding $60,000,000 of 31-year 3¼% debentures due Nov. 15, 1979. The balance of funds required for such redemption will be obtained through advances from American Telephone & Telegraph Co., parent organization.

The new debentures are subject to redemption at 104.107% if redeemed on or before May 31, 1955, and thereafter at prices decreasing to the principal amount if redeemed on or after June 1, 1979.

Reynolds Co. Exhibit On Inv. Business

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, continuing their campaign to reach the grass roots with the story of the investment businesss, is currently sponsoring an exhibit at the Better Living Exposition, Allentown, Pa. The exhibit features a stock-ticker and invites the people to "learn how you too can be a part owner of America's great companies."

Minsch, Monell & Co. To Admit Partners

Minsch, Monell & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit William C. Longua and Bradbury K. Thurlow to partnership on June 15. Mr. Longua is manager of the firm's stock department.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William C. Wilder has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

One of the best sources of statistical information on general bank operations throughout the country is the Federal Reserve Board and the Federal Reserve Banks. In addition to the weekly computation on such important figures as member bank loans and investments, periodic reports are published by each of the Federal Reserve Banks on bank operations in their respective districts.

Thus, by following and interpreting these figures, an indication of the trend of banking operations in a particular section of the country can be obtained. This is especially important in those areas where the different banks publish only limited information on their operations. While it will not take the place of such reports, it will in a general way give an idea of the various forces at work in the area.

In this connection, the Federal Reserve Bulletin for May has a review and discussion of member bank earnings for 1949. Figures from one of the tables are presented below:

MEMBER BANK EARNINGS
(Dollar Amounts in Millions)

	1949	1948	1947	1946
Earnings	$2,986	$2,828	$2,579	$2,403
Expenses	1,889	1,795	1,650	1,469
Net curr. earns. before income taxes	$1,097	$1,033	$929	$934
Recoveries and profits	155	190	232	356
Losses and charge-offs	166	195	251	247
Net additions to valuation res.	125	173	*	*
Profits before income taxes	$961	$854	$910	$1,043
Taxes on net income	275	234	257	285
Net profits	$686	$621	$653	$758
Cash dividends Declared	313	294	281	267

*Not reported separately; transfers to these reserves were included with losses, and transfers from these reserves were included with recoveries. Such amounts are estimated to have been relatively small, especially prior to 1947.

A second group of figures is probably of greater interest to bank stock investors as it includes the operations of the Central Reserve City Banks in New York and Chicago where there is a large concentration of bank capital.

MEMBER BANK EARNINGS
(Dollar Amounts in Millions)

	Central Reserve City Banks			
	—New York—		—Chicago—	
	1949	1948	1949	1948
Earnings	$476	$476	$123	$120
On U. S. Government securities	148	154	46	44
On other securities	26	25	11	10
On loans	189	182	46	46
All other	114	114	21	21
Expenses	$282	$284	$78	$75
Salaries and wages	164	163	37	36
Interest on deposits	8	8	11	10
All other	110	110	31	29
Net curr. earnings before income taxes	$194	$192	$45	$45
Profits and recoveries	28	37	15	23
Recoveries on securities	3	3	--	1
Profits on securities	13	16	8	6
Recoveries on loans	6	7	3	6
All other	5	11	4	11
Losses and charge-offs	$23	$34	$8	$12
On securities	2	19	2	4
On loans	12	7	4	6
All other	9	8	2	2
Net additions to valuation reserves	$33	$16	—$1	$15
On securities	2	—9	—3	2
On loans	30	25	2	13
Profits before income taxes	$166	$178	$53	$41
Taxes on net income	55	39	11	11
Net profits	$111	$139	$42	$30

Some allowance in the above New York figures should be made for the reclassification of nine Central Reserve City banks as Reserve City banks during 1949. It is believed, however, that this change did not materially affect the earning results.

It is interesting to note that larger additions to valuation reserves and increased taxes on income account for the lower net profits for New York banks in 1949. Actually net current earnings before taxes and other adjustments were higher for period.

The Treasury's Role in Public Debt Management

By EDWARD H. FOLEY, JR.*
Under Secretary of the Treasury

The general area into which the functions of the Secretary of the Treasury fall has to do with the formulation of policies for the financing of the Federal Government. The duties in this area revolve around the public debt, which now stands at $256 billion. The public debt increased more than fivefold during the war years. At the present time, it represents over half of the debt of the country, both public and private, and comprises a substantial portion of the assets of individuals and of each of the other leading investor classes. As a result of this growth in the debt and its wide dispersion throughout the entire financial structure of the economy, the debt of the Federal Government has assumed a new importance in the whole economy of the nation.

Edward H. Foley, Jr.

At the end of 1949, securities of the Federal Government comprised 56% of the earning assets of our commercial banks in this country. They were 26% of the total assets of life insurance companies and 45% of the total assets of other insurance companies—fire, marine, and casualty. Mutual savings banks had 53% of their assets in Federal Government issues. It is clear that Government securities make up a significant part of the investment portfolios of financial institutions.

But non-financial investors—corporations and individuals—also hold important amounts of public debt securities. At the end of 1949, such securities represented 34% of the liquid assets of individuals—by liquid assets, we mean holdings of currency, checking accounts, savings accounts, savings and loan shares, and Federal Government securities. Non-financial corporations—that is, manufacturing concerns, wholesale and retail trade establishments, all of the non-financial businesses of the country—had 12% of their current assets invested in Government securities.

The management of the public debt is a matter of utmost importance. It is a grave responsibility and presents many complex problems. We are keenly aware that the policies which are adopted with respect to it affect not only the financial structure of the Government itself, but the financial and economic structure of the entire country. The number-one priority in reaching our decisions is that the debt must be managed in such a way as to make a maximum contribution to economic stability and good business conditions.

Current Borrowing

Whenever the current receipts of the Federal Government are not adequate to cover current expenditures, the Treasury must borrow new money to finance the resulting deficit. In the fiscal year 1950, to date, the deficit has amounted to about $3 billion. The Treasury Department is not, of course, responsible for the existence of a budget deficit; but the responsibility for financing it rests with us and is a determining factor in our debt management policies.

I should like to re-emphasize right now that Federal deficits are a matter of deep concern to President Truman, Secretary Snyder and me. The recent deficits in the Federal budget are not a planned part of any program to counteract economic trends. They have arisen because of our great responsibilities in maintaining world stability and world peace. At his press conference two weeks ago, President Truman said that no one feels any more strongly about deficit financing than he does; that we will work our way out and eventually balance the budget; but that the matter of primary importance now is the prevention of another war.

Forty-three per cent of the total budget for the fiscal year 1951 represents expenditures which are necessary to make our country an effective factor in maintaining world peace. The largest single item in the budget is $13½ billion for national defense. The size of this item reflects the unsettled conditions which have existed since the end of World War II, and particularly the circumstances arising out of the "cold war" now involving almost the entire world. The expenditures for international programs are closely allied with defense expenditures. In order to promote economic stability and protect democratic institutions throughout the world, we have been required to spend large sums of money since the end of the war for foreign aid. The defense and international expenditures are in addition to the expenditures required to pay the costs of past wars. When we add together all of the items which are related to war and the prevention of war, they account for nearly three-fourths of the total budget.

Untimely Tax Reduction

The tax reduction bill enacted by Congress in April, 1948, was particularly untimely. It cost us about $5 billion of revenues annually; and coincided with the unavoidable adoption by our government of new defense and foreign aid programs. It was a tax reduction bill which we could not afford in the face of our domestic and international obligations.

In his tax message to the Congress on Jan. 23 of this year, President Truman outlined a fiscal program designed to reduce the deficit and to reinstate a balanced budget as rapidly as possible. The policies embraced in this program were threefold: (1) reduced expenditures on the part of the government; (2) measures aimed at encouraging and stimulating business expansion—which, of course, would result in enlarging our revenue base—and (3) changes in the tax laws which would serve the double purpose of bringing in net additional revenue and removing some of the inequities of our tax system. He said at that time, "Our general objective should be a tax system which will yield sufficient revenue in times of high employment, production, and national income to meet the necessary expenditures of the government and leave some surplus for debt reduction."

In addition to borrowing new money to finance the Federal deficit, the Treasury is faced this year—as it has been in each year since the end of the war—with a huge refunding task. At the beginning of the calendar year 1950, there were $56 billion of marketable securities which either matured or were callable during the year. This exceeds the total of all security refunding engaged in by all other borrowers in the country during the past 25 years. Most of the maturing securities in the postwar period were originally issued, of course, to finance the war. Some, however, were issued prior to the war. For example, in the current year, we have to refinance a $1 billion partially tax-exempt bond which was issued back in 1938.

Our objective in all of our new-money and refunding operations is to promote a smoothly functioning economy; and the securities which we issue to the various types of investors are designed to suit their needs and the requirements of the economy. The present widespread holdings of the public debt — and the debt's particular composition — are the result of conscious planning by the Treasury as a part of this policy. This broad ownership has made it possible for the debt to play its part in the flexible fiscal policy which was necessary to promote economic stability in the postwar period.

Practically all of the securities sold to commercial banks, for example, have been short-term in order that bank portfolios would be kept highly liquid. This was essential if banks were to be in a position to finance the reconversion needs of business and industry. Business corporations likewise have been provided with short-term securities for the temporary investment of their reserve funds. Insurance companies and savings banks, on the other hand, are longer-term investors, and have been sold principally longer-term securities—largely with maturities over 10 years. Savings bonds are, of course, the chief type of government security which we have sold to individuals.

We are often asked why the Treasury has continued to stress the savings bond program since the end of the war. The continued sale of savings bonds has been an important part of our debt management policy. It helps us to achieve one of our essential goals —the maintenance of widespread ownership of the debt. The government security holdings of individuals amount to $70 billion; holdings of savings bonds alone amount to $49 billion. This ownership of government securities by millions of individuals is a vital factor in the financial and economic security of our country.

Last year, we had clear evidence of what the savings of the American people mean in promoting the economic stability of the nation. The large backlog of personal savings—of which savings bonds form a very important part—gave people a feeling of confidence; and the American people as a whole refused to become apprehensive about the economic outlook, despite the fact that the inventory readjustment period through which we were going resulted in some reduction in incomes and employment.

Some people continue to inquire as to whether we are justified in asking people to save money now —whether this will not upset our economy by taking too much money out of the spending stream.

As you probably know, the earnings of individuals are at a rate which is well above $200 billion a year. The payment of the National Service Life Insurance dividend is currently swelling the annual rate of personal incomes. But even excluding the dividend payment, the incomes of individuals are near their all-time peak. In addition to the high level of income, individuals also have a backlog of purchasing power in the form of liquid assets which totals another $200 billion. Employment in April was the highest we have ever had in that month. Total civilian employment was nearly 59 million persons, or 850,000 more than last year. There is, of course, another side to the employment picture. Because of our growing labor force, unemployment was also higher than last year—about 500,000 more persons seeking jobs than at that time.

Current Feeling of Optimism

The general feeling throughout the country today is one of optimism.

Various other indicators confirm the healthy condition of our economy. The steel industry is running at 100% of capacity, and steel executives look for continued good business for some time ahead. The automobile industry is unable to meet the full current demand for new cars, despite the fact that production is at the highest levels on record—6¼ million passenger cars and trucks were turned out in 1949. The Federal Reserve Board's index of industrial production reached 189 in April, compared with 179 a year ago.

Construction activity continued its rise in April, with the value of construction put in place exceeding all previous records for the month; it was 24% higher than in the corresponding month last year. Moreover, continued high construction in coming months is foreshadowed by recent construction award figures. Total construction contracts awarded in April were 60% higher than in the corresponding period last year, while residential awards were 122% higher. Despite the present high level of construction activity, we are still building less houses in proportion to our population than we did in the comparable period following World War I.

It does not seem to me that we need to worry about the savings bond program impeding the economic progress of our country. As a matter of fact, I feel strongly that in a period of high employment, high income, and high production such as we are having now, individuals should look to the future.

The real purpose behind the savings bond program is to promote thrift in our nation. Thrift is a part of our American tradition. It has been important in our past; and is important today. The savings of our people have made possible the unparalleled economic progress of this country. Without individual savings our great industrial empire would never have been started. Thrift will enable America to project its economic progress into the future at an undiminished rate. The continuation and broadening of individual thrift is in the best interests of both the individual and the nation.

The things that I have touched on today indicate the broad scope of the considerations which we must always bear in mind in conducting debt management operations.

The postwar period has been one of unprecedented prosperity in this country. There can be no doubt that the successful management of the public debt as a part of a broad financial program has contributed enormously to the stability and well-being of the nation's economy.

The core of our economic system is the credit of the United States Government. Throughout our history the primary responsibility of the Secretary of the Treasury has been to assure the financial soundness of our Government. The main financial problem of the early Secretaries of the Treasury—when we were a young nation — was to establish the credit of our Government on a firm basis. They were eminently successful in that undertaking; and their successors have been charged with the responsibility for maintaining confidence in that credit. The soundness of the credit of our Government is of vital importance to every citizen. It is vital to the successful functioning of the nation's economy.

But in the current world situation, it is not only our own well-being which is affected by our financial policies. We have been forced to assume a role of world leadership far greater than we have ever filled before. The hope for stability and peace throughout the world depends in large measure upon the financial strength of our country.

*An address by Under Sec. Foley at the Luncheon Meeting of the American Management Association, New York City, June 1, 1950.

Canadian Securities

By WILLIAM J. McKAY

The sound reasons that have been advanced to support the contention that the Canadian dollar is fundamentally the strongest currency in the world have apparently registered a profound impression north of the border. According to reports from Ottawa, Canadian exporters during the past week have hastened to cover future exchange commitments in order to secure protection against the eventuality of an upward revaluation of the Canadian dollar. From all over the country the chartered banks have reported a recent marked increase in the volume of selling orders of U. S. dollars for future delivery. Previously many smaller Canadian firms had not taken advantage of the facility provided by the Foreign Exchange Control Board whereby exchange risks can be immediately covered by the purchase or sale of future contracts.

While acknowledging the current bullish movement in favor of the Canadian dollar, the Foreign Exchange Control Board authorities denied that as far as they were concerned there was no truth in the current crop of revaluation rumors. Although recent history certainly does nothing to encourage any profound faith in statements concerning official intentions in matters of exchange, there is little reason to anticipate any development of this kind in the near future. The unfortunate inopportune step taken in July, 1946, in raising the Canadian dollar to par undoubtedly will serve as a deterrent to further precipitate decisions on exchange questions.

It will be recalled that the 1946 revaluation was brought about partly by official fears concerning inflationary pressures from south of the border, and to a great degree as a result of heavy U. S. purchases of Canadian internal bonds in anticipation of an upward revaluation of the Canadian dollar. This "hot-money" influx brought pressure to bear on the rate for free funds to the extent that official dollars were fed into the unofficial market in New York to supply the demand which otherwise would have forced the free rate above the official level. Consequently the official exchange reserves rose to an almost embarrassingly high level; this factor also exercised an important influence at the time the decision was made to raise the value of the Canadian dollar to parity with the U. S. dollar.

When the existing circumstances are compared with those which prevailed prior to the 1946 revaluation possibly a stronger case can now be presented for raising the value of the dollar. Whereas in 1946 the upward pressure was largely caused by semi-speculative financial operations, the current strength is due mainly to U. S. investment in the Dominion's vast wealth of natural resources. The present capital influx therefore serves directly to increase Canada's productive capacity, whereas U. S. investment in Canadian internal securities adds to Canada's external indebtedness which ultimately must be repaid. It is also more evident at the present time that Canada will soon be self-sufficient if not an exporter on balance, of commodities such as oil, iron-ore, and coal which previously constituted important import items. While essential imports from this country are being steadily reduced Canadian exports south of the border tend constantly to increase. The mounting U. S. productive capacity, stimulated by population growth and rising living standards, are imposing a growing strain on domestic natural resources. It is now clearer than ever before that Canada will be called upon to a constantly increasing degree to supply the requirements of U. S. industry.

In the final analysis moreover the factors which now tend to exert a depreciating influence on the U. S. dollar are for the most part lacking in the case of the Canadian dollar. Dominion fiscal and budgetary policies maintain the Canadian economy on an obviously more stable basis. Present living standards are more easily substained, labor costs are lower, and the Canadian potential for increased production at lower cost is infinitely greater. There is, therefore, every reason to anticipate that Canada's economic buoyancy will eventually create an irresistible upward pressure on the Canadian dollar, but previous precipitancy in making currency changes is likely to have a restraining influence as far as any early official action is concerned When any move is eventually made it is to be hoped that serious consideration will be given to the removal of all exchange restrictions.

During the week the external section of the bond market was largely neglected but on rumors of an impending currency adjustment the internal Dominions were in strong demand at 10¾% discount. In view of the restored privilege of registration for eventual resale on the Canadian markets, and the growing speculative interest in Canadian internal bonds, it will not be surprising should a demand develop for internal bonds purchased in Canada over the free rate. Free funds were also firm at 9⅝% after a decline to 10% but the corporate-arbitrage rate was virtually unchanged at 15¼%-14¾%. Stocks were irregular but in later sessions displayed a strong tone led by the industrials, with the papers and steels in particular favor. Western oils after initial declines also went ahead in brisk trading and the most active issues included Pacific Petroleum, Anglo-Canadian and Calgary and Edmonton. Junior Golds continued to be heavily traded but the base metals were dull with the exception of International Nickel which advanced following the nickel price increase.

The Business Trend and Need for Caution

National City Bank of New York, in current monthly publication, cites forces in general business conditions which require restraint, if inflationary boom is to be avoided. Holds there is wide uncertainty in outlook.

Commenting on general business conditions in the June issue of its "Monthly Bank Letter," the National City Bank of New York calls for restraint of the inflationary forces that may lead to a boom and bust.

"The chief support of the boom is consumer spending on automobiles and on housing and everything that goes with it," the "Monthly Letter" states, adding: "However, business spending also is above expectations. Late last year the McGraw-Hill organization made a survey which indicated that expenditures on plant and equipment in 1950 would be 13% below 1949, but a sample check during the past month suggests that the total will exceed earlier intentions, and that the drop will be less than 7%."

"This forward movement is stimulating talk of a renewed spiral of rising prices and wages and expanding credit." The inflationary influences are plain. Personal borrowing for the purchase of houses, automobiles and other durable goods continues to increase. The Federal Government is borrowing to cover its deficit and will borrow more heavily as time goes on. Business borrowing from banks has declined so far this year, but within a few weeks seasonal influences will favor an upturn, which will coincide with the increased Federal borrowing. These trends point to a rise in the money supply in the late summer and autumn. If business sentiment is good, and people are in a mood to spend and keep the money turning over, the impact of demand on supply, which has caused the price advances already noted, will be intensified instead of weakening. The government adds to the demand for metals and rubber by its stockpiling purchases, and supports farm prices by loans and purchases, and also by holding its own stocks at prices set by law 5% above the current support level plus carrying charges. Meanwhile the trend of wage rates, directly or indirectly, is upward. All these are inflationary elements.

"These dangers are matters of common observation and general comment. The fact that they are clearly seen may itself induce a psychological attitude under which inflation will flourish. On the other hand, there is a body of opinion which denies that easy money and the government deficit can keep business rolling indefinitely at its current rate, or at least that these inflationary influences can push prices up very far or very long. This opinion points to the capacity of the country to turn out goods, and particularly to the $70 billion which have been spent since the war either in additions to industrial capacity or in increasing the productivity of existing capacity. It is self-evident that the industrial organization can supply a greater demand than ever before in history, and there are many lines even today where sellers feel the pressure of competition, and the necessity to keep prices down, more strongly than they feel the inflation of demand.

"Confronted by such varying elements in the outlook, business sentiment is divided and uncertainty widespread. One view is that the inflationary forces will dominate for the short run, producing a boom and bust. Another is that the real inflation danger is over the long run, and that a reaction in business and prices is to be expected before the influences inherent in the fiscal, political and social policies of the government really take hold in further depreciation of the purchasing power of our money. Still a third view is that the respective forces are fairly well balanced, and that only moderate fluctuations, with production and employment well sustained and prices reasonably stable, are in prospect for some time to come.

"In this state of uncertainty the good rule may be to hope for the best and count on something less. Any survey would show that the shortages accumulated during the war are well satisfied in most lines, and that production of the things now most in demand, mainly automobiles and housing, is at a rate far above anything previously known. At levels reached during April and May, the country would turn out in a year something like 9 million cars and 1½ million urban dwelling units. The needs and wants are great, but few believe such rates will be sustained indefinitely, and few doubt that an extended period of such business, accompanied as it must be by expanded personal borrowing and by inventory accumulation, will be followed by an eventual drop to a lower, even if still an active, level. Of course people's wants are indefinite, and when automobile and housing demands recede there will be other needs to be satisfied. But when major markets become saturated the labor and materials they have been using are not turned, as a rule, to production of other things without friction. . . .

"In any case, the situation now is one that will be benefited by restraint, both in private and public policies. The moderate character of the 1949 recession is proof of the value of conservatism in 1948, when the boom was tempered by the widespread opinion that reaction was just around the corner. Businessmen weathered the storm comfortably by keeping strong while times were good, and the lesson, which has been learned in a school of experience going back to 1920, is not likely to be forgotten this time."

Securities Salesman's Corner

By JOHN DUTTON

The other day I listened intently to a radio performer who in recent years has come from a small program into national prominence. Today he is known as one of the country's leading salesmen and his income runs into the hundreds of thousands per year. I tried to find out what it was that made his otherwise rather ordinary program so appealing to his audience. Every day he is on the air and most of his time is devoted to just plain talk. Now others do this too, but somewhere, somehow, this fellow puts it over in a way that people don't seem to tire of it. Possibly by this time you will know about who I am referring, but at any rate here is what I discovered.

He put the we into it. The studio audience becomes part of the show and before you know it, **you too** are in it, even if you are not conscious that such is the case. He is also relaxed, slow, studied, and almost indifferent. Yet, he is down to earth and every phrase has a fast-working brain behind it. You are being sold but you are getting it the **easy way**. Remember how President Roosevelt did it? Remember how millions of people felt like they were part of the act whenever he spoke at a dramatic occasion. Other great salesmen and performers have had this same faculty—sometimes they did it in a different way; but always **you** were made to feel that you were part of the show.

Now, how about selling securities? Can't you do the same thing? I once knew a very successful securities salesman who always skipped over the technicalities of the trade. He would go in to see a prospect and almost immediately he would **get them to talk**. He would ask a leading question. Once a man is started, **try and keep him from talking**. What starts out as a trickle winds up as a torrent. A few more questions and before long chairs are drawn closer and "you're off." What formerly was resistance becomes confidence, and then you are ready to talk business in a way that the other fellow will not reject, but will actually welcome. **He is part of the act.**

By asking questions you find out where a person's **real interest** lies. By asking questions you discover that the other man can **help you solve his own problems.** And when you uncover a man's problems, isn't it true that once he realizes that he can better himself by making some changes in his financial setup, that closing the sale becomes a natural climax instead of a forced issue.

The next time you are sitting with a prospect hand him a piece of paper (or carry a pad and give it to him). Also hand him your pen at the same time. Then ask him, "Would you mind adding up these figures Mr. Prospect"? He will come right along and together you can work things out. I know a sale that was made recently on just this simple little suggestion to the client. The salesman was shown a stack of confirmations which represented purchases and sales over a six-month period. Immediately it became clear to this salesman that even though the results achieved on this trading account represented about a 10% profit during the past six months, that commissions and taxes involved, plus capital gains taxes to be paid, had cut down net results so that the outcome was not too favorable.

Instead of trying to argue the point, the salesman gave his prospect a pencil and a pad and he said, "Would you mind taking down these figures Mr. Investor?" Together they figured out that over $750 had been paid in taxes and commissions on this little account. Then they figured that the Dow averages had advanced about 60 points and they reduced that to a percentage basis. Next the salesman showed how one investment in a cross-section of five growth stocks which his firm could have recommended would have given a much better performance. Then he asked some more questions, such as, "Isn't it your opinion that the next six months will also offer some opportunities but that conditions will be even more uncertain? Can't we work closer together so that you won't have to trade so much and still have better results? How about starting with this one situation which I have gone over with you. Don't you think it would make a good start?" By this time Mr. Prospect was so much interested in improving his haphazardly collected jungle of stocks that he went right along. **He had sold himself** because **he too was part of the act.**

Truman Says New Deal Has Been Salvation Of Free Enterprise

President denies charge of promoting creeping Socialism.

Addressing a meeting of delegates of the Better Business Bureau in Washington on June 6, President Harry S. Truman denied that his Administration was promoting "creeping Socialism." "Nothing could be further from the truth," the President stated. "The record shows that government action in recent years has been the salvation of private enterprise."

President Truman

Recalling business conditions in 1932, when the New Deal Democratic Administration was about to take over, the President remarked: "All you have to do is to remember conditions in 1932 and compare them with conditions today." Mr. Truman went on "In 1932 the private enterprise system was close to collapse. There was real danger then that the American people might turn to some other system. The private enterprise system was in danger because it was failing to meet the needs of our people. The only way to preserve the private enterprise system was to make it work. That is what we have been doing since 1932."

The business recovery since 1932, the President declared, has been made under "the greatest and most persistent campaign of propaganda that this country has ever known." Opponents, he said, spend "enormous amounts of money, year after year" in claiming the policies of the Federal Government "would lead straight to disaster."

"The plain fact evident to every citizen," Mr. Truman continued, "is that the policies we have been following have led not to disaster but to progress and prosperity. . . . In the early 30's our labor union movement was struggling for recognition. Today, it is the largest movement of free trade unions in the world, with recognized place and responsibility in the councils of the nation. In 1932 our system of business enterprise was under attack and uncertain of its own future. Today it is stronger than it has ever been before. . . . And if you want this picture in a nutshell—our national output in 1932 was less than $60 billions. Today it is more than $260 billions. Since 1932 this country has progressed not toward Socialism but toward greater prosperity and freedom for all."

Quigan to Address NY Security Analysts

Frank J. Quigan, Chairman of the Board of Fedders-Quigan Corporation will address the New York Society of Security Analysts at the luncheon meeting, Friday, June 9. Also on the program with Mr. Quigan will be Mr. Salvatore Giordano, President of Fedders-Quigan.

A large attendance is expected in view of the interest existing in the rapidly growing room air-conditioning field in which Fedders-Quigan enjoys a leading position.

Continued from page 3

European Steel-Coal Union: Cartelization in Disguise

vergent qualities. It may lead to their virtual nationalization in the framework of an international scheme. At any rate, German costs would have to be raised so as to safeguard the French, since they are not willing to reduce theirs. Incidentally, that explains why the original misgivings of the German (nationalization-bent) socialists about the scheme have quieted down.

All of which is as was to be expected from a governmentally controlled cartel. It means international planning for "full employment," "stabilized" wages, etc. French domestic planning is headed for trouble; it has fostered surplus capacities at the one end of the economy, and left big gaps open at the other end. Especially, it has totally misjudged costs, prices and export markets. Now, by extending the plan-making into Germany, the planners get a new lease on life. But the problem will remain the same and will be even aggravated. It is the problem of overexpansion which the combined stimulus of safe profits for the participating entrepreneurs and of political promotions for the bureaucratic busybodies brings about. Furthermore, a problem of all-round industrial unbalance arises. If one sector, and a fundamental one, operates on a more or less rigid price floor, what happens to the rest which is squeezed between the protected raw materials and semi-finished products on the one side, and the more or less competitive open market for its own output on the other? Or are, in due course, all industries of France and Germany to be cartelized? That would be the logical sequel to, and a crowning piece of, an American globalism that started on a crusade—for decartelization in Germany and free enterprise everywhere. Fighting Big Business at home goes hand in hand with promoting Monopolies abroad.

III

The London "Times" let the cat out of the bag. Schuman's proposals for integrating Europe's coal mining and steel making, it commented on May 11, "are a practical response to the worsening of conditions and prospects in export markets. . . . The view that international action akin to that taken by the international steel cartel before the war is needed now has been widely expressed in European industrial circles. German steelmakers in particular have emphasized that the alternative which might be forced upon them, would be a policy of dumping."

Theoretically, French and German steel plants are correlated: the latter are fabricators of the crude steel which the former produce, and possess better developed export organizations. The French have the ore and the Germans lead in coal. But this close interrelation does not alter the fact that to a large extent the two countries are competitors. It is a most questionable procedure to break up the German coal and steel syndicates only to replace them by a single, colossal pool. The nature of that pool is not affected by the humanitarian slogans which the propagandists use to cover up the true purpose. Full Employment and similar desirable aims serve as a convenient vehicle of monopolists to mislead public opinion. Remember the 1927 economic conference of the League of Nations called to foster international trade? It ended in proposing international cartels and commodity schemes. Presently, the cartel-hypocrisy goes so far as to pretend—the copper cartel and the European electric equipment syndicate are two recent examples—that the monopoly organization is a sort of charitable set-up for the benefit of general welfare.

The authors of the new steel-coal union avoid the use of the word "planning" and deny any resemblance of their project to an old-fashioned cartel. They claim the expansion of productive facilities as their objective, not the restriction of output—which is what all cartels do while the boom is on. But expansion under the stimulus of artificially raised or maintained prices and under terms which eliminate competition among the members is exactly what causes overproduction and crisis. That is the common fate of all international commodity schemes and "valorization" experiments. They break down and dissolve in a glut of stockpiles they create themselves—unless a world war happens to occur at the "right" time and bails them out.

A cartel is a cartel; whatever its name, the rose smells the same. Devoid of all flag-waving, its purpose in ultimate resort is to keep prices high when the seller's market will have spent its force. The signs of a forthcoming coal and steel recession are multiplying. Lately, the Chairman of Barclay's Bank (London) predicted a glut of British steel within three years. Shipbuilding, one of Europe's greatest steel consumers, is shrinking rapidly. Arbed, the Belgo-Luxemburg trust, already runs its ovens well below capacity, this in spite of the fact that its exports are financed in part by ECA money. Time and again, unsalable coal piles appear; the Coal Committee of the U. N. Economic Commission for Europe has just certified the existence of a coal "surplus" of nearly 3 million tons. At the same time, the German coal mines are being thoroughly modernized, and millions of tons of fresh steel capacity are under construction in Western Europe. Five big continuous rolling mills are underway, financed by ECA alone. All of which adds up, as insiders realize, to a narrowing of export outlets.

That is why the French are so "generous" as to forego the sytem of double-pricing they practice today: higher prices abroad than at home. They can see the end of the inflationary rope and the threat of cut-throat competition in the steel and coal markets of the world. Small wonder that they are ready to talk cartels (in disguise).

Andrews, Mahoney Formed

MINEOLA, N. Y. — Andrews, Mahoney & Andrews, Inc., is engaging in a securities business from offices at 1527 Franklin Avenue. Officers are Richard J. Mahoney, President; and Dudley C. Andrews, Secretary and Treasurer. In addition to the officers V. D. Andrews is a director.

With Shillinglaw Bolger

(Special to The Financial Chronicle)

ROCKPORT, Ill. — Charles Arlow has become affiliated with Shillinglaw, Bolger & Company, Chicago investment firm.

Railroad Securities

The ICC and Passenger Service Deficits

A recent issue of the "Monthly Comment on Transportation Statistics" of the Interstate Commerce Commission Bureau of Transport Economics and Statistics again emphasizes the severe drag imposed on railroad earnings by passenger service deficits. Among railroad executives and security analysts there is considerable difference of opinion as to the validity of such figures based on Commission accounting rules governing the allocation of operating expenses, railway taxes, equipment rents and joint facility rents between freight service and passenger service. It is claimed, and with considerable justification, that such arbitrary allocations of expenses tend to inflate the losses attributable to the passenger service.

It is undoubtedly true that if passenger business were to be eliminated entirely all of the expenses allocated thereto under the Commission formula would not be similarly eliminated. For instance, track maintenance would have to go on even without the passenger trains, although in some instances standards could be altered with some saving in outlay. Shops would have to remain open, and crossing watchmen could hardly be eliminated just because there were no more passenger trains. Granting that there are these, and other obvious weaknesses in the Commission formula, it is the only present means of measuring the relative profit status of the two services and the results are hardly encouraging.

The recent Bureau report points out that the passenger service net railway operating deficits in 1949 hit a new peak of $649.3 million, up 16% from the previous peak of $559.8 million established in 1948. It was further pointed out that except for the years 1941-1946, when war considerations were dominant, the passenger service deficits had been tending upward consistently since 1936. Moreover, this unfavorable trend has accelerated sharply since the end of the war despite successive increases in passenger fares. Last year the passenger service deficit absorbed 48.6% of the freight service net operating income compared with 35.9% in 1948.

As in all other aspects of railroad operation, the performance of the individual roads with respect to passenger losses varies greatly. In the first place, the relationship of the passenger revenues to gross for the major roads last year ran all the way from 34.7% for New Haven to only 1.2% for Nickel Plate. Secondly there is a wide divergence in the passenger service operating ratios of the individual roads. The individual ratios will be influenced by such things as the amount of commuter traffic (generally very expensive to handle) and the relative volume of short haul or branch line travel.

Of the 35 major roads listed by the Commission Bureau in its recent report only one had a passenger service operating ratio of less than 100% last year. That one exception was the New Haven, which even at that sustained a sizable net operating deficit in that phase of its business. Three roads, Chesapeake & Ohio, Nickel Plate, and St. Louis Southwestern had ratios of over 200%. For the industry as a whole the ratio last year was 136.6% compared with 127.4% in 1948. Naturally, the ratios do not in themselves tell the whole story. A ratio of 205% for Nickel Plate, for instance, would not be nearly so burdensome as a 150% ratio for another road that was getting 12% to 15% of its total revenues from the passenger and allied services.

The following tabulation, taken from the Bureau report, gives the comparative showing of 35 major Class I carriers for 1949 and 1948.

(Dollar Items in Thousands)

	Net Railway Operating Income				Operating Ratios			
	Freight Service		Passenger and Allied Services		Freight Service		Passenger and Allied Services	
ROAD—	1949	1948	*1949	*1948	1949	1948	1949	1948
Eastern District:								
Baltimore & Ohio	$62,116	$73,781	$34,229	$30,671	71.74	72.27	186.15	167.85
Boston & Maine	18,195	19,891	13,211	11,620	59.69	59.95	155.82	141.64
D. L. & W.	12,430	15,070	5,251	3,707	71.74	68.12	124.80	112.59
Erie	22,708	30,024	12,164	9,809	72.50	67.09	181.73	155.90
Lehigh Valley	9,345	13,215	3,761	4,014	76.25	74.35	149.26	148.75
New York Central	81,370	85,113	49,661	48,551	74.81	75.69	118.21	115.52
N. Y., Chicago & St. L.	17,035	20,093	3,892	3,776	68.00	64.56	205.42	205.71
N. Y., New Haven & H.	17,144	16,420	9,592	5,568	68.18	69.37	97.97	92.69
Pennsylvania	86,453	113,863	49,431	44,736	76 83	75.05	115.31	113.10
Reading	19,828	22,093	10,474	8,511	72.27	70.72	197.74	172.08
Wabash	12,527	17,179	4,980	4,171	72.60	66.49	142.37	130.93
Pocahontas Region:								
Chesapeake & Ohio	46,306	68,628	20,471	23,179	72.35	68.34	211.42	210.28
Norfolk & Western	32,518	48,546	11,724	10,037	68.20	60.78	197.50	182.94
Southern Region:								
Atlantic Coast Line	15,518	14,790	8,764	9,663	74.63	76.49	124.65	126.91
Gulf, Mobile & Ohio	12,596	14,330	5,587	5,233	66.91	64.94	147.31	137.66
Illinois Central	38,167	38,835	12,982	9,065	69.31	68.62	126.50	115.04
Louisville & Nashville	29,111	35,461	16,275	14,286	73.85	73.32	158.39	144.64
Seaboard Air Line	20,153	21,858	9,104	8,670	69.43	68.10	131.72	127.75
Southern	36,734	41,202	14,870	12,053	68.15	67.34	137.58	125.66
Western District:								
A.T. & S.F. & affil. cos.	85,541	91,985	29,892	23,269	64.92	62.09	124.40	116.21
Chicago & North West.	25,102	27,627	22,319	17,617	75.25	72.13	154.53	135.82
Chicago, Burlington & Q.	39,789	46,973	20,174	14,258	64.77	59.76	145.08	126.31
Chic., Milw., St. P. & P.	35,914	36,088	24,975	20,574	73.24	72.66	156.60	142.07
Chicago, Rock Isl. & Pac.	30,844	29,937	11,009	8,045	62.98	63.78	124.91	114.00
Denver & R. G. W.	13,618	17,111	5,295	4,955	67.71	61.96	181.39	179,82
Great Northern	38,936	41,726	18,391	14,526	65.64	66.24	163.97	145.54
M-K-T Lines	13,668	14,913	5,984	5,588	63.74	64.16	151.40	146.76
Missouri Pacific	27,975	38,634	11,774	12,059	74.20	67.62	143.43	134.68
Northern Pacific	26,161	31,859	12,143	11,719	74.52	68.62	165.53	161.32
St. Louis-San Francisco	19,421	19,878	9,205	8,488	70.69	70.85	162.94	151.66
St. Louis, South W. Lines	13,403	15,195	3,516	3,096	57.17	54.95	275.75	255.34
Southern Pacific Co.	62,431	60,136	34,420	24,560	69.24	70.42	140.34	122.46
Texas & New Orleans	18,977	19,148	6,466	4,799	66.40	66.87	135.72	120.61
Texas & Pacific	10.316	11.717	3.909	3.209	67.91	66.61	135.43	123.91
Un. Pac. and leased lines	61,475	71,122	39,191	28,463	66.62	62.27	155.80	131.13

*Deficit.

Harris, Upham Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert M. Witham has been added to the staff of Harris, Upham & Co., 30 State Street.

Straus & Blosser Add

(Special to The Financial Chronicle)

DETROIT, Mich.—Grover L. Harris has been added to the staff of Straus & Blosser, Penobscot Building.

The New "Gold Scare"

By PAUL EINZIG

Dr. Einzig, commenting on recent fall in gold price, ascribes it largely to abandonment of belief dollar will be devalued as well as to improving position of most European currencies. Contends, however, there is no immediate likelihood of entire disappearance of gold premium; hints any adverse change after Marshall Aid ceases may cause price of gold to advance again.

LONDON, England—Following on its heavy fall early this year, gold underwent a further marked depreciation in the Paris market during the last few weeks. Its fall would have been even more pronounced had it not been for buying on account of the French Government, serving the dual purpose of moderating the shock of the sudden fall and acquiring much-needed gold. The decline in the free market price of gold is of course not confined to Paris but is a world-wide phenomenon. It has assumed such dimensions that there is some justification for regarding it as a moderate degree of gold scare.

Dr. Paul Einzig

Ever since the outbreak of World War II, it was generally assumed that he who holds gold cannot possibly go wrong. Temporary fluctuations apart, the open market price of gold did indeed show an upward trend. In a number of countries hoarders of gold had the satisfaction of having their anticipations confirmed through the devaluation of the national currency, as a result of which the value of gold in terms of that currency has increased permanently. Until recently the number of those hoarders who were inclined to take their profit was, however, relatively small. Most of them preferred to hang on to their hoards, taking it for granted that, in the long run, the price of gold is a one-way street.

One of the reasons why gold has been quoted at a premium even in relation to the dollar has been the widespread belief that at $35 per ounce gold was decidedly undervalued, and that sooner or later the official American buying price of gold would be raised. There can be little doubt that the widespread realization that, after all, the United States is not likely to devalue the dollar has contributed to a considerable degree to the decline of the free market price of gold. That price has declined not only in terms of the national currencies concerned but even in terms of dollars, though even now gold commands a premium against the dollar. The expectation that the dollar would be devalued eventually was based on the assumption that the history of 1931-33 would repeat itself, and that the devaluation of sterling and other currencies in 1949 would set into motion a powerful deflationary spiral in the United States as it did in the early '30s. Instead of a fall in American prices and business activity, which might have strengthened the clamor for a devaluation of the dollar, a rising trend has developed and in the circumstances everybody must admit that a devaluation is inconceivable.

Likewise, the possibility of an all-round devaluation of the currencies of countries associated with the International Monetary Fund has faded out. Quite obviously the United States would not devalue the dollar in prevailing circumstances, either through unilateral action or in unison with the other leading countries. Nor are most countries likely to repeat their devaluations. In particular the talk about a second devaluation of sterling has subsided, owing to the improvement of Britain's gold position since the devaluation of Sept. 18. So long as there were persistent rumors about another British devaluation there were also bound to be fears that a number of other currencies would again follow the lead of sterling as they did in 1931 and in 1949. Now that confidence in sterling has increased, this has automatically strengthened confidence in the French franc and in other European currencies.

Moreover, the progress of economic and financial conditions towards betterment has not been confined to Britain. Most countries of Western Europe have made similar progress. Although many budgets are yet to be balanced, the deficits are well under control and need not be financed by means of currency inflation. The national currencies inspire, therefore, much more confidence than they did a few months ago.

The disinflationary effort of various governments has contributed toward the fall of gold price through the creation of relative scarcity of currency, necessitating the liquidation of gold hoards for the sake of securing working capital for business firms. The devaluations of national currencies and the rise in the price levels has resulted in a reduction of the real value of the capital resources of firms in countries which have experienced a relatively high degree of depreciation. So long as inflation proceeded unchecked there was no difficulty in supplementing the capital resources. As soon as the governments succeeded in restraining inflation there was evidence of a scarcity of funds. Industrial and commercial earning possibilities have provided an inducement for converting the "dead" capital of gold hoard into lucrative investment or working capital.

As is usual, once a trend has become noticeable there is a widespread assumption that it would continue for a long time. For this reason, in many quarters the possibility of a complete disappearance of the premium on gold in relation to the dollar, if not in relation to the national currencies, is freely envisaged. There is as yet no justification for such degree of optimism, and it is not likely to last. For one thing, there is likely to develop a growing uneasiness as and when the date of the termination of Marshall Aid draws nearer. Many residents in Western Europe will be inclined to anticipate trouble once more, and they will be inclined to play for safety in the usual way, by switching back into gold. Nor is the political horizon so free of clouds as to justify the assumption that there would be no recurrence of hoarding fever as a result of war scares. Nor is the boomlet in the United States likely to continue forever, and the moment there are signs of a recession there would be once more speculation about the possibilities of a dollar devaluation. Taking all this into consideration it seems safe to assume that the fall in the price of gold will come to a halt long before the disappearance of the premium.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The same pattern holds in the government market: not too much volume or activity, with the modest erosion in prices of the longer-term obligations still going on. The psychological attitude of many operators in Treasury issues seems to have deteriorated somewhat because of the market trend and the keen competition that exists for the not too substantial business that is being done. Investors are not inclined to do any reaching for desired issues and the scale buying which is going on is being done with a bit more caution. Switches and exchanges are not as easy to carry out as they were a short time ago, but nonetheless a number of these are being made, largely among the smaller institutions. Decreased activity and the wait-and-see-what-happens mood of investors has at times in the past, been a forerunner to changes in trend of the government market.

The ineligibles still account for the greater part of the rather limited volume, with the longest and shortest issues the leaders. The bank obligations seem to be getting what is known as "combination activity," with certain near-term securities being paired off with the longs so as to get needed income and maturities.

Analysis of Reserve Bank Holdings

Current holdings of Treasury obligations by the Federal Reserve Banks, when compared with those of Nov. 10, 1948, the high point in the System's acquisition and ownership of government bonds, shows what has been done by the Central Banks so that they would be in a position to support the market if the occasion should arise again in the future. In the latter part of 1948, when sales of government bonds by investors to the System were at a peak, the Federal Reserve Banks were taking all of these issues that were being thrown at them in order to maintain prices at the pegged levels.

Uncertainty was very great at that time because there was more than a little feeling around that prices of the longer Treasuries would break the par level. The Central Banks were then on the defensive and only in retrospect does one really get a clear picture of what a job was done to protect the market. The experience gained will no doubt be a very valuable asset for the future, especially as far as the demand obligations are concerned. The fact that a dropping market for quotable Treasury issues did not result in a pick-up in redemptions of savings bonds, could mean different tactics might be adopted, if protection for government securities should be needed again.

Significant Portfolio Decreases

Total holdings of government securities by Federal on Nov. 10, 1948, amounted to $23,144,151,000 compared with $17,389,325,000 for May 31, 1950, a decline of $5,754,826,000. Treasury bills decreased $908,369,000, while certificates of indebtedness were down by $244,969,000. Notes increased by $820,100,000, due mainly to changes in the method of refunding maturing obligations.

On the other hand, the most significant and gratifying decline in holdings of government securities by the Central Banks, took place in Treasury bonds, which have gone from $11,223,488,000 on Nov. 18, 1948, to $5,801,900,000 on May 31, 1950, a decrease of $5,421,588,000, or close to 50%.

Government bonds due in more than five years, held by the System, dropped from $9,257,096,000 on Nov. 10, 1948, to $3,812,400,000 as of May 31, 1950, a decline of $5,444,696,000, or 58%. During this period seven bond issues were retired consisting of the partially-exempt 2s due 12/15/48-50, the three little sisters, the 2s of 6/15, 9/15 and 12/15/49-51, the exempt 3⅛s of 12/15/49-52 and 2½s due 12/15/49-53 and the 2s of 3/15/50-52. However, according to available data the holding of Federal in these bonds was not too substantial, aggregating $878,000,000, or less than 17% of the total of the bonds due in more than five years which have been eliminated by the Central Banks.

Yields: Then and Now

Conditions now are vastly different from those of 1948, because Federal is in the driver's seat and the Central Banks can reverse the drop in government security prices any time they see fit to do so. Yields today are still quite a bit above where they were in November, 1948, with the 2¼s of 1959/62 at that time on the peg of 100 to return 2.24% against the current quotation of 101.22 to yield 2.04%. The Vics were being held at 100.8 and showed a yield of 2.48% compared with the present price of about 101.15 and a yield of 2.39%. The bank issue, the 2½% due 9/15/67-72, in November, 1948, was quoted 101.15 and showed a return then of 2.40%. This bond has resisted to a considerable extent the Central Bank sponsored decline in government security prices, and at current levels of approximately 105.6 gives a return of 2.13%.

Can Liquidation Continue?

How much farther Federal will go in letting out its holdings of government obligations, particularly the longer maturities, is a matter of conjecture. There is no doubt the Central Banks have improved their position to protect the government market if there should be another repetition of what happened a couple of years ago. But, again, what is going to take place if the demand for long Treasuries continues to grow? Federal could run out of these securities in not too long a time, since a very large amount of these bonds has been absorbed by investors in the past year-and-a-half. This could bring about a change in the Treasury's policy of financing because more long-term obligations would have to be issued to meet the needs of investors.

It may not be too long before an answer will be forthcoming on this point, because the financial community has seen what happened to prices of the scarce eligible issues in a defensive market. The fall refunding of the higher coupon bank obligations might cast considerable light upon this subject.

Merrill Lynch Awards Six-Week Fellowships

Merrill Lynch, Pierce, Fenner & Beane has awarded six-week fellowships for the close-range study of business to Prof. Robert L. Hunt of Texas A. & M. and Prof. Stanley C. Ross of Smith College, Winthrop H. Smith, the investment banking firm's managing partner, announced.

Professor Hunt, who is assistant to the Dean of Agriculture, will use much of his fellowship time to gather material for a forthcoming book on cotton marketing. He will spend three weeks here, beginning June 12, with E. A. Beveridge, Merrill Lynch's commodity economist, studying the firm's organization, the financing of agricultural products, and the local commodity exchange, especially the New York Cotton Exchange.

On July 1 he will leave for Chicago to study the Merrill Lynch commodity organization there, the Chicago Board of Trade and other Chicago exchanges. Homer P. Hargrave, Merrill Lynch Chicago partner, and Chairman of the Mid-West Stock Exchange, will be Professor Hunt's guide. On July 10, Professor Hunt will leave for Memphis, where he will observe spot marketing, warehousing and shipping of cotton under the tutelage of Brown Burch, the local Merrill Lynch manager.

Professor Ross, who is a visiting professor at Amherst as well as associate professor of economics at Smith, will follow a similar program, with more emphasis on finance than commodities, however. His fellowship will begin later in the summer.

Porges & Co. Forming

Porges & Co., members of the New York Stock Exchange, will be formed as of June 15 with offices at 15 Broad Street, New York City. General partners will be Michel Porges and David Rittmaster, both members of the Exchange; Pierre Rueff and Claude Rueff will be limited partners in the firm. Both Mr. Porges and Mr. Rittmaster have been active as individual floor brokers.

Now DePasquale & Co.

Ralph DePasquale has formed DePasquale & Co. as successors to Atlas Investing Corp., 25 Broad Street, New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS


Charles R. Varty Clarence H. Wiseley

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on May 31, Charles R. Varty and Clarence H. Wiseley were appointed Vice-Presidents. Both officers entered the bank with the College Training Class of 1918.

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Irvin A. Sprague Berkeley D. Johnson

Thomas J. Madden

Irvin A. Sprague, Berkeley D. Johnson, and Thomas J. Madden were appointed Vice-Presidents of **United States Trust Company of New York** at a meeting of the Board of Trustees, it was announced on June 1 by Benjamin Strong, President. Mr. Sprague and Mr. Johnson are with the Investment Department. Mr. Madden is in charge of operations within the company. Mr. Sprague joined the company in 1925, was appointed Assistant Secretary in 1933, and Assistant Vice-President in 1940. He is a member of the Trust Investment Study Committee of the New York State Bankers Association, which made recommendations leading to the new trust investment law effective next July 1. Mr. Johnson became associated with the company in 1929, was appointed Assistant Secretary in 1941, and Assistant Vice-President in 1944. He is a Trustee of Packard Junior College. Mr. Madden joined the company in 1916, was appointed Assistant Secretary in 1934, and Assistant Vice-President in 1947.

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Guaranty Trust Company of New York has announced the appointment of William A. McRitchie as a Vice-President, trust department. Formerly a Trust Officer, he has been associated with the company since 1928, prior to which he practiced law in Florida. Other trust department promotions announced at the same time are: B. Frank Patton, William F. Lackman, and Hamilton C. Hoyt, formerly Assistant Trust Officers, now Second Vice-Presidents; Ward B. Kinsley, John D. Rippe, Frederick B. Kingsley, Assistant Secretaries, and Joseph F. Myles, Assistant Trust Officer. In the banking department, main office, Walker Hinton and Joseph F. Kay have been appointed Assistant Treasurers, and at the company's Fifth Avenue office Stanley H. Brown, formerly Assistant Treasurer, becomes a Second Vice-President and William J. Byman an Assistant Treasurer.

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George F. Edelmann has joined the official staff of the **Industrial Bank of Commerce of New York** as Assistant Vice-President, it was announced on May 31 by Walter E. Kolb, President. Mr. Edelmann was an Assistant Secretary with Manufacturers Trust Company for 13 years and later Assistant Vice-President of Continental Bank and Trust Company of New York, and recently Executive Vice-President of the Tarrytown National Bank & Trust Co. He will be associated with the Commercial Division of the Industrial Bank's Seventh Avenue Branch.

* * *

Assignment of Arnold Nord Tschudy to duties in New York as Vice-President and New York Representative of the **Bank of America National Trust & Savings Association of San Francisco** with offices at 40 Wall Street, was announced on June 5 by L. M. Giannini, President of the bank. Mr. Tschudy's experience includes 20 years with General Motors Acceptance Corporation with managerial assignments in California, Spain, Hawaii, Japan and Brazil. During the war he was representative of the Office of the Coordinator of Inter-American Affairs in Sao Paulo, Brazil, and he subsequently served as Executive Vice-President of the Council for Inter-American Cooperation, New York. For three years before joining Bank of America, he was a consultant on Inter - American commercial and public relations, with offices in New York.

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The observance of the 100th anniversary of the founding of the **South Brooklyn Savings Bank of Brooklyn, N. Y.,** occurred during the past week. Rodney C. Ward, President of the bank noted, according to the Brooklyn "Eagle," that "at no time during the 100 years of its existence has the bank failed to pay a dividend to its depositors. To date, it has paid the impressive sum of over $71,000,000 in such dividends." The bank's resources, it is stated are over $136,-000,000.

* * *

The County Trust Company, of White Plains, N. Y. with 18 offices in 14 Westchester communities, has taken steps in improving service for the nation's checking account customers, it was disclosed on June 6 as the bank held a special demonstration, for the press, of its new "Electronic check-processing system" for special checking accounts. The new method, utilizing IBM electronic machines and punched checks of an advanced design, in effect triples, it is said, the speed with which checks and statements can be processed; and it enables individual customers to issue foldable "electronic checks" for their own purposes. The system is said to have already proved effective in holding down the rising cost of special checking account service, and promises greater savings in the future, which can be passed along to the bank's customers. The innovation was announced by Dr. Joseph E. Hughes, President of the bank, at a special demonstration for the press, held at the Sleepy Hollow Country Club, Scarborough, N. Y. Dr. Hughes said that, after two years of experimenting, the system was introduced, for special checking accounts, on a test basis, at one County Trust office in May, 1949. Office by office the bank expanded its system; the demonstration for the press, said Dr. Hughes, marked the completion of the system's installation in all 18 of County Trust's offices.

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The stockholders of the **East Hartford Trust Co. of East Hartford, Conn.** are to hold a special meeting on June 16 to act on the proposal to consolidate the bank with the **Hartford National Bank & Trust Co. of Hartford.** The plans incident thereto were referred to in our issue of May 11, page 1964.

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The **West Side Trust Co. of Newark, N. J.,** announces that as of June 1, its main office and branches have been designated as "offices."

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William R. Mitchell, President of **Provident Trust Company of Philadelphia,** announced on June 5 the election of William G. Foulke as a Vice-President of the company, and the appointment of W. Arthur Dill and Girven H. Culley as Trust Officer and Personnel Officer, respectively. Mr. Foulke, who was formerly Trust Officer, joined the Provident Trust Co. in 1940, after several years in the investment securities business. During the war he served as an officer in the Naval Reserve and was returned to inactive status with the rank of Lieutenant Commander. Mr. Dill, who will assist Mr. Foulke in his new capacity, joined the Provident in 1930, and was formerly an Assistant Trust Officer. Mr. Culley was previously manager of the deposit bookkeeping department.

* * *

Donald P. Horsey, President of **the First National Bank of Conshohocken, Pa.,** is the newly-elected President of the Pennsylvania Bankers Association. Robert C. Downie, President of Peoples First National Bank & Trust Company of Pittsburgh was elected as Vice-President of the association at its annual convention in Atlantic City on May 19. It was noted in the Pittsburgh "Post-Gazette" of May 20 that Mr. Downie will automatically assume the Presidency of the association next year.

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Thirty-five new members of the Quarter Century Club of the **Pennsylvania Company for Banking & Trusts of Philadelphia** were recently inducted, bringing the total membership to 279. H. O. Frey, Vice-President of the bank, was named club President.

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On June 16 a special meeting of the stockholders of the **Manufacturers National Bank of Chicago** will be held to vote on a 100% stock dividend which if approved will increase the capital from $250,000 to $500,000. This according to H. S. French, President, will be effected by the transfer of $250,000 from the surplus account.

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The capital of the **National Bank of Commerce of Pine Bluff, Ark.,** was increased as of May 22 from $200,000 to $400,000, as a result of a stock dividend of $100,-000, and the sale of $100,000 of new stock.

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At a special meeting on July 24 the stockholders of the **Cass Bank & Trust Co. of St. Louis,** will act on a proposal by the directors calling for a stock split of five for one and the declaration of a stock dividend of 33⅓%, payable Aug. 15 to holders of record Aug. 1. The present $100 par value of the stock would be reduced under the plans to $20 par, and the capital would be increased from $300,000 to $400,000, provision therefor being made through the transfer of the necessary amount from undivided profits.

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Plans of the directors of the **First National Bank in Dallas, Texas,** to increase the bank's capital from $7,500,000 to $12,000,000 were noted. In the Dallas "Daily Times Herald" of May 28. Details of the proposals as indicated by Frank Langston, Business Editor of that paper said in part:

"Of this increase $2,100,000 would be effected by a transfer of a like amount from undivided profits to capital, as a result of which the par value of each of the presently outstanding 600,000 shares of common stock would be increased from $12.50 to $16. The remaining $2,400,000 of the increase would be effected by sale of 150,000 additional shares of $16 par value stock. Shareholders of record on the date of their approval of the increased capital would be accorded rights to purchase the new shares at $40 each, in proportion to their respective holdings—one share of the new issue for each four held on that date. Deadline for such purchases would be 2 p.m. June 26. Transferable warrants for the purchases would be issued to stockholders on June 16. In addition to warrants for purchase of whole shares, the bank would issue transferable fractional warrants which could be combined to entitle the holders to purchase whole shares at $40 each."

In his announcement of the proposed increase, Ben H. Wooten, President of the bank stated that the stockholders will hold a special meeting on June 12 to act on the plans. With the increase in the capital to $12,000,000 the surplus would likewise be enlarged to $12,000,000. The bank will observe its 75th anniversary on Oct. 11. Success of the expansion plan was assured in advance. Mr. Wooten said (we quote from the "Times Herald") through underwriting by a group headed by Merrill Lynch, Pierce, Fenner & Beane and First Southwest Co.

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The **First National Bank of Midland, Texas,** has increased its capital from $400,000 to $500,000, effective May 18; of the $100,000 increase, $25,000 represented a stock dividend, while $75,000 was added to the capital as a result of the sale of new stock.

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J. C. Lipman, Senior Vice-President of the **Union Bank & Trust Co. of Los Angeles,** was elected President of the **California Bankers Association** at the annual convention recently concluded at Coronado. R. D. Brigham, Vice-President of the Anglo California National Bank, San Francisco, was elected Vice-President of the Association and H. J. Mendon, Vice-President of California Bank, Los Angeles, was named Chairman of the Executive Council, putting him in line for the Association Presidency in 1952.

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On the eve of the first anniversary of the death last June 3 of A. P. Giannini, a number of California business leaders, close personal friends of the banker, met in San Francisco to organize a memorial activity. The outcome of the meeting was a decision to create an A. P. Giannini Memorial Scholarship Foundation as a means of providing funds to further the education of meritorious students. Louis R. Lurie, prominent in San Francisco realty investment circles, was named Chairman of an organizing committee which will accept cash donations to the foundation. Investment of such funds will provide money to be made available to selected universities for scholarship purposes. Mr. A. P. Giannini was the founder of the Bank of America National Trust & Savings Association of San Francisco and was Chairman of the Bank at the time of his death.

Clarence W. Bartow President of New York Bond Club

Clarence W. Bartow of Drexel & Co., was elected president of the Bond Club of New York at the annual meeting held at Scarborough, N. Y., in connection with the club's Field Day. He succeeds Charles L. Morse, Jr., of Hemphill, Noyes, Graham Parsons & Co.

Clarence W. Bartow

James J. Lee of Lee Higginson Corporation was elected vice-president to succeed Mr. Bartow. Gerald B. West of Stone & Webster Securities Corporation was named secretary and A. Sidney Norton of Bankers Trust Company, treasurer.

New members elected to the Board of Governors were Hugh Bullock of Calvin Bullock, David B. McElroy of J. P. Morgan & Co. Incorporated, J. Emerson Thors of Kuhn, Loeb & Co., and Reginald W. Pressprich, Jr., of R. W. Pressprich & Co.

Continuing governors are Austin Brown of Dean Witter & Co., Harry C. Clifford of Kidder, Peabody & Co., Clarence E. Goldsmith of White, Weld & Co., Robert J. Lewis of Estabrook & Co. and John W. Valentine of Harris, Hall & Company (Incorporated).

Recalling that the Club had had an unbroken record of 20 years of fair weather, an invitation was sent to Dr. Wallace E. Howell, New York City's "rainmaker" to take a holiday and come down from the Catskills to join the merrymakers at Sleepy Hollow. Whatever the cause, the weather for the Field Day was fine.

In the golf events, H. Kimball Halligan, Cyrus J. Lawrence & Sons, won the Ex-Presidents' Cup with a low gross of 77. Fred L. Moore, Kidder, Peabody & Co. won the Candee Cup with a low net of 66, and John M. Young, Morgan Stanley & Co., won the Christie Cup.

The Tennis doubles were won by Marvin Levy, Lehman Bros., and Courtney Keller, Blair, Rollins & Co., Inc., who defeated A. C. Potter, Bacon, Whipple & Co., and Marquette de Dary, F. S. Smithers & Co., 6-3, 6-1.

Special events winners were Emmett Lawshe, Carl M. Loeb, Rhoades & Co.; Paul Devlin, Blyth & Co., Inc.; William G. Laemmel, Chemical Bank and Trust Company; and Wesley A. Stanger, Jr., Riter & Co.

Pictures taken at the Field Day will appear in the "Chronicle" of June 15.

Public Utility Securities

By OWEN ELY

Atlantic City Electric

President England of Atlantic City Electric Co. recently gave a talk before the New York Society of Security Analysts. He explained that the company should not be considered a "resort" or "tourist" company. In 1938 resort business contributed 45% of revenues and non-resort 55%. Now the resort revenue is 37% and non-resort 63%; and in 1955 non-resort is expected to make up 70% of the total. At present Atlantic City contributes only 25% of the company's revenues, and of this amount 2.3% was obtained from the city's 20 large hotels. Atlantic City is now the outstanding convention city, reflecting annual expenditures of $22 million by convention visitors. Even during depressions the convention business should be a stabilizing factor, since transportation costs are low as compared with other resorts. Moreover, the weather is a favorable factor and there have been no very severe storms in a great many years.

The company was incorporated in 1907 as a merger of several companies. One of the predecessor companies, the Electric Light Company of Atlantic City, was organized in 1886, three years after the first (New York City) Pearl Street Station went into operation. Atlantic City Electric was first a subsidiary of the Electric Light Company of America, along with others, but in 1906 American Gas & Electric took over the Group. Thus Atlantic City Electric Company was one of the first electric utility companies in the country, and is older than American Gas & Electric Company, from whose control it was separated over a year ago.

The directors of the company are all residents of southern New Jersey and businessmen, taking an active part in guiding company policies; they own almost 3% of the common stock. The company has a young group of officers, averaging only 47 years of age, but having an average of 28 years' service with the company.

The southern third of the state, served by the company, which has a population of about 500,000 and covers 2,700 square miles, is divided into three distinct zones: the resort area extending about 75 miles along the coast, an inland farm belt immediately adjacent, and an industrial area long the Delaware River. The soil of southern New Jersey is exceptionally rich, and its farms are well electrified. New Jersey farms have almost seven times the income per acre as the national average ($151 as compared to $24). The average annual farm use is 3,754 kwh. as compared to the national farm average of 2,169 kwh. Food processing has big possibilities and New Jersey ranks in the first five states with respect to this industry. 98% of the farms in southern New Jersey are served by the company; there are no REA's.

The development of the industrial area along the Delaware River has been responsible for the company's winter peak load becoming almost equal to the summer peak. The industries now located in the territory are stable, and unlikely to register severe fluctuations during business declines. Food processing includes Seabrook Farms Co., H. J. Heinz Co., P. J. Ritter Co., California Packing Corp., Leggett & Co. In the glass industry Owens-Illinois, Anchor Hocking, Gaynor Glass, New Jersey Silica Sand, South Jersey Sand Co., and others mine a very extensive and rich foundry and glass sand, for which the area is famous. Chemical firms include duPont, I. P. Thomas, Northwest Magnesite Co., and others. As a result of the national trend toward decentralization which is still progressing, there have been 217 manufacturing concerns of various types and sizes established in the territory since Dec. 31, 1946.

The residential revenue of the company has consistently been about 40% of the total, which has helped to stabilize earnings. The annual domestic use per customer is 1,745 kwh. compared with a national average of 1,684 kwh.

The company has aggressively merchandised (with dealers) the major appliances, and sales for the first four months this year were over 40% ahead of last year. The national saturation of electric water heaters is a little over 10%; the company has over 37%. In some sections of the territory every other house cooks electrically.

Kwh. sales are currently running 13% ahead of last year. The company anticipates that in the next five years there will be 40,000 new homes in the territory. This means that they expect to service an added population of 150,000 people. To serve these new families will require several thousand additional new enterprises—they anticipate at least 100 major new industries. They are planning their sales promotion to accomplish an annual domestic use per customer of 3,000 kwh. in 1955.

The steel industry is moving into the Delaware River territory and the completion of the Delaware Memorial Bridge and the New Jersey Turnpike about a year from now will greatly facilitate the development of this area. The industry is moving into this area because of the future possibilities of bringing iron ore from abroad (since the Mesabi Range is being depleted), as well as shipping finished steel products to the Pacific Coast cheaply by water. Thus Bethlehem Steel, United States Steel and National Steel have all acquired substantial acreage in this section of the east, to increase their steel facilities.

The company is being efficiently maintained. 1949 maintenance was 8% of revenues compared with the national average of 6.9%. The Deepwater plant has been converted 100% to oil, which reduces fuel costs, and conversion of the other major generating stations in Atlantic City to oil is being considered.

Relations with the public and employees are reported excellent. A three-year contract was negotiated with the AFL Union in 1948 (which can be reopened only for wages) and the company has never gone into arbitration or had strike difficulties. It has had a funded insurance pension plan since 1940; the cost of funding for years prior to 1940 will be fully paid for within three years.

This year's construction budget is $4.8 million. The company is acquiring Philadelphia Electric's interest in the Deepwater Station, and to pay for it will issue $5 million bonds and $2 million preferred stock. This financing will make the capital ratios about 53% debt, 18% preferred and 29% common. Common stock financing early in 1951 will restore the equity ratio to 30%. Plant is on an original cost basis, and the depreciation reserve is about 31% compared with the industry average of 21%.

Earnings for the 12 months ended April, 1950, were $1.57 and President England anticipates about $1.62 for the calendar year 1950. Including cost of contemplated additions to plant, earnings on the estimated rate base will be below the allowable amount, it is estimated.

Continued from page 6

British Socialism Has Failed!

of philanthropy, but by a far-sighted and wise understanding of the interests of your own country in the military strength of the Western Nations of Europe and in your own economic well-being.

I add but this one word on this subject. During the elections, I believe that it is not peculiar to my own country that sometimes language is used, in the heat of the moment, by people on election platforms, that does not quite represent the considered judgment of the more stable element of the population. If, in the process of the last election in Britain, the members of the government of the day were so anxious to demonstrate the power of the steps that they claimed they had taken to restore the economic prosperity of Britain, that they forgot to mention their indebtedness to your country, you must not think that they represented in that the sense of the people of Britain. I will even go so far as to say that it probably did not represent the views of the leading members of the government itself.

In order that I may secure complete balance, let me add this: that if, as a result of reading the election speeches of my own party, you have come to the conclusion that, since the Socialist Government was returned, we have become a third-class nation on the high road to destruction, that, again, would be inaccurate. I will only say this: that I believe that when the Conservative Party is returned—as I believe it will be at the next election—then will Great Britain, firstly with your aid, and ultimately in independence, be hastening to complete recovery, and will be more obviously and deeply interested in the wider problems of European recovery. Socialism is so absorbing, both in its theory and in the disasters that it creates, that any Socialist Government tends to have its hands full with its own domestic problems.

Reasons for Coming Conservative Victory

You may wonder at the optimism of the sentence in which I told you that I thought the government of the country would change at the next election. It arises from this: I go back to the statement that I made earlier, that perhaps we have rendered some service to the world by trying Socialism in Great Britain. The truth is that Socialism has failed. This idea, that the elimination of private ownership, with the consequent redistribution of wealth, through the state taking the profits of industry, instead of leaving them in the hands of the capitalist class, has proved to be entirely fallacious. It ignores the incentive drive that arises from the quite ordinary human desire to make a profit and to succeed in the eyes of the world.

Our socialized industries that were making profits under free and competitive enterprise, are now making losses. It may indeed be that the change in the economic situation of the country would have made some of them make losses, even if they had remained in private hands: in that case the shareholders would have taken the loss, whilst now, the taxpayers are bearing them. Furthermore, these socialized industries have become monopolies: they have no competitors. They have put up the price of coal, of electricity and gas, as they will. There is no yardstick by which price is measured because there are no competitive sellers. In the case of transport, they have to take their case to a tribunal, and whilst I am sure that, if the railways had remained in the hands of those of us who used to think we knew something about running railways, we should have had to make a claim for increase in charges, as a result of the higher cost of wages and of coal, I am convinced the increase we should have applied for would not have been as great as that which has been asked for by the socialized industry.

Workers Not Benefited by Socialism

There is a third factor: it was believed that, under Socialism, the workers would have more interest in their jobs because they were not working for the private profit of any company, and that, moreover, the State Board would be more benevolent and more humane in its approach to the problems of the workers than would be the directors of private enterprise. In both these cases Socialism has failed. The workers for the companies at any rate knew who their bosses were, and they could talk to them — not always with approval; but at any rate there was somebody who could be talked to, and who had authority to take action. Now, they complain that they have a multitude of bosses, but decisions are more difficult to get. That way, the grievances grow. Letter piles on letter, and file on file, until, in the end, somewhere, monumental reams of paper separate the worker from the anonymous man who governs the decision and maybe his destiny. And not infrequently the Trade Union vote, on which the government depend for their existence, has at least as much weight as the trade and economic factors which used to determine these issues and which in the end settles the selling prices of goods. When the government, which is the final abitrator, depends for its existence upon the Trade Union vote, impartiality is imperilled by politics.

Fundamental Error of Socialism

The fundamental error of Socialism is that it misjudges human nature. You, in this country, may learn from the experience of Britain that to adopt this form of government is to disregard the experience of a mature people who have tried it, with tolerance and with the sympathy of large numbers of people of all classes. That sympathy has now gone. Great Britain is against Socialism; it recognizes that Socialism is but a temporary resting-place. Socialism I am convinced, will not work: it is an emasculated form of government. It plans, but it has not the will, to take the power to make those plans work. It takes away the economic force of self-interest, the desire for self-advancement; it despises the will to excel: it replaces the individual by a committee—it's neither one thing nor another. It hasn't the virtues of free enterprise: it hasn't the ruthlessness of the totalitarian state. But I believe that, once a nation embarks wholeheartedly on the socialist philosophy, it is leading directly to totalitarianism. So it was in Germany: we failed to learn the lesson there. In Britain, we have at any rate been wiser in that we have tried Socialism only on a limited field, and I do not anticipate that the public of my country will allow that field to be extended.

I come to this conclusion because the Conservative Party has gone to much trouble and expense to inform the public of the political and economic significance of Socialism. I believe in democracy —but only if that democracy has been educated to understand its responsibilities and has been given the facts on which to form its conclusions. Because of this belief we have, at what I recognize to be heavy expenditure organized classes of political education in Great Britain. We have a central college for the training of our paid agents and our volunteer workers, we have a central organization for producing political and economic pamphlets intended to influence the educated people—very many of whom a few years ago had joined the Socialist Party. In small groups in hundreds of constituencies we have been conducting classes in poltical education in the evenings, and we have made deliberate efforts to attract the young men and women of our country—people under 30 years of age to our cause. Close on three thousand centers of Young Conservatives have been created, and in them we have enrolled men and women who have the time and energy to go from doorstep to doorstep delivering political literature explaining the Conservative platform and ideals — and since these young people know the dangers to Britain of uncurbed bureaucracy they have become crusaders against Socialism and the principle of the totalitarian state. Here we have youth, conviction and vigor — and any organization that can claim these things is on the certain road to victory.

I understand your Institute is planning an operation similar to that we carried out in Great Britain and I commend their wisdom to you.

I have outlined the sort of political education that we have given from the Conservative Party to the people of Britain during the last three years. It has reinforced the anti-socialist forces: it has attracted people of all classes, for we are no "class party." To you it is important, not only for its example, but because of the effect it will have on your efforts to weld Europe together to fight the Communist menace.

Anti Socialists Must Have Positive Creed

Britain is through with the Socialist experiment: it is ready to join you in seeking the ways to prevent war.

But the demonstration of failure of one form of political philsophy does not relieve us from the necessity of having a positive creed. In Great Britain, we have tried to do it through the Conservative Party, on three issues. The first was expressed in what we call our "Industrial Charter," defining the human relationships of industrial organizations. The second was in our efforts to obtain a high standard of physical health for the nation and the third was the plan that we made for giving the workers of the country security against the dangers of mass unemployment. These are the fundamental conditions of the Welfare State.

I believe that you have a phrase in your country called "Me-tooism." I understand that it is a term of opprobrium, and it's used when both parties try to "muscle-in" on the voter's emotions. I would not regard this as a term of opprobrium if anybody accuses the Conservative Party of "Me-tooism." Every expression of benevolence must not be regarded as cynical vote-catching, and as being insincere. There is no one party that has the prescriptive right to say that they, and they alone are the people who care for their fellowmen.

In my own business I am proud of my relations with the people who work for me. They are good human relations that have continued over many years. I am neither alone, nor unique, among employers of labor. I do not wish to see anyone deprived of medical help that will enable them to get rid of suffering and disease, and my heart beats as truly in sympathy with people who are so stricken as does the heart of any Socialist in the country. I have seen unemployment in the days of 1908, when a Liberal Government was in control in my country: and I saw it then in all its harshness, and nakedness, and cruelty. I saw men and women and children short of food; I saw their physical and moral life be undermined, and I take pride in the fact that, when I was Minister of Reconstruction, I produced a plan to secure, in Great Britain, such operations of a fiscal nature as would go some way to preventing a repetition of these conditions and maintaining a high and stable level of employment.

Is there a man in this room who doesn't share these same emotions? They belong to no party; all of them belong to our practice of the ordinary decencies of human nature; they are the common denominator of all religious teaching; and no party, in any country, can ignore these things, except at its proper peril. It is the business of electors of all parties to see that no party gets away with the idea that they, and they alone, care for the welfare of the people; that doctrine leads to class war and to Communism.

Principle of Health Service Is Right

You hear much of our Health Service; you will have heard much that condemns it. But let me say, at once, that the principle on which it was established, in my judgment, was right. It received the support of the Conservative Party, and, indeed, I had much to do with the original preparation of the scheme, the object of which was not unknown in the experience of our own country. It was the establishment of a system of social insurance, so that the whole of the family would be able to receive medical attention when in need of it; meanwhile when in good health and employment, people paid to insure against the expense of illness. It was a development of the system of compulsory insurance for industrial workers introduced by Lloyd George before World War I. It found expression also in many voluntary schemes of insurance against doctor's bills.

It was the hope of the Conservative Party that, with this extension of Health Insurance to the whole family, we should establish a system of preventive medicine or positive health, which would raise the standard of physical life in the country. This is but a development of a point that has long found its expression in philanthropic work in both our countries and is at the heart of much progressive radical thought. Ill-health not only causes physical suffering which excites our sympathy, but a standard of personal health that is below the highest standard is not compatible with a high standard of economic efficiency. Absenteeism in workers, or ill-temper due to ill-health on the part of the boss, leads to economic waste, and the disruption of good industrial relationships.

We believe that it was worthwhile taking such steps as would place all that the medical profession had to offer, either for the curing of diseases, or the stimulating of good health, at the disposal of every man, woman and child in the country. That was the theory. I suggest that intellectually it is beyond dispute. But, of course, when you come to put it into practice, the human factor intervenes, and we have found that very large numbers of people have felt that, so long as they can have a free doctor, dentist, or free spectacles and free prescriptions, they had better get their money's worth. In 1948-49, the annual cost of the whole service was £6 5s 2d per head of the population; in 1949-50 it has risen to £8 11s 9d. Eyes, teeth and medicine account for the greater part of the bill. It has been estimated that some 7 million people have visited oculists in the past year, and that 9 million have visited dentists. Astronomical, too, is the chemists' bill. The average family doctor now spends around £1,770 a year on prescriptions, or 14s 8d per head of the population, compared with 9s 8d a head in 1948-49. And no one in authority has said how much of this expenditure is avoidable. The general feeling is that it too much.

Without condemning the humane principles of the National Health Service it seems to us that the Welfare State is being too open-handed with its welfare. Doctors are swamped by patients with minor ailments which they would not have bothered about two years ago, and, judging from the queues at opticians, Britain has gone myopic. The plan is not prospering. Moreover, those in charge of the plan have been anxious to arrive at the position of a "nationalized" medical service. The doctors have tended to become wholly employed by the State: private practices only exists for those who can afford to wait on the rich—and find the rich to employ them. Then, the government, having taken control of the Health Service, not unnaturally feel that they must have information on which to exercise their control, with the result that a very large amount of the time of those who ought to be engaged in the treatment of disease, is now occupied by the filling in of forms. The medical profession is unhappy because they feel that they can no longer give to their patients the time, and the care, that they would like to give or, indeed, that their patients need.

Again, I say, human nature has not been good enough for the theoretical scheme, and some system of sanction, or restraint, will have to put in. Personally, I believe it will be necessary to give the doctors a wider freedom. The nation was at least as healthy when doctors were not reporting to anybody, but were looking after their patients, and depending for their living on the success of their treatment. In any case, I never know what happens to all these millions of forms that people fill in when they get to their ultimate destination. The only thing of which I am quite sure is that by the time hundreds of people have occupied their lives in sorting, epitomizing, and collecting the information, it is too old to be of any practical use.

I want to see a system introduced into our insurance of a "no claims benefit," so that, whilst people know that they can go to the doctor, if they are ill, they will not be occupying his time for the sake of the diversion, or out of that very natural egotism which we all have, of feeling that it's rather nice if somebody in authority is giving us an assurance about ourselves. The supply of free medicine to all and sundry has lead to infinite numbers of abuses, and, I'm afraid, a deplorable revelation of what happens when people think there is a chance of getting something for nothing. We shall have to make many alterations in the working of the British plan: but we will mend it, and not end it: we won't throw the baby out with the bath-water.

Changing Attitude of Trade Unions

Now I come to the third point in the welfare state. It is one about which I am perhaps more competent to speak, because, at any rate for the last 30 years of my life, I have been closely associated with industry, and have been a large employer of labor. The Trade Union movement arose, in the first place, in order to protect the individual against the oppressive employer. It was not against the principle of free enterprise: it was not, in its origins, socialist in its political philosophy. But, as time has gone on, it has become the backbone of the Labor Party, which, in itself, has become the Socialist Party. I believe it is true to say that vast numbers of the people who are members of Trade Unions are disillusioned about the benefits that come to them, and their class, through the nationalization of the means of production, distribution and exchange.

I have said that they are beginning to have doubts about Socialism, and they have still graver doubts about Communism. This is the time when the anti-socialist forces must be ready to act. It must be constructive action, for if we are to overcome either Communism or Socialism, action must arise from a feeling within ourselves that we will see that social justice is done: a feeling which expresses itself in policies that recognize the proper aspirations and the legitimate fears of the Trade Union members. It is not enough to condemn: it is certainly unwise to say of any political creed, "It will never come to our country."

It is these thoughts that have made the Conservative Party promise that, when they are returned to power, they will produce an industrial code of regulations, which the government will advise all employers of labor voluntarily to undertake—providing welfare services in their factories, improved conditions of lighting, and heating, and ventilation; provision of good wholesome meals at reasonable prices in factory canteens; opportunities for the various ranks of the business to enter into consultation with one another, in order that the ideas and capacities of all the members of the firm may be available for the improvement and development of the whole; and, finally, for such an element of security of tenure that will protect the employee from arbitrary dismissal, because of the ill-temper or the personal antipathy of an individual, with whom he happens to disagree; in the event of dismissal on such grounds then, at any rate, some payment in lieu of notice commensurate with the length of service that the individual has already given to the firm.

This code, when passed by Parliament, will be obligatory on all firms carrying out contracts for public bodies, and will, therefore, rapidly secure universal acceptance. These are but human condtions; I say they represent the faith that every man and woman should have in one another, for the formation of a good society. These are the conditions, free from cant, from extravagances, but perhaps not quite free from sentimentality, which I believe to be the reply of modern Conservatism to the arid and impractical theories of Socialism, with its concentration of power in the hands of a few individuals.

Under Socialism, we all become servants of the State: "The Sabbath was made for man and not man for the Sabbath." The State was made for man and not man for the State. I have said that these views are not perhaps quite free from sentimentality: again I bring myself back to human nature; which of us is there here who isn't wisely and properly moved by sentiment? I would be sorry to live in a nation where the relations of men were not at least tempered by a touch of emotion. The problem before the modern world is this problem of human relationships. We have to learn to live together, and, if we are to get the highest benefit from doing so, we must live in conditions that, taking full account of human nature, with all its failings, bring out the best in all of us. These are not platitudes: they are the expressions of the general practice and common faith of all who make a success in this modern world out of the job of running industry.

Summary

Let me sum up: I have discussed this issue of Socialism as it affects us in Britain because it affects the American people as much as us. Socialism is but a political half-way home to the Totalitarian state, but the political struggle of the world is between the totalitarian and the free system of government. Communism must be fought. It can only be fought by a free people. If we are to succeed or, indeed, if we are to survive, it will be necessary for the whole economic and productive powers of the free world to be harnessed to this end. Britain knows this: we know that the world circumstances demand the maximum effort and virility of our nation. Every practice that restricts production: every law that limits the reward of, or removes initiative to, maximum production is against the safety, not only of our own nation, but of the Western World.

A cold war is raging: Communism is out to destroy the way of life that is based on personal freedom; massive numbers of people are under the sway of a small group of determined men who are opposed to our conception either of personal freedom or democratic government.

Let us not talk of war: but let us be prepared to meet it with all the changes that science and experience have placed in our hands. We want peace: but we shall only get peace if we succeed in developing the natural resources of the world and using the human power which our nations possess to the fullest. By the cultivation of fresh fields, by the fuller development of known resources, by the encouragement of personal initiative and ambition, these are the ways in which abundance can be brought to the peoples of the world; and just as a penury and a low standard of living is the fertile land for planting the seeds of rebellion and Communism, so the contrary is surely true. If we would preserve peace, then let abundance abound and bring joy and contentment to the peoples of the Earth.

Sec. Snyder Sees Prosperity on Sound Basis

Tells chemists no significant elements of weakness have appeared in business picture, such as have preceded business downturns.

In an address on the occasion of the Ninth Annual Presentation Banquet of the John Wesley Hyatt Award Committee in New York City on June 1, Secretary of the Treasury John W. Snyder reiterated his contention that the current high level of business has a safe and solid foundation. Commenting on this, the Secretary stated: "Throughout the United States today there is a feeling of stability. Industrial production now is almost at the postwar high reached in the fall of 1948. Personal incomes, including the special veterans' dividend, are at the highest level in history. Excluding that dividend, the income rate is higher than in any month in 1949 except January. Total civilian employment is the highest on record for this time of year, and the trend continues upward.

John W. Snyder

"Consumer demand has increased noticeably this year, and total retail sales, in actual unit volume, are now running some 6% higher than a year ago.

"The resistance which consumers showed last summer to any curtailment in buying was backed up by a record volume of personal savings. These savings have since been further increased. Liquid assets of individuals in the form of cash, checking and savings accounts, and government securities, now total more than $200 billion.

"The basic expansion of our country is indicated by widely varying indices. Since we entered the war in 1941, the number of electric power customers has been increased by more than one-third, but we are continuing to add 2 million more customers annually. In the same period, the number of telephone subscribers has been nearly doubled, but we are continuing to install 2 million new telephones a year.

"The greater business optimism recently has given renewed encouragement to plant expansion. Contract awards in April for new construction of commercial and manufacturing buildings were 66% higher than in the same month last year. For the first three months of this year the gain had been 22%.

"This resumed rise in plant investment is confirmed by an upturn in new orders for heavy equipment. Orders for machinery and for machine tools have both been rising sharply since the third quarter of last year, with machine tool orders in March at a four-year high. These are indications of steady economic growth.

"This strong forward movement in our economy is built on a sound and conservative foundation. Business planning has remained cautious. Inventories have been kept at moderate levels. Speculative activity in the commodity and security markets has been no greater than normal. Bank loans have shown no undue expansion, and the nation's credit structure remains strong. While consumer credit has expanded considerably, and must be watched, it is not excessive in relation to consumers' incomes.

"In short, no significant elements of weakness have appeared in the business picture, such as those which, in the past, have always preceded business downturns. In nearly every respect, the present situation shows a marked contrast to that after the First World War.

"These numerous evidences of basic soundness in our economy are an impressive feature of the business picture today. They amply justify the confidence which the chemical industry and other industries have shown in building for the future. I feel assured that this firm business foundation can and will be maintained. It will be maintained so long as we avoid excesses of speculation or of credit expansion — the primary causes of business recessions in the past."

Continued from first page

Abolish Farm Price Supports!

The period of World War II was American agriculture's proudest hour. In spite of the fact that nearly 2 million people were taken from the land for other work, the farmers fed our country better than it was ever fed before, fed huge armies scattered over the globe, and then had much left over to feed other countries.

You have to be on your toes to do a thing like that.

One of our "Prairie Farmer" field editors is in Europe just now, and he recently sent back a story about farming in Egypt. He had just visited the tomb of an Egyptian nobleman buried 3,000 years ago. On the walls of the tomb he saw murals depicting an Egyptian farmer plowing with a buffalo hitched to a crooked stick, and behind him men and women following with hammers to break the clods. The editor went out of the 3,000-year-old tomb and onto the Egyptian countryside and was amazed to see exactly the same scene.

This is most certainly not the record of farming in our country. Less than 100 years ago we were an agricultural nation with five families on the land needed to supply the extra food for one family carrying on industrial or city work. We have completely reversed that, so now it takes less than a fifth of our population to grow the food we need.

As a matter of fact, in our most efficient and most mechanized farming sections, including most of Illinois, the ratio is more nearly ten to one. One family on the land can feed adequately ten families in the city.

The significance of this should not escape us. Nine families out of ten, or four out of five for the country as a whole, have been freed to do other things besides grubbing a living out of the soil. They can build homes, manufacture automobiles and refrigerators, operate schools and hospitals, and do a thousand useful things. And these are the things by which we measure our standard of living.

Good farming has made it possible for the average American to live his whole life without any worry about food supply. He takes food for granted, and goes on to improve his standards by the many other things he can earn over and beyond food.

As a matter of fact, Mr. Average American needs to spend only about 25% of his income for food. In England the cost is around 45%, including government subsidy, of course. In Italy it is around 70%. In countries like India and China about 90% of the average man's income must go to scrape together the food to hold body and soul together.

Hothouse Treatment of Farmer

But there is danger too in pounding our chests and expounding the indispensability of agriculture. I feel uncomfortable when a farmer or a farm leader declares that agriculture is the key to all prosperity and that they, meaning the Government, must take care of the farmer first. There is a good deal of truth in what the man says, but the state of mind is bad for everybody, and especially bad for the farmer himself.

I have heard top-flight industrialists and economists in positions of responsibility say the prosperity of agriculture is so important to this country that we can well afford to give agriculture a preferred treatment—sort of put farming on a hothouse basis.

I cannot agree. I'm quite sure that hothouse treatment may actually destroy the productiveness which has made our agriculture great and may result in progressive poverty rather than guaranteed prosperity.

There is a warning in the public reaction against farmers which has grown at an alarming rate during the past year or two. While much of this feeling is hysteria, based on misinformation to which both the press and the radio have contributed, it is an ill omen of what may come if agriculture permits itself to be pushed out on a limb by politicians looking for votes and industrial people looking for an indirect guarantee of good business.

We are already too far out on that limb. We must re-examine our farm programs along with our attitudes. We must revise our national farm programs into something we can live with, something the public will support and approve, and, above all, something that will insure an increasingly productive and efficient agriculture.

We have arrived at our present high productivity by following the principle of multiplication rather than division in farming. I don't think it's necessary to reverse that process now, and spend the rest of our days dividing up acres and income, busying ourselves with allotments and quotas and all the other bureaucratic devices that can only lead to less and less for more and more people.

Having Too Much Trouble With Price Support Programs

Why are we having so much trouble with our present commodity support programs? It's because they tell the producer a lie.

Whenever the Government price is higher than what the market will support, then the producer is being misinformed. The minute the farmer starts raising products for Uncle Sam, he is in real trouble. We know Uncle Sam doesn't really want the stuff. He can't pay Senators and Supreme Court Judges in bushels of corn or sacks of potatoes. Oh yes, he may be able to use some of it to fight cold wars, and even to make life miserable for the grain exchange, but these are questionable enterprises.

If the flexible supports of 60 to 90% of parity had been permitted to go into effect immediately after the war, it is possible we would have had a workable program. But efforts by our leading farm organizations, notably the Farm Bureau, and farsighted legislators to bring about this adjustment have been repeatedly sabotaged.

Let me point out that our leading farm organizations have not asked for the present farm support levels. The poultry people saw they were getting into trouble long before the Government started to pile up its hoard of dried eggs. They passed resolutions for a more realistic price program. The same can be said of the potato growers.

Government supports and subsidies are easy to come by and hard to get rid of these days, but it should be said to the everlasting credit of farm leaders that most of them have tried to get rid of the subsidies. But the political ins want to stay in, and the political outs want to get in. Both seem to think that votes are to be had in exchange for Government checks and special privilege.

Our commodity support approach to the farm problem has been warped away from its original purposes. Too many people in and out of Government want to think of it in terms of an income guarantee from the Government to the farmer. Because the marketing problem has somehow become confused with a political philosophy, the support levels have been very sticky indeed. The various crops and commodities have been out of step with each other, and there has been too much disregard for a basic fact of a free economy — *increased efficiency must be shared.*

The Brannan Plan

In this respect our support programs have been pretty much in the same class with the much publicized Brannan Plan.

Mr. Brannan proposed that we keep all our present supports on basic crops at levels even higher than those which have already gotten us into trouble. But he went beyond this and suggested that since perishables such as milk, eggs, potatoes, could not be successfully handled in storage, we should substitute the direct income payment to the farmer.

His plan had one very attractive feature. These products were to be turned over to the consumer at whatever they would bring. It would be a sort of fire sale with the buyer getting the benefit of the low prices.

But remember, again, that the farmer would be paid according to his production and Uncle Sam would foot the bill for the difference between what the farmer gets in the market and what he should have had according to the standard set up by Mr. Brannan.

What's wrong with this plan? Well, many people, including myself, do not like the idea of the farmer being dependent on Uncle Sam for his income check. We are reminded properly by proponents of the plan that at least this would be a visible, direct subsidy, and not a hidden subsidy such as the one used to bolster up commodity prices.

But any way you look at it, the income guarantee idea is loaded with trouble. It heads down the socialistic path toward stunted production and dependence on Government.

Right now we are wrestling with acreage allotments, with one eye on the marketing quotas just around the corner. In Illinois there is a bitter battle between those who would keep allotments on a strictly historical base and those who would base allotments on soil conservation principles. Hanging over this whole controversy is a fear that acreage allotments will not reduce production and that the marketing quotas which are to follow can be enforced only by police state methods.

The Brannan Plan would be no different, probably worse. The wider the margin between what the Government would guarantee and what the market would pay, the more it would cost Uncle Sam. The only way Uncle could get off the hot seat and wean consumers away from their cheap food ride would be to slap severe quotas on farm production and reduce that production to the point where food prices would rise again.

At what point would it be politically expedient to stabilize these Government prices? If I read my political history right, they would try to stabilize it at the point where the farmer could not live without his Government check, but where he would be definitely restrained from embarrassing his bureaucratic supervisors with too much efficiency or too great production. As production controls progress from big crops to little crops and from feed crops to food products, there would be a thriving production of red tape, and much political pap to be distributed.

Do you know that down in the tobacco country your allotment, that is the permission of the Government to grow tobacco, may be worth as much as $2,000 an acre on $200 an acre land? I am told that the farmer committees who are administering the tobacco program are doing a nice job, but here is an opportunity for political graft which will catch up with us some day.

The Two-Price Plan

We are hearing more and more these days about the two-price plan, which you will recognize as the old McNary-Haugen Bill over again. This plan too has its attractive features, but its flaws are clearer today than in the McNary-Haugen days. The two-price plan calls for dumping of some kind. We must dump either abroad or on our own market. We know now it isn't so easy to dump abroad. It's hard to give food away, even to starving people. You end up by turning the food over to a foreign government which in turn sells it to its own people to keep in power. Foreign governments have to protect their own farmers, too. They don't like us fighting cold wars with surplus food. Right now we'd like to turn a lot of wheat and corn over to the starving Chinese but the Chinese Government will probably refuse it.

If we don't dump abroad we have to dump in our own country. That isn't easy either. We could make a certain amount of our corn and wheat into alcohol and pass a law that all gasoline would have to include a certain percentage of this fuel. But we know that would be robbing the fertility of our soil, fertility we may need desperately 100 years from now, for an inferior and expensive purpose.

How Problem Should Be Solved

All right, what should we do?

That's a fair question and deserves a fair answer, even if the answer is not easy. I, for one, believe that now is the time to move in the direction of a free competitive market and greater self-reliance on the part of agriculture. Of course, there are risks. Of course, the patient trembles at the thought of throwing away the crutches. But if we don't do it now we never will. Our debt is in good shape. Our efficiency is high. Our customers have money in their pockets and the city people are outnumbering the food producers by more and more every day.

We'll have some scares when we start taking away this makeshift scaffolding, but I doubt if there would be any widespread disaster.

Even if we step out and put our chief reliance on efficiency, on improved marketing practices, and on the buying power of the American people, we can still take out certain insurance policies in the name of security and social conscience. I would like to propose three ingredients of a sound, long-time farm program that could go nicely along with a farm economy based on efficiency and the competitive market.

In the first place, I believe that the soil conservation principle is the only justification for government payments to farm people. City people have a stake in the conservation of the land. We know the farmer is always under pressure to market the fertility of his soil as quickly as possible. The mortgage needs to be paid, and the children need shoes and a college education. A carefully worked-out system of conservation payments intended to rest and rebuild land would serve a useful purpose in relieving the farmer's urge to cash in. Such a program should not be primarily to reduce production or hand out government money. The public should get its money's worth in soil conservation and assurance of a future food supply.

In the second place, I believe our present support machinery should be overhauled as quickly as possible to become a stand-by program for use only in emergency. Some people will say that is cruel and unsocial. Nevertheless, I believe a government price should be a floor and not an income guarantee.

You say that such a floor automatically becomes the going price? On the contrary, I believe a free market is more likely to give us a crack at our share of good prices than a controlled market with the government holding huge surpluses nearly always too hot to handle.

Problem of Marginal Farmer

In the third place, I believe that we should make a real study of the reasons for poverty among farm people. Not all farmers are rich by a long shot, in spite of what some people would have you believe. But if we were to fix prices at a level where the farmer with too little land, too poor land, and too little machinery and skill would make a nice living, then the efficient farmer would either become fabulously rich or he would keep the market permanently flooded.

The problem of the marginal farmer is not one of price or of government subsidy. It doesn't make so much difference whether you get $3 or $5 a hundred for milk if you are trying to support a family on three scrub cows. You're poor as a church mouse in either case — $100 of subsidy from the government under the Brannan plan may help you a little if you are making $700 a year total income, but you'll still be dirt poor. And don't forget you might be worse off if the government program takes away 20% or 30% of your few acres and freezes your production at that level.

No, the problem of the underprivileged farmer is one of education, of credit, of doing what needs to be done to build his farm into a going concern. I believe that government can do a great deal along this line without tying up the processes of agriculture in a rigid bureaucratic system. I believe we can extend and improve our present activities through the extension service and the Farm Home Administration so that we can meet this problem more adequately. We may want to go a step farther and think in terms of building industries in rural areas to take care of people who cannot possibly earn a decent living from the land.

So that's the way one editor looks at our present national farm situation.

What Bankers Can Do

You men are interested of course in what the banker, and especially the country banker, can do to sort out the many conflicting currents and keep agriculture on a sound basis.

Well, I say you can do a lot. The bureaucrats are still a long ways from replacing local talent and initiative in charting our agricultural future. Bankers, like farmers, have felt the encroachment of big government and should know a little something about how this socializing process works and feels.

Anyone who is going to play a significant part in reversing this process is going to have to show both courage and intelligence.

It's not enough to sit behind your desk and cling stubbornly to the doctrine of rugged individualism and free enterprise.

On the other hand, it won't do to take the line of least resistance as some of my businessmen friends are doing. They say the farmer is the key to our prosperity. Let's do everything possible to keep him happy and prosperous so the rest of us can be prosperous too. There are too many people in business who think of agriculture as a cow to be fed and pampered by government in order that she can continue to produce. All they want is their share of the milk. I am convinced that you can't handle people that way, and I think most of you will agree with me. Agriculture will not stay productive and prosperous as a ward of the government. As soon as the people deteriorate their productiveness will be gone.

I believe the greatest asset of a country banker today is an understanding of the problems of agriculture as well as the economics of agricultural production. The private banker should be a more intelligent counselor than the representative of public credit. He should know what's going on. He should continue to study people and to have a faith in personal integrity and moral responsibility as important collateral in any loan. As soon as the banker loses his interest in people and thinks only in terms of material collateral, then banking will become a dismal business indeed and the government agencies will be ready to take over.

I know country bankers who are the unquestioned leaders of their community as far as the agricultural business is concerned. They are out in front, promoting the things that build both the land and the people. Farmers will respect the banker who knows almost as much about scientific agriculture as the county agent and who is always looking for a chance to back the young fellow who has ambition and intelligence.

While I intensely admire many of the bankers I know, I am also disappointed with others who operate pretty much on the same pattern that they used 40 years ago. They'll lend money freely on farm machinery and feeder cattle, but turn a deaf ear to other needs such as lime, fertilizer, legume seed, which are absolutely necessary to build the land.

Recently I took a trip through the poor farming regions of southern Illinois. Again and again, I saw cases where a man has taken $20 land, worn out and useless, and he has treated that land at a cost of $30 to $40 per acre. The treatment is lime where necessary, heavy applications of fertilizer, seeding to a grass and legume mixture, together with other soil conservation practices that may be needed on that particular land. I have seen this process bring amazing results.

In the long pasture season of southern Illinois, this grass mixture has consistently produced 300 pounds of beef per acre per year with a value of about $70 per acre annual income. I have seen sheep on this new renovated pasture produce $40 per acre income consistently over a period of years. This land was a very poor buy at $20 an acre until somebody had the foresight and courage to put a $30 or $40 soil treatment on it.

Farm credit can be a fascinating and exciting game if you know what's going on in farming and are right out in front, taking advantage of the newest things.

In the last analysis, isn't credit a wager on the productiveness and integrity of people?

In recent years we have fallen into the very bad habit of thinking in terms of the end rather than the means. This philosophy is essentially communistic or materialistic, where people become mere cogs in a master plan or a gigantic political or economic machine. But a lot of people are asking again: What's the use of taking short cuts to achieve the materialistic end of a five-year plan or a 10-year plan, if you corrupt the human material with which you are working? It makes a lot of difference how a thing is done, if you are counting on people to do it.

Yes, the land is important, the equipment is important and the science of farming has great value. But if you make a bum out of the man who tills the land, who runs the machinery and who applies the science, you have lost everything. The great need of our generation is to revive moral responsibility and get the individual out in front where he belongs in a democracy.

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Impact on United States Of International Situation

to the effect that he never paid old debts and as to new ones, he prefers to let them grow old.

What happened to the economy of America, the principal lender during the Twenties, when she found herself unable or unwilling to lend any more, is a matter of recorded history. Defaults began to occur with an alarming frequency, and the number of foreign debtors who were still meeting their contractual commitments in the early thirties were few and far between.

Current Postwar Conditions More Complex

Conditions after World War II were even more complex and aggravated than they were after the 1914-1918 holocaust. The manufacturing and productive capacity of Europe's leading industrial nation was destroyed. Most of the Continent had been laid waste. The physical damage suffered by Britain, France and the Netherlands, was enormous. Japan which had risen to power and commercial and industrial prominence after the First World War, lay in ruins. The world's need for goods and services was greater than ever before, and the sources of supply more restricted than ever.

Just as it was realized a generation ago that those in a position to do so, must go to the aid of their fortunate neighbors, so after the Second World War, it was decided that it is impossible for any one nation to prosper, while chaos is reigning in the land of its neighbors. It was hoped that the International Bank for Reconstruction and Development and the International Monetary Fund would undertake world recovery programs to the distinct advantage of all participants. Perhaps these agencies would have succeeded, if it had not been for the uncompromising behavior of one of the victors in the Great War, the Union of Socialist Soviet Republics. Whether Russia alone is to be blamed, is merely of academic interest. The fact remains that so long as the world remains divided, the problems incident upon world recovery will not be solved easily, if indeed at all.

Many billions are spent by the United States for defense at home and abroad—71 cents out of every dollar budgeted by America goes toward paying for past wars, supporting the present war, a cold one, to be sure, and towards preventing a new war. Other countries, too, are obliged to expend large sums for defense, sums far in excess of their capacity. Much of the funds contributed by the United States, must be used non-productively, with results similar to those experienced in the past.

Nations find it necessary or convenient to resort to various remedies as a cure for the economic ills with which they are afflicted. Currency devaluation is one of them, because it seems relatively easy to employ it, even though financial history affords abundant proof of its ineffectiveness, whether viewed as a temporary or a permanent solution.

The ECA Program

American aid to the rest of the world is being rendered chiefly through what is known as ECA, the Economic Cooperation Administration, and is confined largely to the Western European countries, with the Scandinavian nations, Greece, Turkey, Indonesia, Nationalist China, India, Pakistan, Burma, Indo-China and Korea included. Although this aid is presumably economic in nature, existing conditions and circumstances render it necessary to give serious and careful heed to political considerations. Any nation which is avowedly anti-Russian may successfully apply for aid. This applies not only to Socialist countries such as England and the Scandinavian Kingdoms, but even to Communist countries like Yugoslavia and totalitarians like Spain.

The ECA program is scheduled to continue for two more years. While American funds are being made available under it, the overall economy of the United States will remain at a high level. Employment will be large. Corporate profits will be substantial. Dividends will be liberal and securities prices will reflect these factors. While certain branches of the nation's economy may not be affected and may, in consequence, experience setbacks, the overall picture will remain satisfactory.

In order to benefit from this condition, investors will find it to their advantage to give serious consideration to the so-called Mutual Funds which, because of their diversification and constant supervision will enable the owners to benefit from the satisfactory over-all situation, in spite of setbacks in isolated cases.

What will happen to America's economy and to that of the rest of the world which has come to depend upon the United States aid, upon the expiration of ECA, is difficult to tell. That those who are charged or feel called upon to guide the economic destinies of the nation, are giving serious thought to this problem, is evident from their efforts on behalf of the so-called Point IV program which calls for American aid to undeveloped and underdeveloped areas.

Doubtful Implication of Point IV

It is difficult to conceive of the successful implementation of Point IV, so long as the world remains divided and the peoples of the world are in the grip of fear over a new catastrophe. How can mankind seriously and wholeheartedly engage in reconstruction or development work on a large scale, if the peoples of the world are afraid that what they build today, may be destroyed tomorrow?

Let us, for purposes of illustration, take the case of the French: They know what war means. The last two World Wars were fought, partly on French soil; so will the next war, in all likelihood. The French cannot talk about war quite so glibly as is unfortunately the case in some quarters, restricted, to be sure, but most articulate, nonetheless, in the United States which escaped the physical horrors of battle, invasion and occupation.

The following statistics prepared by the Information Division of the French Embassy in the United States are illuminating:

French army casualties, killed and missing	200,000
Id., wounded	410,000
French civilians, killed	120,000
Id., executed by the occupying forces	40,000
Id., died in German prison and slave labor camps	300,000
Total military and civilian casulaties	1,070,000

In other words, France lost almost 27 lives out of every thousand of her population—an alarming loss which foreign loans and grants cannot restore.

Total physical losses sustained by France as a result of World War II are estimated by the French Embassy in the United States at $98,500,000,000, or more than $2,400 for each man, woman and child in France. Although the figure is probably an exaggeration, because the total national wealth of the country was not considered materially in excess of the above estimate, it is sufficiently large to fill every Frenchman with apprehension over the mere hint at a new conflagration.

One set of figures which should discourage most, if not all of us, from talking glibly about war, has been supplied by General Marshall. According to the General, the "Big Five" suffered losses in dead and missing during World War II, of well over 10½ million. These figures do not include the vastly larger figures of those maimed and wounded. Nor do they include countless millions of civilians who lost their lives in the bloodiest and costliest of all wars.

The losses were distributed as follows:

Country	No. of Dead and Missing	Ratio to Population
United States	295,904	1 in every 500
United Kingdom	305,770	1 in every 150
U. S. S. R.	7,500,000	25 in every 500
France	200,000	1 in every 200
China	2,200,000	1 in every 200

Statesmen everywhere, but particularly politicians, seem to feel that war can be avoided only through the expenditure of gigantic sums of armaments. Peace through Power or through Preparation for War is their motto. They remind us of the Latin phrase: *Si vis pacem, para bellum;* but they fail to inform us that there is not one single instance in history to show that elaborate preparations for war have averted war.

On the contrary, history is replete with instances, proving precisely the opposite. It should be borne in mind that America's allies and friends cannot be relied upon implicitly. The recent experience of a G. I. in Japan bears this out: He was approached by a Japanese urchin in the streets of Tokyo. "Herro" said the little Nipponese, "Gimme chungum." The American pushed him aside. "Okay" said the Japanese, "No chungum, No Herro." It is indeed true as the Romans put it:

Doneceris felix multos
Numerabis amicos.

Statesmen worthy of the name should concentrate on peace. Instead of constantly blaming others for the tension, they might to advantage re-examine world conditions with a view to resolving the raging controversy. What the Chinese say is eminently applicable to the prevailing situation: "Do not curse the darkness. Light a candle."

Let us do this and save mankind from another disaster.

A. G. Becker Adds Clarence Torrey to Staff

CHICAGO, Ill. — Clarence E. Torrey, Jr., is now associated with A. G. Becker & Co., 120 South La Salle Stret.

Mr. Torrey was formerly with Kebbon, McCormick & Co.

St. Louis Analysts Elect New Officers

Frank X. Keaney   Haworth F. Hoch

ST. LOUIS, Mo.—The St. Louis Society of Financial Analysts, at their annual meeting on May 31, elected the following officers:

President—Frank X. Keaney.

Vice-President — Carl L. A. Beckers.

Secretary-Treasurer — Haworth Hoch.

Mr. Keaney is a graduate of St. Louis University and has been associated with Stifel, Nicolaus & Co. since 1937. During the war he was a Lieutenant in the U. S. Navy.

Mr. Beckers is an Assistant Vice-President of the St. Louis Union Trust Co. Mr. Hoch is connected with McCourtney-Breckenridge & Co.

Kuhn, Loeb & Co. Offers $60,000,000 of Serial Bonds of Penna. Co.

Kuhn, Loeb & Co. headed a group of 51 investment bankers, which on June 7 offered to the public $60,000,000 Pennsylvania Co. collateral trust serial bonds, to be dated May 1, 1950, and due serially in 25 instalments of $2,400,000 each on May 1, 1951-1975, inclusive. The bonds are priced to yield from 1.75% to 4.50%, according to maturity. The offering is subject to authorization by the Interstate Commerce Commission. The group won award of the issue at competitive sale June 6 on a bid of 99 for a combination of interest rates ranging from 2½% to 4½%, representing an interest cost to the company of 3.9458%.

Proceeds from the financing will be applied in part by Pennsylvania Co., all of the capital stock of which is owned by The Pennsylvania RR. Co., to the purchase at par from The Pennsylvania RR. Co. of $44,000,000 Pennsylvania RR. Co. general mortgage 4¼% bonds, series H, to mature April 1, 1986. The balance of the proceeds, together with treasury funds, will be applied toward the purchase of 200,000 shares of capital stock of the Detroit, Toledo & Ironton RR. Co. which has outstanding 245,336 shares of stock (par $100 a share). The extent that the balance or proceeds from the financing may not be used to purchase D. T. & I. RR. stock, the company will apply such balance to the purchase at par from The Pennsylvania RR. Co. of additional general mortgage 4¼% bonds, series H.

The purchase of Pennsylvania RR. Co. general mortgage bonds will provide The Pennsylvania RR. Co. with part of the funds required for the payment of its $52,667,800 outstanding convertible debentures 3¼% bonds due April 1, 1952, and other maturities.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Thomas T. Moldoveanu is with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Continued from first page

As We See It

upon big things from this program. Even the $35 million plan must still await appropriations to give it practical effect, and even this much was accomplished by the barest of majorities.

However, if one is to take Washington reports at face value, Point IV operations are counted upon in Administration circles as one element in the armor protecting the world from communist domination. Cabell Phillips in last Sunday's New York "Times" writes from Washington, doubtless with the benefit of close contact with the powers that be: "Point IV has an important destiny within the framework of this country's new role of leadership in the world. Along with the Marshall Plan, the North Atlantic Treaty and the Mutual Defense Assistance Program, it is an important weapon in the 'cold war' arsenal.

"Its ambitious purpose is to dry up the sloughs of poverty, hunger and illiteracy in the underdeveloped regions of the world in which communism would have a chance to breed. Its technique is to provide technical assistance and know-how for the development of the human and economic resources within these countries and to create a situation that will attract the investment of private capital, both native and foreign.

"In the wake of such developments, it is hoped, will come higher standards of living for the people and a new element of stability in their political lives. That is the hopeful theory of the President's 'bold new plan'."

How Naive!

For our part, we cannot imagine how any thoughtful man can fail to recognize at once the naivete, not to say the absurdity, of any such idea as this. We recognize, of course, that this statement of the purposes and proposed functions of Point IV is not official in any sense. It is conceivable that Mr. Phillips is not here giving an accurate account of what is in the minds of Administration planners and leaders. His statement, however, is quite consistent with many other reports and analyses which have come out of Washington during the past year-and-a-half. It is indeed difficult to see how one can fail to accept it as at least a rough approximation of much of the official thinking on the subject.

The infirmities of this type of reasoning, then, are of more than academic interest. One of the strangest elements in this line of reasoning seems to us to be the postulated close association between communism and illiteracy. The world is, of course, threatened with two related dangers, communism and its twin socialism on the one hand and what may be termed Kremlinism on the other. Resistance to the latter is a matter either of lack of faith in the former or else of patriotic unwillingness to bow the knee to any foreign power. Remove the foolish notion that the Kremlin has some secret of human welfare and happiness not known or shared elsewhere, and the worldwide menace of Kremlinism would virtually vanish overnight.

Communism and Illiteracy

Now where is the evidence of any close association between socialistic or communistic leanings and illiteracy? Serious defections toward such notions in the United States have either originated or been most effectively expounded in quarters where "learning"—as learning is defined in this day and time—was far from deficient. This is for the most part true even if we confine attention to those cases where subversive crime has been proved. It is even more conspicuously true if we include the leaders of many of the New Deal and Fair Deal movements which, to say the least, have very strong socialistic leanings.

But abroad the situation is still more striking. Socialistic Britain is hardly illiterate! France has a large communist movement and a large socialistic element—the two differing more in their attitude toward the Kremlin than in any other way. Who would regard the French as illiterate, and who could say that both the socialists and the communists are unable to count among their numbers some of the least illiterate in the land? How about Germany, and even Italy? There are large and powerful socialistic movements in a number of other European countries with illiteracy rate among the lowest in the world. The fact that these peoples do not wish to be ruled tyrannically by the Kremlin does not in the least alter the situation in this respect. Nor may it be said that the creeping danger of socialism (or communism, if one is able to divorce communism from Kremlinism) is less real from countries which insist upon their independence than from those which do not or are unable to do so.

The Poor Are Always With Us

Of course, persistent and widespread poverty and hunger are fertile sources of all sorts of unrest and have been since the world began. It is in such pools that the ambitious Kremlin loves to fish. If there were some way in which these things could be swept from the earth, the task of the troublemaker would be very much more difficult without the slightest doubt. That includes Kremlin agents as well as the intelligentsia of our own breeding. But, how are these things to be abolished overnight even in this country, to say nothing of the vast backward areas of the world? Of course, they cannot be. Indeed, they can never be banished in the absence of efforts on the part of the poverty stricken in a way and a degree no one has yet found a way to induce. It may or may not be good world politics for a short time to try to outpromise the Kremlin, and even to bribe judiciously here and there, but the effect of such things is not enduring.

The fact is that Point IV as now approved by Congress is hardly more than an enlargement or rather an addition to activities long practiced with both public and private funds. It is not likely to revolutionize anything—and we hope Congress will always insist upon keeping it to modest proportions.

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Puerto Rico Government And Municipal Financing

bor, Commissioner of Health, the Attorney General of Puerto Rico, the Puerto Rico Planning Board and to the Government Development Bank as Fiscal Agent of the municipality and financial advisor to the Government of Puerto Rico. The reports of these departments and agencies of the Insular Government are then considered by the Executive Council of Puerto Rico, which is composed of all heads of departments of the Insular Government, headed by the Governor of Puerto Rico, and unless favorably acted upon by the Executive Council, the power to issue the proposed debt is nonexistent.

Ordinances favorably acted upon by the Executive Council are referred back to the Government Development Bank for Puerto Rico and the Bank assumes full responsibility for the marketing of approved issues.

On many occasions, the Bank has found it desirable from a marketing standpoint, to provide temporary financing either through its own resources or through local banks with the view in mind of providing permanent financing at a later date under conditions which, in the opinion of the Bank, will best serve the interests of the People of Puerto Rico and its municipalities.

General fund taxes of the municipalities are levied by an Act of the Legislature of Puerto Rico, while special taxes are levied by authority of the Legislature of Puerto Rico (with a controlled maximum tax) by the municipal Assemblies of Puerto Rico with the approval of the Executive Council. In this manner, the municipality is protected against the evils of over taxation. By virtue of the control of the Auditor of Puerto Rico over the annual budgets of each municipality, municipal credit and operations are protected against the dangers of insufficient levies.

All property taxes in Puerto Rico, Insular and municipal, for whatever purposes are collected and disbursed by the Treasurer of Puerto Rico under circumstances which provide that municipal debt service becomes a first lien on tax revenues. Through other means this primary lien attaches to all other revenues of a municipality. These methods and procedures are a substantial departure from practices in the Continental United States. The central government of Puerto Rico regulates and controls Municipal Government financing.

The benefits of this centralized control are apparent to the most casual observer. Of primary importance is the unsullied debt record of these 76 municipalities which has been upheld through both normal and abnormal economic conditions. The debt structure of individual municipalities has, as a whole, remained at levels which permit sound municipal operation and, yet, have provided for the extension and improvement of the normal municipal public works essential to sound growth and progress in accordance with the economic circumstances of each municipality.

Financing of the Governmental Instrumentalities

Without destroying the autonomy of our Insular authorities and instrumentalities the Government Development Bank has intravention in their financing in a manner and under conditions which prove as beneficial and advantageous to present and future bondholders as they are to the Government of Puerto Rico and to the authorities themselves. In few words, the philosophy of the government is that any necessary action taken in establishing a credit relation between its instrumentalities and the bondholder, if beneficial to the bondholder, is equally beneficial to the government and it is equally true that any action taken by the government in requiring specific procedures in the issuance of revenue securities, to protect the moral credit of the Insular Government and the credit of an instrumentality, is equally advantageous to present and future holders of revenue securities of Puerto Rican emission.

Under the fiscal agency law which appoints the Government Development Bank as fiscal agent of authorities and instrumentalities of the government, the Bank must be provided with all financial, economic, engineering and other studies made with relation to the expansion of facilities and the financial requirements therefor. The Bank then proceeds to make an analysis of the complete situation and to determine the form of financing applicable to the particular situation and the feasibility of such a program.

The final recommendation of the Government Bank is then afforded to the executive director of the authority, to its Board of Directors and the Office of the Governor of Puerto Rico.

At various times during the financing of these authorities, the Government Development Bank has come to the conclusion that certain proposals did not merit consideration for immediate permanent financing because of general market conditions, because of the imminence of other governmental financing which might have a tendency to burden the market, or because in the judgment of the Bank it was felt that it would be more desirable to complete to a major extent proposed construction projects in order that eventual permanent financing would be more attractive to the general market. In such instances the Government Development Bank has provided temporary financing either through its own resources or in combination with other banking institutions. When we consider that the total of such temporary financing in the past five years has been in excess of $30,000,000 it is not difficult to evaluate the benefits that have accrued to such instrumentalities and to the holders of their obligations when compared with authorities on the mainland which must go to the market whenever financial requirements are to be met, or slow down or stop construction on essential projects.

The intervention of the Bank in the financing provides an intermediary between the bondholder and the authority whose interests cannot help but be identical with his own.

Nat'l City-Lehman Bros. Syndicate Wins Award Of N. Y. State Bonds

A National City Bank of New York-Lehman Brothers group was awarded on June 6, a total of $70,310,000 New York State bonds, consisting of $58,310,000 housing bonds, due annually on June 15, 1952-2000, inclusive, and $12,000,000 grade crossing elimination bonds, due annually on June 15, 1951-1970, inclusive.

The housing bonds were won by the group on a bid of 100.0608 for a combination of 4% and 1¾% bonds, or an interest cost of 1.843% to the State. The successful bid for the grade crossing bonds was 100 for a combination of 4%, 1½% and 1¼% bonds, or an interest cost of 1.4214%.

The group is reoffering the 1¾% housing bonds at prices scaled to yield from 1.35% to a dollar price of 89¾, according to maturity. The 4% housing bonds are not being reoffered publicly.

The grade crossing bonds are being reoffered at prices yielding from .70% to about 1.56%, according to maturity.

Besides the National City Bank and Lehman Brothers, the underwriting group includes, among others, the following: First National Bank, New York; Bankers Trust Company; J. P. Morgan & Co. Incorporated; The First Boston Corporation; Smith, Barney & Co.; Harriman Ripley & Co. Incorporated; Halsey, Stuart & Co. Inc.; Phelps, Fenn & Co.; Glore, Forgan & Co.; Lazard Freres & Co.; Goldman, Sachs & Co.; Union Securities Corporation; Drexel & Co.; Continental Illinois National Bank and Trust Company of Chicago; The First National Bank of Portland, Oregon; Eastman, Dillon & Co.; Merrill Lynch, Pierce, Fenner & Beane and Lee Higginson Corporation.

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Pink Promises for Pale People

tributed in any small way to this horrendous development of the simple, humane and ancient doctrain that each of us is to some extent his brother's keeper, I must express my deep regret for such a sinning. I am inclined to follow the example of the humble Negro who was accued of a petty crime and, refusing any legal advice, told the Court: "I plead guilty and waive a hearing." The puzzled judge said: "What do you mean, when you plead guilty and waive a hearing?" To which, the accused answered: "I says, I done it and I don't want to hear no more about it."

Perhaps it is worth while to discuss briefly a few more examples of laws intended to enforce social responsibility.

We have laws fixing minimum wages and maximum hours and overtime wages, which in effect regulate all wages and hours and which, incidentally, forbid the employment of a great many men and women who might otherwise be employed. The power of the national government is expressly limited by the Constitution to the regulation of **interstate** commerce, but a window washer in an office building has been held subject to the national Wage-Hour Law, because his local work is assumed to "affect" interstate commerce.

We have national taxes now levied to compel employers or employees to pay insurance premiums for old age pensions into the United States Treasury; and these premiums are then spent by the government to pay current expenses. If a private insurance company spent its trust funds that way, it would be guilty of a crime. Of course eventually new taxes must be levied to pay again for pensions already paid for.

Every year there are demands for more social insurance taxes to increase the promised payments and to cover in more persons, thus adding to the taxpayer's load and to the number of persons depending on the government.

The FEPC Bill

There is now underconsideration in the Congress a proposed law to establish a so-called Fair Employment Practice Commission and to endow it with power to compel employers to employ **and to promote** persons whom they do not wish to employ **or promote**, if, despite an employer's denial, the Commission believes that he has refused to hire **or promote** a person because of his race, color or religion. Thus it is proposed that employers must employ and employees must work with persons with whom they do not wish to associate. This comes closer to enforcing involuntary servitude on employers and employees than any law ever seriously considered since the Thirteenth Amendment was written into the Constitution.

As an effort at "thought control" this proposed law is quite worthy of the enthusiastic support which it is receiving from all communists. But it is quite unworthy of any support by genuine liberals or by anyone who believes in, or is sworn to support, the Constitution of the United States, wherein Congress is denied any power to enact such a law by the First, the Fifth, the Ninth and Tenth Amendments, as well as by the Thirteenth.

The American people are being constantly assured that our paternal government not only is going to make us good and unselfish by law, but it is also going to make us rich. This assurance is a political necessity because our socializing government is a very expensive one and even starry-eyed Fair Dealers are wondering how they are going to pay their bills. Ten years ago in peacetime Federal taxes took away only 1/14th of our income; today in peacetime Federal taxes take more than ⅕th. At this rate of increase, with projects of guaranteed income and "social security for everyone" well under way, the prospect is not remote or fanciful that the national government will soon be taxing half of our income away from us. After "liberal" politicians have provided this "liberal" spending power for a "liberal" government, then we are assured that only a few million liberally paid political employees will be able to take care of the rest of us as wards of the government—in the same generous way as we now take care of the Indians.

"Deficit Financing"

In addition to direct taxes, of course, the miracle of "deficit financing," to make more money, is relied upon by the harlequin economists who infest government offices. This is a modern fancy description of an old, old confidence game. You borrow money and spend it for current expenses and then, out of their own money, you pay interest to your creditors so that you can keep on borrowing money. Read the story of the Mississippi Bubble that burst in 1720 in France. Read the story of Ponzi, the American financial crook, or of Krueger, the Swedish swindler. Read Garet Garrett's book on "A Bubble that Broke the World," explaining how the United States floundered into the Great Depression, lending money so that other people could buy our products and pay for them with our own money. "Deficit financing" is just another device in this old game of frenzied finance. You tax yourself rich.

By using money taxed as well as borrowed from you, your government can buy your products at artificially increased prices, inflate your income and then you can pay increased taxes. Thus over and over again your government makes and spends more dollars for you than you could make and spend for yourself. It is a wonderful scheme—if you don't understand it—if you don't understand that a financial bubble must burst sometime, and that when this one blows up, like an atomic bomb, it will make a wonderful explosion.

The President on Jan. 4 of this year told the Congress about the State of the Union, not as of today, but as of 50 years from now. Peering into the future with supertelescopic vision he told us that in A.D. 2,000 national production would be about One Trillion Dollars and "the real income of the average family would be about three times what it is today."

He didn't explain that we have doubled our national income and our individual average income in dollars in recent years by the simple process of calling fifty cents a dollar. He didn't explain that if we keep on raising wages, raising prices, raising taxes, increasing our debts, spending more than we make, and rapidly devaluating the dollar, we can raise our national income to a Trillion Dollars **long before** A.D. 2,000. We may even get as dollar rich as the Germans were in 1923 when it cost a million marks to buy a package of cigarettes. With fifty cent dollars today and ten cent dollars tomorrow—just think how rich we are going to be!

The medical profession is now facing the preliminary campaign to socialize the practice of medicine. In this way the doctors are to make more money and the patients are to get more treatments at lower prices. It's just like the Brannan plan for agriculture—more money for farmers and lower prices for consumers. It's the miracle of the loaves and fishes with only one flaw: Everybody will pay more taxes. But that will be easy because we will all have more "income." There we go! Off on the same old merry-go-round again!

It would probably bore you and not enlighten you for me to discuss the pending bills, which are of course only the opening wedge for the later enactment of more and stricter regulatory laws. You will recall that all exercises of new Federal authority begin modestly so as not to terrify the eventual victims into violent opposition until they have been weakened and indoctrinated for complete submission. Who would have voted for the Income Tax Amendment in 1913 if he had expected that in 25 years Federal income taxes would take away from 20% to 89% of a man's income?

Proposed Federal Health Insurance

In a matter of such vital interest to your profession you are presumably much better informed than I am of the merits or demerits of the proposed Federal health insurance, and of the wisdom, preferability and workability of many alternative programs of private insurance. You also know more than I about the extent and value of the services you are rendering to paying and to non-paying patients and to the public health.

What I can contrbute to your discussions is however a lawyer's analysis of the socialization of other private enterprises by the national government, which has been proceeding with amazing speed in recent years. You may have heard that the national government has only the powers definitely delegated to it by the Constitution, all of which are definitely limited by many denials of political power carefully written in the Constitution. You may have assumed that, even if the national government enters upon the field of regulating the practice of medicine, it will have no power to control effectively the services of a physician to his private patients, or to compel him to submit his judgment, the employment of his time and the determination of his compensation, to the regulatory power of a Federal bureaucracy. It is possible that some of your legal advisers still believe that judicial protection of your long accepted rights and liberties would nullify any extremely vicious legislation.

To the older members of the profession I would say that you **may** be permitted to round out your lives free from political servitude. But to all others I would say that, unless you join in vigorous opposition to the tyranny of the so-called "national welfare state" which is expanding rapidly over more and more fields once preserved for private enterprise, if you do not play your part in saving our free economy from political destruction, you will find yourselves, long before retirement, fighting a desperate and lonely battle in a lost war for individual liberty.

A recent President of the American Medical Association, who was a college classmate of mine, met me in a Chicago club some years ago and pleasantly inquired: "Have you got any sense now?" I realized that my Washington reputation as a persistently conservative member of the New Deal family had not spread to my home town. Hence, when, relieved of official obligations, I had begun to criticize publicly further paternalistic extensions of Federal power, many of my old friends thought I had experienced a sudden conversion to the old American faith in a free government and a free economy, which had always been my political religion. So, I smiled at Doctor Irons and simply said: "I hope so."

Tonight I am going to quote the candid words of this old friend and say to doctors who are beginning to see and feel the chill shadows of a political tyranny creeping toward them: "Have you got any sense now?" If you have, you will not merely gird your loins for a struggle to preserve the freedom, the integrity and the personal responsibility of members of your honored profession. You will turn away from all the false preaching of those who would impose on you more and more "social responsibilities" as servants of the state—or in plain words as servants of the political rulers of the state.

You will stand upon your God-given right to accept and to fulfill as much **personal** responsibility for the welfare of others as lies within your powers. You will refuse to accept social responsibilities devised and forced upon you by the commissars of national socialism, cleverly disguised as the evangelists of the welfare state. You will join forces with all men everywhere who are ready and willing to fight for the right of free men to plan their own work, to live their own lives, and to serve no masters except their conscience and their God.

Says Business Cycle Is Still Unconquered

Arthur F. Burns, research Director of National Bureau of Economic Research, in describing characteristics of business fluctuations, holds crucial problem is prevention of severe depressions.

A business recession starts while aggregate economic activity is still expanding, and recovery starts while aggregate activity is still contracting, states the Thirtieth Annual Report of the National Bureau of Economic Research, just issued. The report, "New Facts on Business Cycles," is by Arthur F. Burns, Director of Research of the National Bureau.

Dr. Arthur F. Burns

Dr. Burns, summarizing some of the recent results of the National Bureau's investigation of business cycles, points out that although nearly all statistical series on various types of economic activity show continuous cyclical fluctuation, their movements have not had the same timing. "Practically every month some series attain peaks while others reach troughs. Expansions have run side by side with contractions all the time." Yet the turning points of the specific series tend to be bunched.

When a downturn in general business occurs, the shift is usually shown first in investment orders, later in production, and a little later still in income payments, the National Bureau finds.

Characteristic Sequence in Cycles

Among the specific series that tend to lead the general tides of economic activity are construction contracts or permits, stock prices and stock transactions, security issues, business incorporations, hours worked per week, and liabilities of business failures, on an inverted basis.

Series that end to move simultaneously with the tides are production, employment, commodity prices, imports, and business profits.

Among the laggards are income payments, wages, interest rates, retail sales, and business inventories. No single series can be counted on to act in the same way in every cycle, but when groups of them are observed, some regularity appears.

These facts aid understanding of the nature and development of the cycle. It is significant, for example, that new investment decisions characteristically lead other changes. The usual sequence may also assist attempts to forecast.

Two Cycles—One Seen, the Other Unseen

The common records of general business activity show recognized cycles of expansion and contraction. But within these large aggregates, the National Bureau finds, there is another cycle which may be traced by observing the proportion of the specific activities which are rising at any given time relative to those which are falling. T is "unseen" cycle moves in the same direction as the seen one in the early stages of a general expansion or contraction, and in the opposite direction during the later stages.

"Perhaps six months or a year before the aggregate reaches a trough, the proportion of the contracting activities is already at a maximum," writes Dr. Burns. "Thereafter the majority of contracting activities dwindles, while the minority of expanding activities becomes ever stronger and before long becomes the ruling majority." This phenomenon is found in various types of economic aggregates, among them the aggregate profits of individual business firms.

Business Cycle Not Yet Conquered

"For the present, obituaries on the business cycle are romantic expressions of human impatience, not records of solid achievement," Dr. Burns thinks. The recession of early 1949 would probably have gone deeper, he believes, if the automobile and housing industries had not faced abnormally large demand.

The really serious threat comes, not from mild or brief contractions, to which our society can readily make economic or political adjustments. "The crucial problem of our time is the prevention of severe depressions," states Dr. Burns, citing the 1870's, 1890's and 1930's.

Insight into this problem is being gained by the research of the National Bureau. It confirms the general impression that the excesses of speculation in the late 1920's, not only in the stock market but in urban mortgage lending and in foreign bonds, contributed to the severity of the ensuing slump.

Other influences tending to prolong depression may arise during its course. Comparative study of mild and deep depressions is one of the items on the program of the National Bureau. Among the important factors under analysis are inventory changes, agricultural prices and production, the behavior of wages, and monetary changes.

With Goodbody Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Russell A. Thomson is with Goodbody & Co., Penobscot Building. He was previously with C. G. McDonald & Company.

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How to Expand Common Stock Investments

him to invest his money in the companies that you manage?"

A few figures may tell us a great deal about the availability of money in the hands of private individuals which could, theoretically at least, be channeled into investment. Back in the 20's, even though reinvested earnings had become an important source of company capital, it was still comparatively easy for the company to raise new capital by the sale of common stock.

Shift in Common Stock Investors

The easiest place in those days to sell common stock was to the well-to-do. In 1929 there were close to 39,000 people who had incomes of more than $50,000 a year and they retained 86% of their earnings after taxes. These wealthy individuals could, and did, buy enormous amounts of new common stock each year. In 1945, however, while the total number of people making $50,000 or above had risen to 42,750, a gain of 11%, after taxes this larger group retained only 44% of their gross with which to maintain their living standard and to use for investment. This substantial shrinkage in funds available each year to the well-to-do knocked a tremendous hole in the market for new security issues.

An obvious solution, of course, is lower taxes so money will be available for investment. However, if we try to base a total solution of equity capital on the assumption of a substantial change in the tax structure, we are deluding ourselves. So long as we are engaged in the cold war, taxes are going to remain high. So long as our government is dedicated to the welfare state idea, whether you and I like it or not, taxes are not going down.

The whole business philosophy of my firm is based on the fact that we are living in a changing and evolving society; a society that is fundamentally different in terms of its economic and social structure from that which faced our fathers and grandfathers, or even faced us in our younger days. We base our expectation of growth and survival on our ability to adapt ourselves to the changes and to make ourselves economically useful in the day in which we live.

A revolution has been taking place within the American economy in recent decades. This is equally true in the investment field.

What are some of these revolutionary things that effect equity capital? For one thing, disposable personal income in America has risen from some $82.5 billion in 1929 to more than $191.2 billion in 1949. We find that personal liquid savings—cash, government bonds, building and loan shares—have risen from $47.2 billion in 1929 to more than $163 billion in 1948. Gross personal savings today are running at a rate of some $11.8 billion a year compared with only $3.7 billion in 1929.

Now let us see what this means in terms of raising new capital for business. The obvious answer, of course, is that there are savings available which could be used for investment that are 20 times as large as the money actually raised by the sale of common stock last year. In fact, there is more money available for investment today, in terms of the size and wealth of our country, than there ever has been in the history of America.

The money is there, but it is distributed in a vastly different way than a generation ago. Then it was found in great fortunes, distributed among a relatively small proportion of our people. Today it is held in the hands of millions (you and your neighbor; the foremen in your plant; the milkman who stops by your door each day).

"But they are not investors," you may be saying to yourself. No, most of them are not, but our chance, your chance and mine, of surviving as independent businessmen in a free economy depends upon making them investors.

America Needs More Stockholders

Industry needs equity money. But, vastly more important is the fact that America needs these people as active participants in our economic life. America is the greatest capitalistic nation the would has ever known, but it is my personal opinion that we are suffering today from an acute shortage of capitalists. I don't see how we can expect to maintain a free, democratic, political and economic order unless there is a substantial and steady growth in the proportion of people who own a share in industry.

When America was primarily an agricultural country and our economy was dependent upon agriculture, when owning land meant owning a share of production, then property was the foundation upon which a free economy functioned. Today we no longer live in an agricultural society. Land ownership does not give our economic structure the stability it needs. Now we have an industrial society. To have a healthy country, more people must own a bigger share of industry.

We are beginning to make some real progress, halting as it may be. We are widening the base of ownership of industry. The theory advanced by Ferdinand Lundberg that 60 families ran America to far from the truth today. We know today there are at least six million families who own common stock in American industry. However, there are more than 50,000,000 families in this country, so security owners are still in the minority.

Problem a Double-Barrelled One

The equity capital problem is really a double-barrelled one. It is first, of course, the raising of money needed by business and, secondly, the problem of gaining more participants in business. The vast majority of American industry hasn't yet begun to see its responsibility toward spreading business ownership. Thus far, the share-the-wealth programs have all been of political origin. I believe in sharing the wealth by making every American a direct personal participant in business ownership and then I believe he should be dignified with all of the rights and privileges to which the ownership entitles him. I think this is business' number one responsibility—our responsibility.

We all know, that our standard of living is the highest in the world. Factory workers, at least in progressive companies, have been told over and over again how much better they live under capitalism than the factory workers in socialist and communist states. Unfortunately, however, they are almost always placed in the position of being a gratuitous beneficiary.

The best way to win a man to your side is to make him a participant. That is the major reason why your personnel programs today are designed to make every workman feel he is responsible for the end product. He is put on a special production improvement committee; suggestion plans are organized and all the devices of the industrial psychologist are used to tap his original thinking and to give him a feeling of oneness with management.

At the shop level this has been successful, but this same basic psychology has been slow in developing in the broader realm of ownership. Profit sharing plans, bonuses and adequate wages, as useful as they may be, do not hit at the nub of the problem. They leave the man in the plant in his unpalatable role of beneficiary of someone else's generosity.

Study Psychology of Investors

I think we can do more than has been done to convert the tens of millions of American savers into investors.

My firm has been trying to study the psychology of investors. We know our information is still pretty rudimentary, but there are a few things we have discovered.

The most universal reason why people do not buy common stocks is simply ignorance. The other major reason why people do not invest in common stocks is fear, generally expressed by the phrase, "They're too risky."

We have been attempting to combat this first cause—ignorance, and have concentrated our main attack on this phere.

Many people who claim to fear the riskiness of stock investment fear it, not from knowledge, but from ignorance. We believe this is the field in which the greatest progress can be made in the shortest time. Quite frankly, we have been amazed at the tremendous latent interest which we have discovered.

For example, we published a full-page advertisement of 8,000 words under a headline, "What Everybody Ought to Know About this Stock and Bond Business." We had misgivings about such an ad because, in the first place, we weren't too sure many people were interested in the subject. In the second place, we were afraid that if there was any interest, it wasn't great enough to cause readers to stay with an ad through 8,000 words of fine print. But readership surveys showed a surprising number of newspaper readers read the ad. A single line buried in it offered reprints. To date, we have had more than 200,000 requests for reprints.

Another indication of latent interest came when our San Francisco partner decided he would organize a class for women who wanted to learn about investments. He placed a small ad in the newspapers and told the reporters about the idea. For the first meeting 550 women were in attendance. He had to conduct a repeat course to handle 1,200 other women. When the lecture series was extended to our other offices, more than 38,000 women attended.

I want to emphasize these evidences of interest, where no interest was supposed to exist, came before the recent increase in stock market activity. They are not a flash in the pan. Rather they indicate the depth and breadth of interest in this subject of investments.

If we do not make a concerted effort to develop new investors, what are the alternatives? Critics of our free economic order see the way finance is trending. Immediately they come to the conclusion that free capital markets are no longer necessary. They point to the enormous amount of retained earnings and conclude that business is able to generate internally the capital it needs, or at least is abel to do the job, with the help of government and the institutional buyer.

Corporate management should study the implications of this trend and take serious note of the arguments and the weapons it puts into the hands of the critics of our private ownership system.

Effect of Stock Prices

I realize until recently stock market prices have been so low in the eyes of management that many corporations have refused, point blank, to consider common stock flotations. Thus, when money is needed for capital expenditures, the artificially low interest rates and the ease with which financing can be secured through insurance companies has been a tremendous temptation to increase debt.

Recognizing these forces does not give us a solution to the problem. It does not solve the problem in any way except to admit that we are going to largely abandon traditional methods of finance and to adopt in their stead a self-contained type of business structure that runs the serious danger of becoming separated from the great mass of private investors.

There is one thing that is often forgotten in considering this equity capital problem and that is the fact that management has to ask investors for money before it is to be forthcoming. The request must be on a realistic basis. When General Motors is selling at $87 and earning a rate of better than $19 a year and yielding more than 9%, no one should expect to sell his own common stock at ten times earnings when General Motors is selling at about five times its current annual earnings. I have personally had the experience a number of times of seeing management refuse to undertake a stock issue because it could not be offered at some preconceived figure that bore no relations whatever to current market conditions. The disillusioned corporate executive complained there was a shortage of equity capital. The real difficulty was not a shortage of capital, but a refusal to sell at a price that was competitive with other investment opportunities open to the prospective buyer.

There are some factors developing today that may help in expanding the base of industry ownership. Prices of many stocks have risen from their levels of a year or more ago. The institutional investors, who traditionally have confined their purchases to the highest grade bonds or preferred stocks are now finding it desirable to buy equities both to raise earning power and as a means of providing some hedge, however inefficient it may be, against a constantly depreciating dollar. Moves also are afoot in half a dozen states to liberalize the regulations governing the investment of life insurance funds. And, here in New York, as you probably know, the first of next month a new law goes into effect permitting trustees to invest up to 35% of their funds in common stocks.

Pension funds and charitable trusts are finding it desirable and necessary to add common stocks to their portfolios. This increasing demand for common stocks from this type of investor may help to stabilize prices of common stocks.

I don't want you to interpret my remarks as a prediction that stock prices are going to keep on rising. Frankly, I don't think the problem is primarily one of prices, but rather the relations between stock prices and the price of other goods and services. Stock prices were terribly deflated during much of the early postwar period, but probably we have not seen the worst of this disparity.

Building Up Forces to Increase Common Stock Buying

I have no easy solution for the dilemma we face. I do feel, however, that there are forces being generated which, if exploited to the fullest, may help work toward a revival of our capital markets and a steady growth of the investor base. If it is correct that these forces which tend to increase the use of the capital markets are building up, is there anything we can do to help the trend along? I believe so. There is a great deal all of us acn do to popularize the idea of stock ownership.

Corporate management can begin at home to help increase the number of investors. In 1941, James Burnham wrote a book entitled, "The Managerial Revolution" in which he made much of the growing separation between the legal ownership of a business by its common stockholders on the one hand, and, on the other hand, the control exercised by professional managers. Much was made of the gulf which existed between the professional manager and the common run-of-the-mill stockholder. He predicted that the gulf would widen until we finally reached the stage in which the common stockholder would, for all practical purposes, be disfranchised.

I see no evidence that Mr. Burnham's "Revolution" is in fact on the way. I do feel strongly that it is one of the obligations of management to identify its interests with that of the common stockholder. The only way of doing this effectively is for management itself to cast its fortune with the common stockholder.

To try to get some glimpse of just what the situation is today, we took a random sampling of stock exchange companies. About a fifth of the officers of these 30-odd listed companies didn't own one single share of stock in the companies for which they worked. In one listed company, the seven top executives held a grand total of 20 shares of stock in their company. And in several of the companies the total market value of all of the stock held by all of the officers was less than the president's annual salary.

I submit that the trouble with the equity market, as far as these corporations are concerned, begins with the individuals who comprise their management. No corporate officer should become exercised by the lack of investor interest in his company or the difficulty of raising new money when he doesn't invest in his own company's common stock.

There is no advertising device that has been found to be more effective than the personal endorsement. "Pee-Wee Reese eats Wheaties." The implication is, you can be a great ball player also, if you eat Wheaties. What more powerful negative selling argument can you imagine than: "John Jones, president of universal motors, won't buy universal motors common." That would be the old endorsement in complete reverse.

Getting Management to Own Shares

Hence, in a number of corporations, one of the first steps in a solution of the equity stock problem must be taken right at the top executive level. I know of no better way to assure identity of interests between management and stockholders than the assurance that the managers are stockholders. Furthermore, management, to me, is not just the President and Chairman of the Board. Management is all responsible executive personnel.

High personal income taxes have encouraged many companies to give management incentive bonuses in the form of stock options. Certainly this is one device for encouraging management to acquire stock. If it keeps good managers on the payrolls and helps to identify their interests with those of the run-of-the-mill stockholders, such options are all to the good.

But, as a device to merely obtain long-term capital gains for income tax purposes, the options have far less to recommend them. In fact, devices of this type become the basis for much employee and stockholder resentment, and rightfully so.

Management can and should contribute part of its talents and part of its public relations resources to teaching the financial facts of life to its own employees. When I say "financial facts of life" I mean exactly that, not selling company stock through a high-powered sales campaign. We had enough of that in the 20's and corporate management lived to rue the day they sold company stock to trusting employees at inflated prices.

The principles of sound personal financial management, however, are of real interest to your foremen, your supervisors, and your junior executive personnel. If they are given an opportunity to learn what the investment process is—its dangers as well as its benefits—great numbers of them will be willing to assume the risks that equity investment implies. Our failures in the past had their genesis in the fact that risk was never explained.

Americans Still Willing to Take Risks

With all the talk today about security, many people seem to believe that Americans are no longer willing to take risks. My experience doesn't bear this out. Americans are still willing to take a risk if they know what the risk is and what the rewards may be. The job of educating the man-in-the-street in the principles of investment has been considered by a large segment of business management to be the sole responsibility of the investment banker. Well, I must tell you quite frankly that we in the investment banking industry aren't up to the task. There are not enough of us. We do not have contact with enough people, nor do we have the funds available to carry the story alone. We need your help to get this job done. Business has every bit as large a stake in this problem as we do.

Business management and the investment bankers are both working, and will have to work, under tremendous handicaps imposed on us by the present tax structure. It is our duty to contribute what we can to the solution of the equity capital problem without waiting on anyone else to help us. A vigorous and constantly expanding equity market is a prerequisite for a free, democratic capitalism.

I think all of us in the conduct of our own private affairs should test every action we take against this yardstick: "Will this action contribute to the strengthening of capitalism in America?" If we do this, sometimes we may find our short-term personal or corporate interests may run counter to what are the best long-run interests of our free enterprise economy. But it is the heart of business statesmanship to avoid missing the forest for the trees.

It is the place of business statesmanship, in a capitalistic economy, to see that every incentive is offered to keep the flow of capital large and free. This I think we can do if we all become capitalistic ourselves.

Barret, Fitch Adds

KANSAS CITY, Mo.—Joseph M. Luby has become associated with Barrett, Fitch & Co., Inc., 1004 Baltimore Avenue, in their municipal department. Mr. Luby has had several years' experience in Kansas City in the municipal bond buying field.

The firm also announces the association with them of George Hedrick as Eastern Kansas resident representative, located in Lawrence, Kans., and M. Bradley Light as resident representative in Winfield, Kan.

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The State of Trade and Industry

made last year in either France or Germany. It is just about half of Russia's 1949 production.

The passage of the freight absorption bill by a 43-27 vote in the Senate last Friday was encouraging to industry. If the President signs it, as he once indicated he would, it should go a long way toward clearing up the controversial pricing muddle. It would not clear the way for a return to the basing point method of selling as has been erroneously supposed. It simply means that companies would be permitted to absorb freight, if they wished, to meet competition—provided there is no collusion. This would benefit small firms because steel companies are certain to absorb some freight, depending on the competitive angle and the individual circumstance.

The scrap market is wilder than a March hare with prices soaring to levels undreamed of a mere few weeks ago. Big increases in the price of No. 1 heavy melting steel at major consuming centres caused "The Iron Age" steel scrap composite price to shoot up $3.67 a ton to $40.92 a gross ton rivaling the top price obtained during the circus market of 1948.

The wild advance of scrap prices is playing havoc with steelmaking costs and as a result premium prices for steel are recurring with increasing frequency.

Steelmaking operations this week are again scheduled above 100% of rated capacity, but concludes "The Iron Age," this torrid pace can't be maintained through the hot weather and vacation periods this summer.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steelmaking capacity for the entire industry will be 101.3% of capacity for the week beginning June 5, 1950. This is 0.2 point below last week's rate of 101.5.

This will be the eighth consecutive week that steel production will exceed 1,900,000 tons, according to the Institute.

This week's operating rate is equivalent to 1,931,000 tons of steel ingots and castings for the entire industry or 3,900 tons lower than one week ago. A month ago the rate was 100.1% and production amounted to 1,908,200 tons; a year ago it stood at 89.1% and 1,642,600 tons.

Electric Output Declines the Past Week

The amount of electrical energy distributed by the electric light and power industry for the week ended June 3, was estimated at 5,631,934 kwh., according to the Edison Electric Institute.

It was 261,848,000 kwh. lower than the figure reported for the previous week, 613,664,000 kwh., or 12.2% above the total output for the week ended June 4, 1949, and 786,476,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Advance Above Week Ago

Loading of revenue freight for the week ended May 27, 1950, totaled 780,959 cars, according to the Association of American Railroads. This was an increase of 37,652 cars, or 5.1% above the preceding week.

The week's total represented a decrease of 3,865 cars or 0.5% below the corresponding week in 1949 and a decrease of 123,798 cars, or 13.7% below the comparable period in 1948.

Auto Output Suffers Holiday Contraction

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada declined to an estimated total of 139,061 units, from the previous week's record total of 179,063 (revised) units.

Total output for the current week was made up of 117,548 cars and 21,513 trucks built in the United States and a total of 8,853 units built in Canada where no holiday was observed.

The week's total compares with 91,955 units produced in the United States and 6,132 units in Canada in the like 1949 week.

Business Failures Fall in Holiday Week

Commercial and industrial failures declined to 168 in the holiday-shortened week ended June 1 from 214 in the preceding week, according to Dun & Bradstreet, Inc. At the lowest level since January, casualties were only slightly above a year ago when 165 occurred but exceeded appreciably the total of 91 in the comparable week of 1948. Failures continued to be 33% below their prewar level at which time 249 concerns failed in the similar week of 1939.

Casualties involving liabilities of $5,000 or more decreased to 123 from 176 in the previous week and were less numerous than last year when 132 failures of this size occurred. An increase, however, appeared among small casualties, those with liabilities under $5,000. They rose to 45 from 38 a week ago and 33 in the corresponding week of 1949.

All industry and trade groups showed a weekly decline. A somewhat sharper drop occurred in wholesale trade where failures reached the lowest level since 1948. Both retailing and construction had more casualties than a year ago, but in other industry and trade groups failures were slightly below their 1949 levels.

The week's decrease was concentrated in the Middle Atlantic, Pacific, East North Central, and South Atlantic states. Slight increases appeared in the other five regions. Increases from 1949 continued in the Middle Atlantic, East South Central, Mountain and Pacific States. New England casualties remained the same as last year.

Food Price Index 3.5% Above Year Ago

Extending the upward movement of the past six weeks, the Dun & Bradstreet wholesale food price index for May 30 rose to $5.94, from $5.90 a week earlier. This represented a further new high since Jan. 18, 1949 when it stood at $6.02. The current number shows a gain of 3.5% over the $5.74 recorded on the corresponding date of last year.

The index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

Commodity Price Index Breaks Through to New Peak

The mild upward trend in basic commodities continued in evidence the past week as the Dun & Bradstreet daily wholesale commodity price index reached a new peak for the past 16 months. The index finished at 263.73 on May 29, comparing with 262.22 a week previous, and with 243.00 on the corresponding date a year ago.

Grain markets continued to show strength and recorded further moderate advances particularly in the early part of the week.

Firmness in wheat reflected an improvement in flour sales at mid-week and a pick-up in mill demand for the bread cereal. Further progress was recorded in seeding and planting of crops in the American and Canadian Northwest, but indications pointed to a total acreage not as large as had been anticipated due to the lateness of the season. Export business in corn lagged but local demand was good and prices rose slightly for the week. Current offerings were easily absorbed as the movement from the country fell below trade expectations.

Oats were firmer, largely in sympathy with the trend in other markets. Trading in grain futures on the Chicago Board of Trade remained quite active, totaling 257,760 bushels for the week. This was equal to a daily average of 43,000,000 bushels, comparing with 44,500,000 bushels the previous week, and 28,000,000 bushels in the corresponding week of last year.

Trading in domestic flour markets was fairly active in the fore part of the week; demand was principally for hard wheat bakers' flours. Offerings of cocoa remained light, reflecting the tight statistical position as a result of smaller crops in the growing areas. Spot cocoa prices continued firm, while futures sold at new seasonal highs during the week.

Lard prices moved within a comparatively narrow range with closing prices up slightly from a week ago.

Early strength in hogs pushed values up to new high levels since last fall but the market worked lower in subsequent dealings, resulting in the first setback of the season.

The undertone in domestic cotton markets continued strong with prices moving steadily higher throughout the past week.

Sustaining factors were reports of good demand from mills in the South, continued buying against export business, and expectations that the mid-May parity price for cotton will show an advance over that of mid-April.

Trading in spot markets was moderately active. Sales volume in the 10 markets last week aggregated 111,100 bales, as compared with 128,400 bales the previous week, and 89,000 in the corresponding week a year ago.

Demand for cotton gray cloths was maintained with prices for several types of cloth showing further slight advances.

Loan repossessions on 1949-crop cotton totalled 83,300 bales in the week of May 18, bringing total redemptions for the season to 1,293,700 bales. CCC loan stocks together with 1948-crop pooled stocks as of May 18, amounted to approximately 5,500,000 bales.

Retail and Wholesale Dollar Volume Slightly Lower

The presence of adverse weather in many localities helped to decrease country-wide spending in the period ended on Wednesday of last week; the loss of a business day also contributed to the decline in consumer buying. Dollar volume, states Dun & Bradstreet, Inc., in its current summary of trade, was slightly below the level for the corresponding period of a year ago.

Shoppers' interest in apparel remained well below seasonal expectations last week; a predicted influx of late-spring buying had not as yet materialized.

Sportswear for both men and women was increasingly sought with swim suits and beach accessories especially popular.

There was a slight increase in retail food buying the past week. The dollar volume of meat and fish moderately exceeded last week's amount. The demand for fresh vegetables and fruit also rose somewhat. While canned goods were in somewhat less demand than the week preceding, dollar sales of frozen produce continued to increase.

While increased sales of household goods were registered in some sections this week, the aggregate dollar volume was very slightly below the level of a week earlier. Following widespread mark-down sales, the retail volume of television purchases generally decreasd. The demand for some large appliances continued to be high. There was a virtually unchanged interest in furniture, with case goods being increasingly sought. Picnic items were noticeably popular.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1% above to 3% below that of a year ago. Regional estimates varied from last year's levels by these percentages:

New England, East, and Northwest —1 to —5; South and Midwest +1 to —3; Southwest +1 to +5; and Pacific Coast +2 to —2.

With the Memorial Day holiday coming near the close of the week, wholesale ordering decreased slightly. The aggregate dollar volume was slightly below that for the similar week in 1949, as some businesses observed a four-day week-end. The total number of buyers attending many wholesale centers dipped sharply the past week and was somewhat below last year's level.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 27, 1950, advanced 3% from the like period of last year. A decrease of 2% was recorded in the previous week from that of a year ago. For the four weeks ended May 27, 1950, sales reflected a decline of 1% from the corresponding period a year ago, and for the year to date they show a drop of 3%.

With an increase in demand for seasonal merchandise, due to warmer weather, department store sales volume in New York last week rose about 2% above the similar week of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 27, 1950, dropped 5% from the like period last year. In the preceding week a decline of 5% (revised) was registered from the similar week of 1949. For the four weeks ended May 27, 1950, a decrease of 5% was reported from the like week of last year. For the year to date volume decreased by 6%.

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The Security I Like Best

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(Canadian Pacific Railway Common Stock)

Since the Canadian Pacific Railway System crosses the entire expanse of the Dominion of Canada, and since in addition to its rail operations Canadian Pacific has many varied and important other interests, a review of this outstanding enterprise would not be complete without at least a brief prelude as to the position of Canada itself.

Sidney R. Winters

In area, Canada totals over 3.5 million square miles and is the largest country in the world, excepting only the U.S.S.R. and China. In population, however, it is still a small nation with little more than 13.5 million people. Nevertheless, Canada is the world's largest producer of nickel, asbestos, platinum, radium and newsprint paper. She is the second largest producer of gold, zinc, cobalt, aluminum and hydro-electric power; ranks third in output of copper and silver, and is the fourth largest producer of lead. Iron ore is coming into greater prominence, and development of oil fields shows most interesting prospects of important production volume in the future. It is estimated that Canada imports 98% of its fuel requirements and in view of the large consumption of gasoline, etc. (second per capita only to U. S. consumption) the recent oil developments are of the greatest importance. In addition, the enormous grain fields of the Prairie Provinces and the fertile farming regions of the St. Lawrence Valley and the Atlantic provinces have given Canada a most prominent place among the agricultural countries of the world.

Financially, the Dominion of Canada has always been well-maintained and its record during the war and postwar years has been exemplary. All Canadian war costs were met internally. Furthermore, over half was obtained from taxes, the smaller portion coming from war loans. And, unlike most other nations, Canada's debt has been reduced since the end of the war.

With such a favorable background, and vast areas for further expansion, it would seem reasonable to anticipate a most satisfactory future for the Dominion of Canada. It likewise seems reasonable to assume that the fortunes of the Canadian Pacific Railway System will closely follow the overall Canadian trend.

The Canadian Pacific Railway Company operates one of the two large railroad systems in Canada, the second system being the government-owned Canadian National System. Extending over 17,000 miles, the Canadian Pacific lines cross the entire expanse of Canada from Halifax, N. S., and St. John, N.B., on the Atlantic, to Vancouver and Victoria, B. C., on the Pacific. Service is rendered to all the important cities in eastern and lower Canada, the western grain provinces, and the northwestern timberlands. The company's line from Montreal and Toronto runs directly into Detroit in the United States. Additionally, there are over 35 interchange points with various United States lines. In the United States, Canadian Pacific controls the "Soo Line," the Duluth South Shore and Atlantic, and the Mineral Range Railroad.

Canadian Pacific supplements its railroad activities by operating steamships in ocean service to Europe, coastal service on the west coast, and inland lake and river services. At the close of 1949 11 ocean going steamships, with a combined tonnage of 156,801 tons were in service. Some 20 coastal steamships, with gross tonnage of 57,159 and 11 inland steamships of 12,189 tonnage were also in service.

The company is also engaged in many other activities. It operates its own sleeper and parlor car lines, operates grain elevators, provides news, telegraph and express service, and owns and operates a chain of hotels located in the principal cities and resorts of Canada. A wholly-owned subsidiary, Canadian Air Lines, Ltd., operates air freight and passenger service in Canada and to Australia and the Orient.

The 51.36% owned Consolidated Mining and Smelting Co. is an important producer of lead, zinc and other metals. It might be noted that the current market valuation for the latter holding is in excess of $148,000,000, while income received therefrom totaled almost $16 million last year.

Having originally been granted a land subsidy of 25 million acres, the Canadian Pacific still holds 1,627,145 acres, mostly of agricultural land in Western Canada, besides lumber mills, coal and timber properties, royalty rights for coal, natural gas and petroleum, and miscellaneous properties. The company also holds petroleum rights on 11,229,762 acres, of which 35,880 acres are under lease to oil companies and the balance are under reservation for exploration. Rents, royalties and reservation fees have already produced an income of $1.7 million for the company in 1949.

With regard to the railway operation itself, it might be noted that in 1949 some 80% of gross revenues was derived from freight, while passenger traffic accounted for 10%, the balance coming from miscellaneous sources. The company normally originates about 77% of traffic handled. In addition to wheat and other grain products, important commodities handled include coal, copper and other ores and concentrates, lumber, newsprint and a number of other diversified manufactured products.

When considering net results, other income is an important factor, having totaled some $23,636,653 (net of taxes) in 1949. This is made up of dividends and interest on security holdings as well as the results of separately operated properties, and the earnings of the steamship lines, telegraph, news and communications departments, hotels, rentals, etc.

Capitalization at the close of 1949, giving effect to the recent sale of $20 million of new debentures, consisted of the following:

Funded Debt ____$394,811,229
4% Non-Cum. Pfd. 137,256,921
Ordinary ($25 Par) 13,400,000 shs.

It should be noted that the figure for funded debt includes $295,438,229 of 4% Perpetual Debenture stock and $65,848,000 of equipment obligations. Additionally there are outstanding lease rentals, included as charges, which currently require approximately $2,317,000 per annum. Total charges amounted to $14,543,817 during 1949.

Finances have been characteristically maintained on a most satisfactory basis. At the close of 1949, current assets, including cash items of $56,524,600, totaled $134,376,000, as compared with total current liabilities of only $45,093,000. In this connection it should be emphasized that from the close of 1936 through the end of 1949, working capital was increased by $39,000,000 despite the fact that during the same period more than $127,000,000 of debt was retired. Also not to be overlooked are over $46,500,000 Maintenance, Insurance and Steamship Replacement funds.

Since it was organized in 1881, Canadian Pacific has always covered its fixed charges. Thus, while there have been a number of years in which there were no earnings available for the ordinary shares, and no dividends were paid, still there has never been a threat to the position of the shares as owners of the equity. Furthermore, since the preference shares are non-cumulative, those periods in which no preference dividends were paid did not result in a deterioration of the ordinary share position.

With total assets carried on the 1949 year-end balance sheet at over $1,248,000,000 (after depreciation reserves of over $464,871,000), and senior securities totaling some $512,068,000 exclusive of rentals and guarantees, it is evident that there still exists a great degree of leverage on the 13,400,000 shares outstanding. Thus, any worthwhile gain in earnings will be magnified when applied to the equity.

Canadian Pacific received an important windfall when the devaluation of the British pound took place. Since of the $295,438,229 of Perpetual Debenture Stock some $230.4 million is payable in sterling, and the $137.2 million of preferred is also payable in sterling, the company in effect has a book profit of some $135 million on these items. The simultaneous devaluation of the Canadian dollar had only a nominal negative effect of around $12 million, so the net gain, in effect, was around $123 million. Interest and preferred dividend requirements were likewise reduced by about $1.5 million by the devaluation. While the savings in obligations may more or less be theoretical, unless the company should decide to purchase some of these for retirement, the savings of interest and dividend requirements is actual.

No dividends were paid on the ordinary shares from 1932 through 1943. In reflection of the improved fundamental position, and prospect, the conservative management resumed dividends with distributions totaling $1.00 per share (Canadian) in 1944. In 1945 this was increased to $1.25, which rate has since been maintained. Of course, it must be kept in mind that Canadian currency now stands at a discount of about 10% in relation to the United States dollar. Thus, payment of $1.25 in Canadian funds is, in effect, $1.13 in United States currency under present conditions. Even so, the return at current levels, around 15½, would still be over 7%. Canada imposes a 15% withholding tax on dividends paid out of the country, but this may be used as a credit against taxes by U. S. citizens. Actually, therefore, the withholding tax has no effect.

There is presented herewith a tabulation of earnings figures for the years 1935 through 1949:

Year	Railway Operating Revenue	Net Railway Operating Income	Fixed Charges	Other Income (Net)	Net Income	*Earn. per Ordinary Share
1949	$363,252,094	$20,631,969	$14,543,817	$23,636,653	$29,724,805	$1.93
1948	355,249,702	18,419,166	15,890,264	24,864,949	27,393,851	1.70
1947	318,585,919	22,892,189	15,787,174	24,788,927	31,893,942	2.04
1946	292,495,828	20,843,050	18,488,113	22,779,794	25,134,731	1.54
1945	316,109,358	36,054,334	19,547,129	15,106,957	31,614,162	1.98
1944	318,871,034	43,159,664	20,831,149	12,371,315	34,699,830	2.21
1943	297,107,791	49,211,567	22,499,600	16,270,751	42,982,718	2.83
1942	256,864,091	48,187,689	23,694,456	15,861,034	40,354,267	2.64
1941	221,446,053	45,957,536	24,978,163	13,382,059	34,361,432	2.19
1940	170,964,897	35,639,438	26,186,545	10,692,163	20,145,056	1.13
1939	151,280,700	28,523,819	25,506,523	6,764,851	9,782,148	0.32
1938	142,258,981	20,752,466	26,853,757	7,363,673	1,262,382	d0.32
1937	145,085,558	23,742,247	25,909,674	11,629,711	9,462,284	0.30
1936	138,562,763	23,311,111	23,913,298	6,631,371	6,029,184	0.04
1935	129,678,905	22,397,524	24,159,938	4,594,498	2,832,084	d0.20

*After preference dividend requirements. d Deficit.
NOTE—All figures reported in Canadian currency.

Earnings thus far in 1950 have shown good progress. For the first four months net earnings of the railroad alone, before fixed charges, rose sharply to $3,302,000 from the $1,623,000 earned in the like 1949 period. When it is realized that freight rates were increased by 8% on Oct. 11, 1949, another 8% on March 23, 1950, and another 4% on May 25, 1950, it is apparent that later results should continue the fine showing. Over the longer term, further industrial growth of the country should find continued reflection in favorable results for the company. During 1949 alone some 590 new manufacturing, warehousing and distributing enterprises were located on or adjacent to the road's lines. The potential of oil can hardly be over-emphasized, and while development in this connection is of both a prospective and long range nature, one's imagination cannot but be impressed with the possibilities extant in the ownership of these mineral rights on over 11 million acres.

Vincent M. Doherty Is With Emerson & Co.

Vincent M. Doherty

MIAMI, Fla. — Vincent M. Doherty has become associated with Emerson & Co. of San Antonio. He was formerly with Frank D. Newman & Co. and Leedy, Wheeler & Alleman. In the past he conducted his own investment business in Florida.

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The Near-Term Business Outlook

prices, the effect being to offset in good part the weak fourth quarter. For the whole second half, I expect dollar outlays to be roughly 10% below those made during the final half of 1949. This is, of course, the basis to use in estimating the private residential construction component of GNP.

A few observations with respect to longer-range prospects may be useful.

How many housing units do we need and how many will we build in the neighborhood of going prices? I can only say humbly that I don't see how this sort of thing can go on indefinitely. When will the long-term trend reclaim its own, and what is the long-term trend? I have seen many interesting speculations, and so have you. Professor Sumner Slichter of Harvard recently estimated an annual basic need for 800,000 units a year (200,000 for replacement, 600,000 new), but doubted if we would work back to that level immediately. Dr. Clague, stressing the deficits of the depression and war periods, argues that new dwelling units started each year will have to exceed a million for several years to wipe out the backlog as well as to provide for population increase and effective demand. Others, however, in considerable number, using data on vacancies, the decline in family formation, the declining number and urgency of home-seeking advertisements, etc., are flatly skeptical over whether so-called backlogs have any independent quantitative validity at all, and attribute the life of the present boom to unhealthy forcing by the Government. It has been suggested by Miles Colean that from 40% to 50% of this year's volume will be due to the influence of Federal programs—FHA, FNMA, VA and PHA. Indeed, some high officials have rather candidly backed the President's recent middle-income housing program as necessary principally to offset the expected decline in business investment. There is no agreement, and none should be pretended. Fortunately, we do not need to resolve the problem here.

Expansion and Replacement of Industrial Equipment

I turn now to producers' durable goods. We are getting rid of the tough ones first, and then, I hope, we can coast a bit.

This is usually the touchiest item in the list. For almost two years declines have been predicted. There was a downward trend in 1949, but not on the scale forecast. Almost everywhere there has been an expectancy that postwar expansion and replacement of industrial equipment would surely soon run its course and leave a dangerous void. The Council of Economic Advisers has repeatedly contended that business was not expanding enough to absorb current and prospective additions to the labor force.

Fortunately for my own peace of mind, I have always been stubborn about this item. Many of the big expansion programs *have* been completed (although some are now being resumed), but somewhere management is still spending. It may be that an antidote is still being sought for high labor costs in the form of more efficient equipment, or that the outfitting of our ever expanding labor force with improved tools in the American tradition will go on without early interruption. And where expansion has faded, replacement and modernization still goes on. Really, the record is not bad. The drop from the sharp 1948 peak, to the 1949 low was (at an annual rate) less than $3 billion, or around 15%, and a fifth of even that ground was recovered in the first quarter of 1950. There is evidence, nonetheless, that investments in plant and equipment together during the first half of this year will be about 8% below those of the same period last year —which adjusted to the distinctive action of equipment alone, might mean an outcome in the first half less than a billion below the good first half of last year.

What of the rest of the year? The Department of Commerce and the SEC jointly and regularly poll business expectations in this strategic field. Their last (which incidentally succeeded an earlier expectation of a 13% decline) finding was that planned business outlays would be about 11% lower in 1950 than in 1949, and lower in the second half than the first, after the customary seasonal and bookkeeping adjustments. It is now highly questionable that the slide will run even that far, and some bold souls are betting that no ground of importance will be yielded at all. Incidentally, these surveys of advance intentions have often undershot the mark a bit, it so happens, although that does not prove that they always will. Anyway the belligerent optimist who opened this discussion for me spoke of the upward turn in the demand for machine tools, a relatively poor performer since the war's end. Some large manufacturers have acknowledged that expansion plans thought to be completed have had to be reopened again. Orders for paperboard are high, those for gears rising; both products are used widely. Members of the Machinery and Allied Products Institute, during a recent convention, exuded more optimism than they had displayed in a good while, even reporting an upward move in prices. Of interest, there is usually a three-months lag from the time machines are started until they are delivered and paid for. So dollar figures at least should be up in the next quarter. The plague of major strikes afflicting the country last winter may also have pushed some of the then current demand forward into the second half of the year. There will be some setbacks of course. The decline in farm income will doubtless depress the demand for farm equipment.

More fundamentally, the same question lies in wait here as for housing. Is there such a thing as a long-run trend tending to pull current movements toward it, and if so what is it? Here again the evidence is mixed. Dr. George Terborgh, Research Director of the Machinery and Allied Products Institute, estimated last January that in relation to an historic upward movement of nearly 3% a year over 30 years prior to the great depression, equipment expenditures were still, after a considerable decline from 1948, about 20% above what might be expected. By another technique, the Department of Commerce confirmed the current position as lying above the trend line, but by only 5-10%. Terborgh recognized the theoretical existence of a depression and wartime backlog, but saw no reason to expect full compensation. He also concluded that the present stock of capital equipment was about "normal," but did concede that prospects were favored in the immediate situation by an extraordinary lag in equipment prices behind hourly labor costs. An hour's labor now costs, by his calculation, about 130% more than in 1939, while equipment prices have advanced only by half as much. Moreover, most of the present stock still consists of prewar models.

Reasoning along different lines, Professor Slichter has also computed that equipment sales have been running above "normal," in relation to past rates of investment. He stresses, however, that capital per worker is still 5% less than in 1929, in the face of a long-run record of increase in that category. His conclusion is somewhat ambidextrous, namely that the catch-up need not be immediate, and yet that even should the expenditures trend (his first test) eventually sink back to normal, it could still reverse its 1948-49 trend for a while before doing so. Dr. Viet Bassie, Director of Economic and Business Research, University of Illinois, has said more simply that the normal response of corporate investment to present prosperous conditions would call for a slight increase rather than continued decline—although his comment is meant to cover only short-term prospects.

So whether on the basis of spot news, or complex trend analysis, or empirical reasoning, there are grounds for holding that even in this traditional worry area, the immediate prospects are not too bad. Whether the somewhat tenuous reasoning followed here will hold good for seven whole months would simply involve more of it without new evidence. For reasons already given, my chronic fault when thinking of equipment is to guess on the bold side, and that guess is now that, reversing last year's performance, the seasonally adjusted second half figure will not be below that for the first half but from 5% to 10% above it, with the sharpest increases occurring in the automobile industry.

Inventories

Inventories come next. The retreat in this area last year was stiff, and accounted for most of our appearance of weakness. Despite all our watchfulness, and the wealth of statistics massed against this particular hazard, it gets away from us. In late 1948 the official Commerce preliminary returns — returns, not forecasts—undershot the actual rate of accumulation by 50%.

Full details for the first quarter of 1950 are still not available, but the preliminary estimate is that inventories turned up again at the rate of $1.7 billion a year. So to make an equivalent contribution to general activity over the rest of the year they would have to continue that pace. This they may well do. A considerably higher rate of accumulation is possible but paradoxically, while helping business; it might be signalling a business decline—meaning that it would keep factories and employment running a little longer only to build up unwanted stocks.

A proper analysis of prospects for net foreign investment involves too many considerations for treatment here. The net effects of any probable changes will probably be too small to be worth it.

The principle is simple. Any excess of exports over imports on private account (foreign aid and subsidy programs are treated under government account) tends to bolster short-term demand. For a creditor nation with most of the world's wealth already in its possession such a process cannot be continued indefinitely without eviscerating our friends and customers, with scarcely less unhappy secondary consequences to ourselves. But that is long-term and, therefore, for this morning's purposes, irrelevant philosophy.

The most relevant consideration is that our net foreign private balance has been declining from an already modest point of $1.2 billion (2nd quarter of 1949, annual rate) to minus $2 billion last quarter. A mere commentary is that three years ago the same item registered at $10.2 billion; we have lost the surplus, very fortunately for ourselves and the world, and our economy still seems to be doing very well (perhaps it should be added, with the help of government foreign aid expenditures among other considerations, and at the cost of rising competition with some domestic industries). The reasons for the change are numerous, and lie mostly in changed conditions abroad—European recovery, rising production, devaluation of currencies, restriction of imports by countries with balance of payment problems, withdrawal of gold and dollars for the strengthening of currency reserves, etc.

The simple guess being made here is that the downward movement has spent itself for the time being, and the sharp $2 billion deficit recorded in the first quarter will plane off at this level.

Federal Spending

The time has come for discussion of the second big component of GNP government expenditures for goods and services. A warning is first in order. The government segment of GNP does not account for all government spending. Veterans' payments, social security and relief outlays, interest on debts of the various governments, for example, all move directly into the disposable income of individuals, and their effect is appraised in the effort to guess prospective private spending for consumption and investment goods. Also, we are not concerned here with deficits as such. They are of tremendous importance to government housekeeping and to long-run prospects for the economy, but their short-run effect is measured under the headings we are using here.

Federal outlays for goods and services have held rather steady during the past year, averaging a little over $25 billion, at annual rates.

During the first quarter of this year they fell off a couple of billion, but I am afraid that was only a lull. The trend is still slightly upward. Marshall Plan appropriations are declining according to plan, although there will be some carryover into fiscal 1951 from fiscal 1950 funds. You are only too well aware that defense commitments are rising, both for ourselves and Europe. State and local expenses have risen almost methodically, reflecting in good part serious postwar arrearages in public works. We must assume some continuation in that rise. It is probably moderate to allow, as I am doing now, for only a $45.5 billion total for both categories in the second half of 1950. We were within one and one-half billion of that figure in the second quarter of last year.

Consumer Expenditure

Finally, we must consider consumers' expenditures. This is a very big matter we are talking about now. Through the vicissitudes of 1949 consumer expenditures held steady as a rock, opening at $178.7 billion and closing at $179.4 billion. Their strength stood out against the downward pull of adverse factors — most notably, inventory decumulation, as we have seen. And in the first quarter of 1950 they jumped to $183 billion.

Their magnitude will always and obviously be determined by two x's — consumer's ability and willingness to buy. The phrase is not merely rhetorical. Each must be separately tested. The professional jargon for them is (1) the level of disposable income, and (2) the average propensity to consume.

Now it would seem no great trick to determine how much money people will have to spend. At first blush that would appear to be settled for them by the general level of activity. But don't forget those "transfer payments" that I avoided discussing under the heading of government spending. Some of them are correlated with changes in business. But quite a variety is in these times "transferred" from the government to individuals (or vice versa) without direct relationship to either the state of he Union or their own immediate efforts. The nature of these we shall see.

Including insurance refunds to veterans, personal incomes in the first quarter hit a new peak at nearly $220 billion. As compared with the same period in 1949, tax collections of year-end settlements on the previous year's liabilities were considerably smaller but this drop was approximately offset by a reduction in refunds, so disposable income, the figure that matters, also remained very high. Now, looking ahead again, we have to prepare ourselves for losses. Most conspicuously, we lose the veterans' insurance premium refunds—an $8 billion clip at annual rates from the first quarter level. Unemployment insurance benefits should decline somewhat in relation to employer and employee contributions. Some of this ground will be regained through moderate increases in wage outlays (in the durable goods industries principally) and in dividend payments. And there cannot be a net rise in the specific sectors we have been discussing—construction, equipment, government purchases—without a spill-over into the incomes of people—with a further jump therein occurring insofar as the additional income is spent on consumers' goods. We call that a multiplying factor. That net rise incidentally comes to about $2.5 billion, which might add close to that amount to consumers' funds. But a sure-fire $8 billion set-back in even this mammoth category is a lot to overcome; and since this too has a multiplying effect, the result would be to reduce consumer spending and thus total activity, assuming that the proportion of disposable income used to buy consumers' goods does not change.

Nevertheless, the total supply of money flowing into people's hands over this six-months' period will be high, and in the end our fate rests to a considerable extent on what they decide to do with it—a decision that, as the preceding paragraph suggests, will in turn help to determine over time the final height of the money flow. Understandably, we call the enigma the consumer spending ratio. During the last half of last year it was running between .94 and .95 which is high. In the first quarter of this year it fell off abruptly to .91 (which implies a terrific drop in the marginal rate, i.e., the rate of spending *additional* money). The obvious explanation at least is that the veterans haven't spent all of their windfall, or have invested it in housing or in their own businesses where it showed up as domestic investment rather than in consumption and has already been counted. To the extent that they are still holding on to it and can't stand the heat much longer, the spending ratio of the next few months is going to be lifted.

There is another troublesome factor here, however. For analytical purposes, the effect of rising consumer debt, on which we have been luxuriating over the past few years, is to hoist the spending ratio. Even if people borrow for cars, stoves, refrigerators, etc., at the same rate as heretofore we *gain* nothing. They have to do as much of that as in the past for the economy merely to stay even with the past—insofar as this factor in isolation is concerned. And I don't think they can do it, and I am not even allowing for the year-end slip in automobile sales that I suspect will happen. Because, gentlemen, the piper has arrived on the scene. As new income is impounded for the service, reduction, and liquidation of *old* debt, *the margin between new credit extension* and *repayment* seems likely to undergo a continuing shrinkage—with a dampening influence on business activity.

There are, of course, other factors. But consider only these three —a spending ratio abnormally low at the moment, for these times during the first quarter; an upward pull from both the disappearance of ready money from veterans' refunds and belated spending of that money; a downward pull from the probable shrinkage in net credit extension. And a note should be made of growing commitments for "institutionalized" saving, with which you yourselves are so familiar and to which you are so important. Those savings must largely come out of the market. The net thrust among these four pressures is difficult to measure. I am satisfied that it will be in the direction of a recovery of the spending rate, but not that it will climb all the way back from .91 to .94. Suppose we split the difference, i.e., settle for .925. It may seem silly to be juggling all these fractions, but we committed ourselves to attempt a forecast, we are dealing with enormous sums here, and a change of a single point can exert a marked effect upon the market. But why elaborate before this audience of all audiences? No one knows better than you the terrific effect of a 1% change in market yields. If we do settle for a 1½-point increase in our present case, i.e., in the spending ratio, and make allowances for its impact upon the system (and thus upon disposable income itself), we shall find that its effect, in conjunction with that arising from the other primary increases in spending, is to place disposable income not much below the first quarter annual rate and to leave consumers' expenditures about the same—perhaps up a billion or so. Incidentally, I have not tried to make any allowance for a reduction in excise taxes.

All forces in the economy are continually interacting, nothing can be measured by itself and without regard to its effect on action elsewhere, so this wind-up is crude. But, it is close enough, and refinement within my ability to undertake would be small percentagewise. What is close enough, barring a malevolent turn of fortune, is that the second half of 1950, on the whole, should be better than even the first quarter (which sported a $264 billion annual rate) and may approximate the whole first half, which will include a second quarter now threatening to top $270 billion. At this moment (May 31) we may be standing on an all-time peacetime peak.

I said, on the whole. What we have done in part is to guess at the momentum and duration of most enterprises already in motion—in construction and equipment particularly. Let us not mistake it for a trend line. Somewhere within the second half a reversal of the upward movement may take place. Forces are gathering for a decline while the indexes are still rising. And if the turning point does not come late this year, I believe that it will during 1951. This is, of course, commonplace and proper. It betokens adjustments—adjustments indispensable to a fluid and basically progressive economy—assuming that they are not too drastic. The mixed private and public obligation to prevent such adjustments from getting out of hand is complex but serious. For such comfort as may be, I think that really disastrous breakdowns are now within our collective power to avoid, even though I dread the mistakes that we will make in the process of improving our skill.

Addison P. Moore Joins Paine, Webber on Coast

BEVERLY HILLS, Calif.—Addison P. Moore is now associated with Paine, Webber, Jackson & Curtis at their Beverly Hills office, 364 North Camden Drive, as a registered representative. He was formerly West Coast representative of the Parker Corp. of Boston.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 11	101.3	101.5	100.1	83.1
Equivalent to—					
Steel ingots and castings (net tons)	June 11	1,931,000	1,934,900	1,908,200	1,642,600
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 27	5,118,000	5,117,250	5,013,950	4,951,000
Crude runs to stills — daily average (bbls.)	May 27	¶5,591,000	5,477,000	5,314,000	5,297,000
Gasoline output (bbls.)	May 27	18,704,000	18,580,000	18,038,000	18,324,000
Kerosene output (bbls.)	May 27	2,327,000	2,140,000	2,029,000	1,550,000
Gas, oil, and distillate fuel oil output (bbls.)	May 27	7,201,000	7,068,000	6,531,000	5,943,000
Residual fuel oil output (bbls.)	May 27	7,421,000	7,435,000	7,272,000	8,144,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 27	122,757,000	124,669,000	128,655,000	120,661,000
Kerosene (bbls.) at	May 27	16,075,000	14,648,000	12,825,000	20,953,000
Gas, oil, and distillate fuel oil (bbls.) at	May 27	40,607,000	39,432,000	36,686,000	55,971,000
Residual fuel oil (bbls.) at	May 27	39,308,000	39,330,000	39,260,000	63,168,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 27	780,959	743,307	745,350	784,824
Revenue freight received from connections (number of cars)	May 27	676,532	655,938	658,657	615,440
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 1	$206,467,000	$291,190,000	$250,591,000	$123,055,000
Private construction	June 1	100,340,000	159,839,000	140,944,000	46,779,000
Public construction	June 1	106,127,000	131,351,000	109,647,000	76,276,000
State and municipal	June 1	95,493,000	63,579,000	79,032,000	66,170,000
Federal	June 1	10,634,000	67,772,000	30,615,000	10,106,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 27	10,200,000	*9,610,000	11,115,000	11,369,000
Pennsylvania anthracite (tons)	May 27	1,042,000	979,000	993,000	1,179,000
Beehive coke (tons)	May 27	94,500	*106,100	128,300	121,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 27	283	275	235	275
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 3	5,631,934	5,893,732	5,871,684	5,018,270
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 1	168	214	199	165
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 30	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	May 30	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	May 30	$37.25	$34.17	$31.08	$21.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 31	20.200c	20.200c	19.200c	17.325c
Export refinery at	May 31	20.425c	20.425c	19.425c	17.550c
Straits tin (New York) at	May 31	78.125c	78.750c	77.000c	103.000c
Lead (New York) at	May 31	12.000c	12.000c	11.000c	12.000c
Lead (St. Louis) at	May 31	11.800c	11.800c	10.800c	11.850c
Zinc (East St. Louis) at	May 31	13.000c	12.500c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 6	102.52	102.56	102.67	101.60
Average corporate	June 6	115.63	115.82	116.02	113.12
Aaa	June 6	120.63	120.63	121.04	118.60
Aa	June 6	119.20	119.20	119.41	117.40
A	June 6	115.24	115.43	115.63	112.37
Baa	June 6	108.34	108.34	108.70	104.83
Railroad Group	June 6	110.70	110.70	111.25	107.98
Public Utilities Group	June 6	116.80	116.80	117.00	114.27
Industrials Group	June 6	120.02	120.02	120.02	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 6	2.31	2.31	2.30	2.38
Average corporate	June 6	2.87	2.86	2.85	3.00
Aaa	June 6	2.62	2.62	2.60	2.72
Aa	June 6	2.69	2.69	2.68	2.78
A	June 6	2.89	2.88	2.87	3.04
Baa	June 6	3.26	3.26	3.24	3.46
Railroad Group	June 6	3.13	3.13	3.10	3.28
Public Utilities Group	June 6	2.81	2.81	2.80	2.94
Industrials Group	June 6	2.65	2.65	2.65	2.78
MOODY'S COMMODITY INDEX	June 6	400.2	390.9	373.3	339.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 27	187,300	193,546	200,061	149,534
Production (tons)	May 27	209,350	209,234	208,056	157,613
Percentage of activity	May 27	93	92	92	77
Unfilled orders (tons) at	May 27	333,436	358,627	343,709	238,745
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 2	120.6	120.6	120.6	129.4
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 20	29,697	29,282	38,747	17,682
Number of shares—Customers' total sales	May 20	918,137	895,211	1,232,325	503,806
Dollar value	May 20	$39,906,201	$38,005,059	$45,303,898	$20,229,968
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 20	35,199	33,832	44,098	18,698
Customers' short sales	May 20	189	172	279	141
Customers' other sales	May 20	35,010	33,660	44,098	18,557
Number of shares—Customers' total sales	May 20	983,165	952,605	1,307,897	504,287
Customers' short sales	May 20	7,179	6,118	10,104	5,410
Customers' other sales	May 20	975,986	946,487	1,297,793	498,877
Dollar value	May 20	$37,448,207	$36,162,276	$44,267,867	$17,992,606
Round-lot sales by dealers—					
Number of shares—Total sales	May 20	339,310	319,910	447,650	198,090
Short sales	May 20	------	------	------	------
Other sales	May 20	339,310	319,910	447,650	198,090
Round-lot purchases by dealers—					
Number of shares	May 20	277,160	258,740	329,450	167,920
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 30	156.8	156.1	154.5	156.2
Farm products	May 30	167.5	165.3	162.7	173.1
Grains	May 30	171.9	170.9	172.5	149.9
Livestock	May 30	229.4	220.3	209.8	224.3
Foods	May 30	161.5	160.7	158.8	165.8
Meats	May 30	238.7	234.3	229.2	239.3
All commodities other than farm and foods	May 30	147.6	147.6	146.7	146.0
Textile products	May 30	135.6	135.6	135.4	138.8
Fuel and lighting materials	May 30	132.9	132.8	132.1	130.0
Metals and metal products	May 30	171.3	171.0	169.6	167.6
Building materials	May 30	199.3	198.5	194.5	192.0
Chemicals and allied products	May 30	116.1	116.2	116.7	118.3

*Revised figures. ¶Includes 483,000 barrels of foreign crude runs.
*Revised figures. ¶Includes 439,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (bbls. of 42-gallons each)	165,799,000	152,681,000	174,738,000
Domestic crude oil output (bbls.)	151,213,000	139,073,000	161,955,000
Natural gasoline output (bbls.)	14,569,000	*13,587,000	12,772,000
Benzol output (bbls.)	17,000	21,000	11,000
Crude oil imports (bbls.)	14,482,000	11,499,000	11,085,000
Refined products imports (bbls.)	12,332,000	7,663,000	5,107,000
Indicated consumption—domestic and export (bbls.)	216,492,000	189,482,000	190,375,000
Decrease—all stocks (bbls.)	23,879,000	*17,639,000	‡‡17,900
COKE (BUREAU OF MINES)—Month of Apr.:			
Production (net tons)	6,076,045	5,226,489	6,399,882
Oven coke (net tons)	5,662,620	4,978,608	5,706,570
Beehive coke (net tons)	413,425	247,881	639,312
Oven coke stocks at end of month (net tons)	700,164	549,897	1,473,537
COPPER INSTITUTE—For month of April:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	84,186	*90,335	91,589
Refined (tons of 2,000 lbs.)	103,293	113,440	93,873
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	101,729	123,030	76,134
Refined copper stocks at end of period (tons of 2,000 lbs.)	57,028	60,276	76,494
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of March (000's omitted)	22,564,518	22,203,216	20,893,363
Revenue from ultimate customers—month of March	$414,263,200	$416,129,500	$382,028,100
Number of ultimate customers at March 31	43,289,188	43,145,025	41,174,442
METAL PRICES (E. & M. J. QUOTATIONS)—Average for Month of June:			
Copper (per pound)—			
Electrolytic domestic refinery	19.609c	18.640c	17.763c
Electrolytic export refinery	19.876c	18.825c	18.019c
Lead (per pound)—			
Common, New York	11.721c	10.630c	13.720c
Common, St. Louis	11.521c	10.428c	13.562c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	72.614c	71.750c	71.500c
Silver, London (pence per ounce)	63.409d	63.000d	43.500d
Sterling Exchange (Check)	$2.79750	$2.79750	$4.02690
Zinc (per pound)—East St. Louis	11.973c	10.664c	11.880c
Tin (per pound)—			
New York Straits	77.495c	76.430c	$1.03000
New York, 99% min. (§§)	76.495c	75.430c	$1.02000
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$70.346	$71.000	$82.200
¶Antimony (per pound), (E. & M. J.)	27.780c	27.780c	41.730c
Antimony (per pound), bulk, Laredo	24.500c	24.500c	38.500c
Antimony (per pound), in cases, Laredo	25.000c	25.000c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$66.000	$66.000	$72.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.07500
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$1.80000	$1.80000	Not avail.
Aluminum, 99% plus, ingot (per pound)	17.192c	17.000c	17.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of February (in billions):			
Total personal income	219.1	*218.1	211.3
Wage and salary receipts, total	133.5	*133.7	134.0
Total employer disbursements	138.2	*136.5	136.3
Commodity producing industries	56.5	*57.1	59.4
Distributive industries	40.1	*40.1	39.5
Service industries	17.8	*17.6	17.0
Government	21.8	*21.7	20.4
Less employee conrtibutions for social insurance	2.7	2.8	2.3
Other labor income	2.2	2.2	2.1
Proprietors' and rental income	43.9	*46.5	46.6
Personal interest income and dividends	17.4	17.4	17.0
Total transfer payments	22.1	*18.3	11.6
Total nonagricultural income	202.8	*198.7	191.0
PORTLAND CEMENT (BUREAU OF MINES)—Month of April:			
Production (bbls.)	18,088,000	14,238,000	17,682,000
Shipment from mills (bbls.)	18,375,000	14,613,000	17,779,000
Stocks (at end of month) (bbls.)	22,918,000	*23,205,000	22,977,000
Capacity used	85%	66%	85%
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE August, 1909-July, 1914=100—As of Feb. 15:			
Unadjusted—			
All farm products	237	235	255
Crops	215	219	234
Food grain	219	218	223
Feed grain and hay	171	170	171
Tobacco	389	382	404
Cotton	231	222	245
Fruit	186	185	193
Truck crops	203	261	267
Oil-bearing crops	223	228	262
Livestock and products	257	249	275
Meat animals	306	286	309
Dairy products	250	254	265
Poultry and eggs	155	158	216
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of April:			
Total operating revenues	$713,820,097	$743,325,733	$747,280,365
Total operating expenses	562,625,236	574,408,276	594,279,367
Operating ratio—per cent	78.82%	77.28%	79.53%
Taxes	$74,145,684	$79,801,441	$75,091,946
Net railway operating income before charges	62,216,877	75,706,315	64,473,901
Net income after charges (est.)	38,000,000	51,000,000	40,000,000
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of March:			
Production (M square ft., ⅜-in. equivalent)	235,291	*177,577	*179,336
Shipments and consumption (M square ft., ⅜-in. equivalent)	237,000	*177,905	*182,343
Stocks (M square ft., ⅜-in. equivalent) at end of month)	53,361	*55,322	*82,938
Consumption of logs (M ft. log scale)	100,398	*79,715	*84,553
Stocks (M ft. log scale) at end of Month	107,284	*143,151	*221,268
ZINC OXIDE (BUREAU OF MINES)—Month of March:			
Production (short tons)	20,680	*17,985	Not avail.
Shipments (short tons)	16,608	*16,833	Not avail.
Stocks at end of month (short tons)	14,506	*10,434	Not avail.

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Increase—all stocks.

Continued from first page

Perils of Chronic Deficit Financing

This is a sound rule. It is a rule that applies to us as individuals, as corporations, even as local and state governments. In fact, until our national leaders succumbed to the seductive theories of John Maynard Keynes in the early 30's our national government itself subscribed to the soundness of this principle.

Nor did the ordeal of a great national emergency constitute in the past an acceptable excuse for failure to abide by this basic rule. As soon as the last shot had been fired in the Civil War, our government resolutely set its face to the task of balancing the budget and accumulating each year a surplus with which to reduce the public debt. So successfully was this program followed that by the end of the 70's the per capita national debt had been reduced 44%.

Similarly, in the decade after the First World War, our national leaders prided themselves on their success in living within their tax income and providing each year a margin which could be applied to the public debt. Again, within a matter of a decade, the public debt was cut, on a per capita basis, approximately 46.6%.

It should be noted that on both these occasions the application of this basic rule of prudent finance by the government was entirely compatible with national prosperity, industrial expansion, increased employment, and rising living standards.

Continuous Government Deficits

By contrast, our Federal Government during the last twenty years has been in the red eighteen times. In only two years during the postwar period of flush prosperity was there a surplus available for a reduction in the public debt. Even this was largely fortuitous, being the result of a successful loan at the end of the war which left our Treasury in possession of sufficient funds to cut the total of the national debt.

It is rather shocking to know that in the current period—a period during which the country is enjoying unprecedented peacetime prosperity, in which the government has a total tax revenue almost as great as the national income in 1932, at a time when employment is high and business prosperous — Uncle Sam nevertheless finds it impossible to live within his means. Furthermore, the Chief Executive on several official occasions has gone out of his way to point out that there are other matters in the political firmament more important than a balanced budget.

How can we explain this departure by Uncle Sam from the horse-sense rule of finance which governs our private and corporate conduct? It is due largely to the discovery of a new technique of inflation and the exposition of a novel theory of public finance which has seized the minds and the imaginations of many public officials and top level scholars.

In the past whenever a government lived beyond its means, it was forced to confess the fact in ways which clearly reflected its responsibility for inflation. This, of course, was poltically embarrassing. The government that printed paper money with which to meet its bills found itself subject to the immediate criticism of the gold market. Citizens, knowing that the continued emission of paper currency would undermine its integrity and value, proceeded to redeem it in gold. This rush for the greater security of gold invariably led to the early abandonment of the gold standard and to a rising premium on gold in the free markets of the country. Thus, the action of gold and the appearance of distinctive new issues of currency, such as the Greenback, constituted an undeniable confession of failure on the part of the government.

Inflation Effects of Deficit Financing

This situation contrasts sharply with the present. The government, knowing well what the effects of deficit financing would be, proceeded to call in all the outstanding gold in order to prevent its citizens from taking the obvious step of conversion to protect their interests. By so doing the government in fact not only welshed on its obligations but also denied to its citizens a form of significant free speech—the free speech of the open market place. It thus avoided not only the embarrassment of such criticism but also a daily, accurate measure of the depreciation which the currency was suffering.

Furthermore, due to the general use of checks in the consummation of business transactions, the government was able to obtain its credit by converting its own obligations into bank deposits. The Secretary of the Treasury, then drawing checks against these deposits, found himself using exactly the same medium for payment that everybody else was using. The deposit dollars created by Treasury sales of bonds to the banking system, when circulating in the form of checks, are completely indistinguishable from dollars which have their origin in more legitimate sources.

When we add to this device of government credit the control of money markets, the pegging of bonds, and the fixing of interest rates at levels which fail utterly to reflect the credits involved, we have a technique which makes the path of a government bent on inflation infinitely easier than that of its predecessors.

The second major explanation for chronic deficit financing is to be found in the subtle theories by which an ideological Pied Piper, Lord Keynes, seduced our responsible leaders in government. Furthermore, many high ranking scholars, abandoning the sound moorings of orthodox theory, became disciples of this new leader. It was found that this new philosophy could lend itself readily to popular exposition. It was an exposition that carried conviction to the masses, even though its fallacy was gross and deep-seated.

The public was told that the public debt was a constructive, a salutary element in the national economy; that the deficit pumped money into the buying stream and maintained prosperity. It was told that the government could not possibly go broke; that the rule of prudent finance which applied to the individual and to the corporation could not apply to Uncle Sam. Was it not true that Uncle Sam had the sovereign power of printing the means with which to discharge his own obligations? Since this was obvious, how could he possibly go bankrupt? Finally, any remaining doubts that an older generation might have had about the ability of a government to live with a constantly soaring debt was quieted by the assurance that "we owe it to ourselves."

A Government Can Go Broke

What can we say about these basic illusions? Is it true that a chronic deficit pours money into the buying stream and maintains prosperity? Is it true that a government cannot go broke? Is it true that a rising public debt need cause no concern because "we owe it to ourselves"?

It is certainly true that for a limited period a government can create the illusion of high prosperity by spending money which it did not collect from taxpayers. However, there is no way in which that government can escape the ultimate, the inevitable compensation for such a departure from sound practice. While creating the illusion of prosperity, it is also undermining the integrity of the currency. Prices go up, the value of money goes down.

It does not take a great deal of intelligence or a fancy education to know that this money, under a program of chronic deficit financing, will be worth less tomorrow than it is today. Consequently, anybody with elementary horse sense and folding money in his pocket will take that money and convert it into something that possesses substance. In other words, inflation presents the appearance of high prosperity by inducing millions of citizens to make commitments today which in the ordinary course of events they would only make tomorrow.

It involves, therefore, the maintenance of present high-level activity by borrowing business from the future. In the end this deception runs out and the country pays the penalty in the form of a sharp recession. This was true in the first classic instance of paper money inflation tried by John Law in the France of the early 18th century. The Mississippi Bubble than burst, with disastrous consequences, just as every other similar inflationary bubble has burst since.

Regarding the possibility of governmental bankruptcy, this is merely a matter of terms. It is true that Uncle Sam could not go broke in the same sense that an individual does. There can be no seizure of assets under court direction; there can be no sheriff's sale and distribution of proceeds to creditors.

Our Monetary System—A Fraud

However, there are other forms of bankruptcy and if we open our eyes we can see them today. This paper $10 bill which I have carries the legend: **"The United States of America will pay to the bearer on demand Ten Dollars."** The naive citizen who carries this IOU to the Treasury and demands payment will, of course, receive another IOU with precisely the same legend.

As a promissory note this is a fraud. If attempted by you or by me in our capacity as private citizens we would go to jail. The government's refusal to perform on this pledge is a clear indication of insolvency, and in any other circumstances, with a private debtor, would be clearly regarded as such. Uncle Sam here is in the position of a debtor who refuses to permit a process server to give him a summons.

A pegged government bond market is a similar symptom of government insolvency. Uncle Sam here is refusing to permit an open market to reveal the discount on his obligations which would normally occur for the obligations of a debtor who persistently fails to live within his means. Such a discount is the prelude to and the accompaniment of the process of insolvency.

Our instinctive distrust of a growing debt has been lulled by a subtle, polemic opiate, namely, "we owe it to ourselves." The plain fact is that we do not owe it to ourselves. The government debt is owed by a distinct political entity known as the Government of the United States to a large number of particular individuals and institutions in specific amounts. It is a particularized liability flowing from the government to individual citizens and institutions. It is in no sense a communized obligation due from the government to all its citizens.

If this argument, i.e., that we owe it to ourselves, is good, then there is no point in collecting taxes because surely these taxes, paid by corporations and citizens to their political instrument, the government, is then paid by us to ourselves. Since this would be a perfectly silly procedure, it would obviously be sound to omit taxes entirely.

Delusions of Deficit Financing

The danger which a chronic deficit presents has been explained to the American public largely in conventional terms. Such financing, the public has been told, will mean in the end higher prices and a dollar of lower value. It may eventually, the public is told, undermine confidence in government obligations. Both these observations are true enough. However, if in the analysis of this problem we stop there, we fail to mention the greater, the more serious dangers which chronic deficits involve.

The farmer has been led to expect that deficits in some way will maintain or even raise the price of his products; that continuous deficits are an assurance of stable or rising incomes. What the farmer does not appreciate is that a decline in the value of money or a rise in prices will immediately place the government on the defensive and force it to adopt measures which will tend to relieve it of responsibility.

The farmer will find food prices fixed in order to protect urban consumers. He may find it necessary to sell his total production at prices determined, not by open market bidding and costs, but by the convenience and arbitrary will of a government official. The price will be determined with an eye to political effects rather than justice for the producer.

A similar illusion betrays the labor leader. With increased buying power released by the government, he feels safe in using his enormous bargaining power in securing regular, periodic wage increases. To such a leader, deliberate, progressive inflation seems to be a method of underwriting his personal position and power as a labor leader. It is not realized by him or by his followers that real inflation brings with it job control and limits on wages.

At certain stages such inflation will also bring compulsory bond purchases taken out of the wages of the worker before his pay envelope is sealed. With real inflation, the kind which continuous deficit financing must ultimately assure, the worker loses the power of choice; he finds his labor directed, his income possibly higher in terms of money but certainly lower in terms of real substance. Under such control the labor leader himself becomes largely a contact man whole sole function is to help the government in applying its control.

No businessman, remembering the experience of the last war, can again believe that inflation means quick lush profits. He becomes one of the early victims of price control. The government tells him what he may charge, how much profit he shall be allowed. His markets are restricted. He can buy his raw material only by filling out government forms. More and more of his time is spent in exasperating trips to Washington. Eventually it becomes necessary to have a fixer of some kind, skilled in the devious procedures of a government attempting to avoid the consequences of its own conduct.

Banker Marked for Slaughter

Finally, the banker is marked for immediate slaughter. He becomes the first scapegoat to take the brunt of blame for higher prices. His credit functions are increasingly limited and directed by officials. Most important of all to the planner who is using money and credit to perpetuate tenure and increase his power, the banker must become the great absorber of government bonds which can no longer be sold in the open market.

In fulfilling this role as an unlimited depository for government paper, the banker will lose his independence. It is an axiom of banking, enforced by most state statutes as well as by standard investment practice, that the paper of no borrower should exceed 10% of the capital of the lender. This rule of prudent finance has long since been abandoned by the American banker. On a consolidated basin, his current statement shows the I O U's of Uncle Sam in his portfolio to the extent of six times his total capital. When a bank has that much out to a single borrower, that bank is no longer in control of the situation. It is the borrower who holds in his hands the future of the bank. This is distinctly the situation today.

What can the banker do in the face of this growing hazard to his well-being and future? He may—and should—take two steps.

In the first place, as a leader in his community with political influence far exceeding the single vote which he casts, he should call this danger to the attention of his clients, his stockholders his employees. This government is still responsive to public opinion. It is a government whose policies are still subject to periodic confirmation at the polls. The individual remains sovereign. It is up to him to make that position good.

The notion that a government can violate the rule of a balanced budget which no individual may violate with impunity does violence to the inherent common sense of the plain man. It should be stressed to him that, however, it may be disguised, the government does not have the power in the long run to violate the rule of sound finance. In the end the government must pay for its transgressions just as surely as the individual does.

In the second place, our bankers, individually and as groups, should pay more attention to the currency. It is high time that this government gave serious thought to the reestablishment of the American dollar on a firm, convertible gold basis. The fact that the dollar is in such great demand today in all parts of the world is not a tribute to its absolute integrity but reflects rather the great productive power of our economy and the greater deterioration of other currencies.

The gold standard does act as a wholesome discipline upon the action of the state. Were this not the case, our government today would permit free markets in gold and could consider a return to convertibility. It is precisely because the government has further financial monkey business in mind and does not wish to subject itself to the authentic discipline of a real gold standard that it refuses to permit free trading in gold or to consider a return to an honest gold standard.

While the country is preoccupied with the danger of a possible war with Russia, it must not forget the more immediate peril at home. It is possible that this external threat is exaggerated. It is well known that governments in the past have used such a threat in order to divert public opinion from pressing domestic issues and for the purpose of getting additional political power which under other circumstances could not be exercised. The immediate danger here is presented by continued deficits and a failure to return to honest money. These are visible, direct issues on which the public should express itself. It should be the duty of every banker to lead the way.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Allied Electric Products, Inc. (6/19-23)
May 24 filed 160,000 shares of preferred stock (par $6) and 100,000 shares of common stock (par $1), to be offered in units of one preferred share and one-half share of common at $7.50 per share; remaining 20,000 common shares at $4.50 per share. **Underwriter**—Hill, Thompson & Co., New York City. **Proceeds**—For equipment, construction, raw materials and working capital.

American Cladmetals Co. (6/12-16)
March 31 filed 480,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Graham & Co., Pittsburgh and New York. **Proceeds**—To install additional facilities and for working capital. Expected next week.

American-Marietta Co., Chicago
April 28 filed 50,926 shares of common stock (par $2) being offered to holders of 50,926 shares of capital stock of United Brick & Tile Co., Kansas City, to complete acquisition of this company. Offer expires Aug. 1. **Underwriter**—None. H. M. Byllesby & Co., Chicago, will serve as dealer-manager for soliciting United Brick stockholders. Statement effective May 19.

American Metal Products Co. (6/8)
May 19 filed 426,000 shares of common stock (par $2). **Price**—To be filed by amendment. **Underwriter**—Reynolds & Co. **Proceeds**—To go to selling stockholders.

American Textile Co., Inc., Pawtucket, R. I.
April 26 (letter of notification) 10,000 shares of common capital stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To provide additional funds. **Office**—P. O. Box 637, Pawtucket, R. I.

● **American United Securities, Inc., Houston, Tex.**
May 25 (letter of notification) 500 10-year profit-sharing debentures of $500 face value each. **Price**—At par, payable in five annual instalments of $100 each. **Underwriter**—None. **Proceeds** — To be invested in U. S. Treasury bonds. **Office**—1110 Bissonnet St., Houston, Tex.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel.

Arkansas Power & Light Co. (6/19)
May 23 filed $6,000,000 of first mortgage bonds due 1980 and 155,000 shares of cumulative preferred stock (par $100). **Underwriters**—to be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (jointly); White, Weld & Co.; First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers; Union Securities Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane. Probable bidders for preferred stock: First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp.; and White, Weld & Co. (jointly); Union Securities Corp.; First Boston Corp.; Lehman Brothers. **Proceeds**—To be applied to (a) redemption on Aug 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; (b) the prepayment of $5,000,000 of 2% serial notes held by Central Hanover Bank & Trust Co.; and (c) the carrying forward of the company's construction program. **Bids**—Tentatively expected at noon (EDT) on June 19 with offering on June 20.

Arkansas Western Gas Co.
May 2 (letter of notification) 28,948 shares of common stock (par $6) to be offered at $10 per share to holders of warrants at the rate of one share for each nine now held. No underwriter. Proceeds for construction. **Office**—28 E. Center Street, Fayetteville, Ark.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

● **Associated Telephone Co., Ltd.**
May 29 filed 125,000 shares of 5% preferred stock, 1947 series (par $20). **Underwriters**—To be named by amendment. Probable underwriters: Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; Mitchum, Tully & Co. **Proceeds** — For construction program. Expected this month.

Atlas Corp.
April 26 filed 1,924,011 shares of common stock (par $5) to be issuable by corporation if all outstanding option warrants are exercised. **Underwriters**—None.

● **Atlas Products Corp., Mayaguez, Puerto Rico**
May 31 (letter of notification) 60,000 shares of class A common stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds** — To finance production of work gloves.

Ballentine Grocery Stores, Easley, S. C.
May 15 (letter of notification) 1,000 shares of common stock, par value $100, to be sold to officers and directors at par ($100 per share) and 1,000 shares of 6% preferred stock, to be offered to the public at $100 per share. Underwriter — None. **Proceeds** — To improve stores and add new stores.

Bluegrass Life Insurance Co., Louisville, Ky.
March 10 (letter of notification) 100,000 shares of common stock at $2.50 per share. No underwriter. Proceeds for minimum operation capital. **Office**—Marion E. Taylor Bldg., Louisville, Ky.

C. I. T. Financial Corp. (6/14)
May 25 filed 125,000 shares of common stock (no par). **Price**—To be related to the going market price on the New York Stock Exchange. **Underwriters**—Kuhn, Loeb & Co.; Dillon, Read & Co., Inc., and Lehman Brothers. **Proceeds**—To selling stockholder.

California Electric Power Co.
May 8 filed $2,000,000 first mortgage bonds due 1980. **Underwriter**—Awarded June 7 to Halsey, Stuart & Co. Inc. on its bid of 100.921 for a 2⅞% coupon. To be reoffered at 101.75 and interest. **Proceeds**—To finance in part property expenditures for 1950 and 1951.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Indefinite.

Central Fibre Products Co., Inc., Quincy, Ill.
May 22 (letter of notification) 4,200 shares of non-voting common stock (par $5). **Price**—$23 per share. **Underwriter**—Bosworth, Sullivan & Co., Denver, Colo. **Proceeds**—To selling stockholders.

Christina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). Underwriter None. **Price**—$1 per share. **Proceeds**—For exploration on 6,435 acres of copper, gold and silver mining property in Cuba and mining and shipment of ore.

Cincinnati & Suburban Bell Telephone Co.
May 2 filed 234,856 shares of common stock being offered stockholders of record May 26 at rate of one share for each three held; rights to expire July 3. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For expansion and to reduce bank loans incurred for construction. Statement effective May 22.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

Clarostat Manufacturing Co., Inc.
May 4 (letter of notification) 44,000 shares of common stock (par $1) offered to warrant holders at $4.50 per share. No underwriter. Proceeds for working capital. **Office**—70 Pine St., New York, N. Y.

Columbia Gas System, Inc. (6/20)
May 26 filed $110,000,000 of debentures, series A, due June 1, 1975. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To redeem $14,000,000 of 1⅞% serial debentures and $77,500,000 of 3⅛% debentures due 1971; and $17,500,000 for construction program. **Bids**—To be invited around June 14 and opened at 11:30 p.m. (EDT) on June 20.

● **Combustioneering Inc., Cincinnati, Ohio**
June 5 filed 30,000 shares of class A capital stock. **Underwriter**—None named as yet. **Price**—$100 a share. **Proceeds**—For offices and equipment, expenses and working capital. **Business**—Research in field of smelting and heating-treating of metals.

Commonwealth Natural Gas Corp.
May 26 filed an estimated 250,000 shares of common stock (par $5) of which 38,750 shares are first to be offered to common stockholders on a share-for-share basis. **Underwriters**—Scott & Stringfellow and Anderson & Strudwick. **Price**—To be supplied by amendment. **Proceeds**—To build a pipeline, to cover financing costs and provide working capital.

● **Continental Commercial Corp., Pittsburgh, Pa.**
June 1 (letter of notification) 30,039 shares of common stock. **Price**—$3.50 per share. **Underwriter**—None. **Proceeds**—To be added to working capital. **Office**—5526 Penn Ave., Pittsburgh 6, Pa.

● **Crown Capital Corp., Wilmington, Del.**
May 26 (letter of notification) $50,000 of 5% subordinated debentures due May 1, 1980, to be issued in exchange for 26,288 shares of class B common stock of American Business Credit Corp., which will be held as an investment. **Underwriter**—Hodson & Co., Inc., New York, N. Y.

Dallas Power & Light Co. (6/14)
May 10 filed $24,500,000 of first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds**—To retire $16,000,000 of first mortgage bonds, pay note indebtedness and for construction. **Bids** — Expected to be received up to noon (EDT) on June 14. Statement effective May 29.

● **Dayton Power & Light Co. (6/21)**
May 31 filed 75,000 shares of cumulative preferred stock, series C (par $100). **Price**—To be filed by amendment. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co. **Proceeds**—For 1950 construction program.

(The) Dean Co., Chicago
April 10 (letter of notification) 1,000 shares of common stock. **Price**—At par ($10 per share. **Underwriter**—Boettcher & Co., Denver and Chicago. **Proceeds**—For general corporate purposes. **Offering**—Only to residents of Illinois.

Delemar Mining & Recovery Co., Spokane, Wash.
May 1 (letter of notification) 1,600,000 shares of class A stock and 400,000 shares of class B stock. **Price**—At par (10¢ per share for both classes). No underwriter. Proceeds to set up pilot mill, buy machinery, and operate mill and mine. **Office**—237 E. Sprague Ave., Spokane, Wash.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

● **Dryomatic Corp., Alexandria, Va.**
May 29 (letter of notification) 100 shares of 6% cumulative non-voting preferred stock (par $100) and 500 shares of common stock (par $1). To be sold in units of one preferred share and five common shares at $105 per unit. No underwriter. Proceeds for working capital. **Office**—812 No. Fairfax St., Alexandria, Va.

Equitable Gas Co., Pittsburgh, Pa.
May 23 filed $3,000,000 of 20-year 3⅜% sinking fund debentures, due March 1, 1970, to be sold by The Philadelphia Co. from its present holdings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lee Higginson Corp. **Proceeds**—To retire 100,000 outstanding shares of $6 cumulative preference stock by Philadelphia Co. Expected this month.

● **First Springfield Corp., Springfield, Mass.**
May 29 (letter of notification) 5,471 shares of common stock. **Price**—$15 per share. **Underwriter** — Springfield Mortgage Corp., Springfield 3, Mass. **Proceeds** — For working capital.

Fleetwood Airflow, Inc., Wilkes-Barre, Pa.
April 20 (letter of notification) 107,050 shares of common stock (par 50 cents). **Price**—$1 per share. **Underwriter** — None. **Proceeds** — From $79,050 for working capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave., Wilkes-Barre, Pa. Expected next week.

● **Foam & Fabric Center, Inc., Akron, Ohio**
June 2 (letter of notification) 1,000 shares of 2% non-cumulative common stock (par $500); 1,000 shares of class A common stock (par $1); and 1,000 shares of class B common stock (par $100, all to be sold at par. No underwriter. Proceeds for organizational expenses. **Office**—483 Kenmore Blvd., Akron, O.

Front Range Mines, Inc., Denver, Colo.
May 19 (letter of notification) 176,000 shares of common stock (par $1) to be sold at $1.25 per share, of which 110,000 are for the account of the company and 66,000 for the account of John Deerksen, President. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa. **Proceeds**—To company for working capital and payment of obligations.

● **Front Range Mines, Inc., Denver, Colo.**
June 2 (letter of notification) 100,000 shares of common capital stock (par $1). **Price**—$1.25 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—For operating capital.

Gatineau Power Co., Ottawa, Canada (6/15)
May 26 filed 600,000 shares of no-par common stock, to be offered by International Hydro-Electric System, first to holders of International Electric's matured and partially retired 6% debentures and then to the public. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and Harriman Ripley & Co., Inc., will take 340,000 shares, with an option on 260,000. **Price**—To be supplied by amendment. **Proceeds**—To be applied to retirement of all 6% debentures not exchanged. No proceeds to Gatineau.

● **Gearko, Inc., New York**
May 29 (letter of notification) 106,000 shares of common stock (par 1 cent). **Price**—50 cents per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc. **Proceeds**—For acquisition of equipment, working capital and general corporate purposes. Offered semi-privately on June 6.

● **General Finance Corp., Chicago, Ill.**
May 26 (letter of notification) 50,000 shares of common stock (par $1) to be offered to employees. **Price**—$5.75 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—184 West Lake St., Chicago 1, Ill.

General Radiant Heater Co., Inc. (6/12-15)
May 3 filed 170,000 shares of common stock (par 25¢). **Price**—$3 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—For plant and warehouse, advertising research, working capital, etc.

● **Globe Hill Mining Co., Colorado Springs, Colo.**
May 26 (letter of notification) 5,885,000 shares of common stock. **Price**—At par (one cent per share). **Underwriters**—George C. Carroll Co., Denver; Inter-Mountain Shares, Inc., Denver; and M. A. Cleek, Spokane, Wash. **Proceeds**—For mining equipment.

● **Globe-Union, Inc., Milwaukee, Wis.**
May 29 (letter of notification) 10,000 shares of capital stock (par $5) to be sold at $10 per share to employees under a profit-sharing plan. No underwriter. **Proceeds**—For general corporate purposes.

Gloeckler (H.) Associates, Inc.
May 11 (letter of notification) 30,000 shares of common stock (par $1), of which 20,000 shares are to be offered publicly at $5 per share and 10,000 shares to employees at $2.50 per share. **Underwriter**—None. **Proceeds**—For expansion program and for working capital. **Office**—155 East 44th St., New York 17, N. Y.

● **Godfrey Food Co., Inc., San Marino, Calif.**
May 26 (letter of notification) 3,000 shares of non-participating, 6% cumulative preferred stock (redeemable at $52.50). **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To retire bank indebtedness and provide working capital. **Office**—2304 Huntington Drive, San Marino, Calif.

● **Goldblatt Bros., Inc., Chicago, Ill.**
May 26 (letter of notification) $300,000 in interest in a profit-sharing plan, to be paid for by employees at the rate of 5% of their compensation, but not more than $250 per year. No underwriter. **Proceeds**—For investment as provided by the trust agreement. **Office**—333 So. State St., Chicago, Ill.

Grant (W. T.) Co., New York City
April 3 filed 118,935 shares of common stock (par $5). No underwriter. These shares will be sold to employees from time to time under terms of an Employees Stock Purchase plan approved on April 18. **Proceeds**—To be added to general funds for corporate purposes. **Price**—Not less than $22 a share. Statement effective May 1.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital. Statement effective May 10.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital. Statement effective May 10.

Hartford Electric Light Co., Hartford, Conn.
May 18 (letter of notification) 2,490 shares of common stock (par $25), to be sold to employees only. **Price**—$47 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Higgins, Inc., New Orleans, La.
May 23 (letter of notification) 300,000 shares of common stock to be sold to present stockholders. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For general purposes. **Office**—Industrial Canal Plant, New Orleans, La.

Indiana & Michigan Electric Co. (6/19)
May 19 filed $20,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected to be received at noon (EDT) on June 19. **Proceeds**—To pay bank notes and for construction.

Industrial Stamping & Mfg. Co., Detroit
May 15 filed $500,000 of first mortgage 5% sinking fund bonds, due 1967, with warrants to purchase 60,000 shares of common stock. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Price**—100% of principal amount. **Proceeds**—To pay mortgage, buy machinery and for additional working capital. **Business**—Stampings and assemblies for automotive, refrigeration, household appliance and other industries. To be offered later this month.

● **Infra Roast, Inc., Boston, Mass.**
May 26 (letter of notification) 92,970 shares of common stock to be sold at par ($1 per share). No underwriter. **Proceeds**—To pay debts and assemble and test new machines. **Office**—84 State St., Boston, Mass.

NEW ISSUE CALENDAR

June 8, 1950
American Metal Products Co.____________Common
Rosefield Packing Co.____________Common

June 12, 1950
American Cladmetals Co.____________Common
General Radiant Heater Co., Inc.________Common
Northern Natural Gas Co.
11 a.m. (CDT)____________Debentures

June 13, 1950
Pacific Gas & Electric Co.
11:30 a.m. (EDT)____________Bonds
Toledo Edison Co. 11 a.m. (EDT)________Common

June 14, 1950
C. I. T. Financial Corp____________Common
Dallas Power & Light Co., noon (EDT)____Bonds
Montana-Canadian Oil Co.____________Common

June 15, 1950
Gatineau Power Co.____________Common
Southern Ry. noon (EDT)____________Bonds

June 19, 1950
Allied Electric Products, Inc.______Pfd. & Common
Arkansas Power & Light Co.
noon (EDT) ____________Bonds & Preferred
Indiana & Michigan Elec. Co. noon (EDT)___Bonds
Louisiana Power & Light Co. noon (EDT) Preferred
Mississippi Power & Light Co.
noon (EDT) ____________Bonds & Preferred
Spencer Chemical Co.____________Preferred
Tucker's (Mrs.) Foods, Inc.____________Common

June 20, 1950
Columbia Gas System, Inc.
11:30 a.m. (EDT)____________Debentures
Kansas City Power & Light Co. noon (EDT) Bonds
Northern Insurance Co.____________Common
Sunray Oil Corp.____________Common

June 21, 1950
American Investment Co. of Illinois____Preferred
Dayton Power & Light Co.____________Preferred

International Packers, Ltd.
May 11 filed 2,000,000 shares of common stock (par $15) and certificates of deposit for these shares which will be offered on a share-for-share exchange basis for outstanding stock in Compania Swift Internacional Sociedad Anonima Comercial, an Argentine corporation. The initial exchange offer will become effective July 19 if a minimum of 1,650,001 shares of Swift International has been tendered and accepted. No underwriter. Statement effective May 31.

Kansas City Diced Cream Co., Kansas City, Mo.
May 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For plant rehabilitation and working capital. **Office**—325 East 31st St., Kansas City, Mo.

Kansas City Power & Light Co. (6/20)
May 19 filed $15,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co. **Proceeds**—To retire $4,822,500 of bank loans and for construction program. Stockholders will vote June 8 on approving increase in funded debt. Expected about noon (EDT) on June 20.

● **Kentucky Utilities Co., Lexington, Ky.**
June 2 filed $3,500,000 of first mortgage bonds, series C, due July 1, 1980 and 30,000 shares of 4¾% cumulative preferred stock (par $100). **Underwriter**—For the bonds, to be determined by competitive bidding. For the preferred stock, underwriters' names to be supplied by amendment, along with the price and underwriting terms. Probable bidders for bonds: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; The First Boston Corp. and Lehman Brothers (jointly); Harriman Ripley & Co., Inc. Probable bidders for preferred issue: Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers and Lazard Freres (jointly); A. G. Becker & Co., Inc. **Proceeds**—For property additions.

Lamston (M. H.), Inc., New York City
May 19 (letter of notification) 1,200 shares of common stock at market (approximately $9 per share). Proceeds go to selling stockholders. **Underwriters**—To be offered through Childs, Jeffries & Thorndike, New York, N. Y.

Libbey-Owens-Ford Glass Co.
May 19 (letter of notification) 6,380 shares of common stock (no par) to be offered to employees at $26.25 per share. No underwriter. **Proceeds**—For general purposes.

Link-Belt Co., Chicago
April 27 filed 10,002 shares of common stock (no par) offered only to officers and employees of the company and its subsidiaries. **Underwriter**—None. **Price**—$61 per share. **Proceeds**—For working capital. Statement effective May 17.

Louisiana Power & Light Co. (6/19)
May 23 filed 90,000 shares of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; Equitable Securities Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securitiesc Corp. **Proceeds**—To be used to redeem, at $110 per share plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Tentatively expected at noon (EDT) on June 19 with offering on June 20.

● **Loven Chemical of California, Newhall, Calif.**
May 31 (letter of notification) 282,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To buy land, build a plant and equip it to produce so-called "impact" plastics. **Office**—244 S. Pine St., Newhall, Calif.

Magicone Corp., Chicago, Ill.
May 18 (letter of notification) 4,000 shares of 6% cumulative convertible preferred stock (par $25) and 12,100 shares of common stock (par $1) of which 4,000 units of one preferred and one common share will be offered for cash at $26 per unit; the remaining 8,100 common shares will be exchanged for patent rights covering the right to manufacture an ice cream dispenser. No underwriter. Proceeds to develop and promote ice cream dispensers and for working capital. **Office** — 333 N. Michigan Ave., Chicago, Ill.

Market Basket, Los Angeles, Calif.
May 17 (letter of notification) 25,529 shares of common stock (par 50 cents) to be offered common stockholders of record May 22 on a 1-for-10 basis; rights expire June 12. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For store fixtures, equipment, inventory and working capital. **Office**—6014 South Eastern Ave., Los Angeles 22, Calif.

Mathieson Hydrocarbon Chemical Corp., Baltimore, Md.
May 2 filed 522,667 shares of common stock (par $1), of which 466,667 shares are offered to common stockholders of Tennessee Gas Transmission Co. up to June 14, exclusive, at the rate of one share for each 10 held as of May 25 and the remaining 56,000 shares will be offered to the Trustee of the Thrift Plan of the Tennessee Gas Transmission Co. **Price**—To stockholders $10.50 per share, to Thrift Plan Trustee, $10 per share. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. **Proceeds**—To build, equip and operate a plant. **Business**—Manufacture of ethylene glycol and other organic chemical products. Statement effective May 29.

Mayer (Oscar) & Co., Inc., Chicago, Ill.
May 22 (letter of notification) 25,000 shares of common stock (par $10) to be sold to employees at $12 per share. No underwriter. Proceeds for working capital.

Metrogas, Inc., Chicago, Ill.
May 22 (letter of notification) 1,344 shares of common stock (no par), to be offered to shareholders at $56.50 per share. Rights will expire on June 30. No underwriter. Proceeds to repay obligations and purchase equipment. **Office**—22 West Monroe St., Chicago, Ill.

● **Mid-West Equipment Co., Detroit, Mich.**
June 2 (letter of notification) 3,148 shares of common stock. **Price**—$1 per share. **Underwriter**—Greenfield, Lax & Co., Inc., New York, N. Y. **Proceeds**—To Greenfield, Lax & Co., Inc.

● **Middle South Utilities, Inc.**
June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries—Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. **Underwriter**—The name of a "dealer-manager" will be filed by amendment, as well as the exchange rate. The following may submit bids: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. **Deposits**—May be accepted between June 26 and July 14. (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

Continued on page 36

Continued from page 35

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

Mississippi Power & Light Co. (6/19)
May 23 filed $7,500,000 of first mortgage bonds due 1980 and 85,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders for preferred: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co. and Lee Higginson (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley and First Boston Corp. (jointly); Union Securities Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Proceeds**—To be used to redeem at $110 per share plus dividend accruals, the outstanding 44,476 shares of $6 preferred, to pay off $3,450,000 of 2% serial notes due 1952 to 1956, and for construction and other corporate purposes. **Bids**—Tentatively expected at noon (EDT) on June 19 with offering on June 20.

Mohawk Business Machines Corp.
May 19 (letter of notification) 6,663 shares of common stock (par 10¢). **Price**—$1 per share. **Underwriter**—Jacquin, Bliss & Stanley, New York. **Proceeds**—To selling stockholder.

• **Montana-Canadian Oil Corp. (6/14)**
May 26 (letter of notification) 98,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—S. B. Cantor Co., New York City. **Proceeds**—To complete and drill oil wells.

• **Mutual Development Association, Inc., Seattle, Washington**
May 25 (letter of notification) 15,000 shares of non-voting, non-assessable 6% cumulative preferred stock (par $10); 12,000 shares of non-voting, non-assessable, 6% cumulative class A common stock (par $10); and 3,000 shares of non-assessable, voting, 6% non-cumulative class B common stock (par $10) to be sold at $10 per share. Directors and officers of the company are acting as underwriters. **Proceeds**—For real estate investment, mortgage finance, or general corporate purposes. **Office**—949 20th Ave., Seattle, Wash.

• **National Tank Co., Tulsa, Okla.**
May 31 (letter of notification) 5,000 shares of common stock to be sold at $19 per share by Jay P. Walker, selling stockholder. No underwriter. **Office** — 3100 Sand Springs Road, Tulsa, Okla.

Niagara Mohawk Power Corp.
May 23 filed 189,263.1 shares of $1.20 cumulative class A stock (no par), to be offered for sale by The United Corp., New York holding company, "in ordinary brokerage transactions from time to time on the New York Stock Exchange at current market prices through regular members of such Exchange." Underwriter—None. **Proceeds**—To The United Corp.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases. Statement effective May 22.

North Western Coal & Oil Ltd., Calgary, Ala., Canada
April 6 filed 2,200 basic units of $250 face amount each of production trust certificates, or an aggregate principal amount of $550,000, Canadian funds. **Underwriter**—Israel and Co., New York City. **Price**—$123.75 (U. S. funds) per $250 unit. **Proceeds**—For equipment, working capital and current liabilities. Statement withdrawn May 3.

Northern Illinois Coal Corp., Chicago
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

Northern Indiana Public Service Co.
May 12 filed 421,145 shares of common stock (no par) being offered to stockholders of record May 29 at the rate of one share for each six held. Rights expire June 19. **Underwriters** — Central Republic Co., Inc.; Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane. **Price**—$20.12½ per share. **Proceeds**—For construction. Statement effective June 2.

• **Northern Insurance Co., N. Y. City (6/20)**
June 1 filed 80,000 shares of capital stock (par $12.50) to be first offered to present stockholders on a share-for-share basis about June 20 with rights expected to expire on July 10. **Price** to be filed by amendment. **Underwriters** — First Boston Corp. and Wood, Struthers & Co. **Proceeds**—To increase capital and surplus.

Northern Natural Gas Co. (6/12)
May 9 filed $40,000,000 of serial debentures due 1953-1970. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds**—For expansion and to repay promissory notes. **Bids**—Will be received by company, c/o Pam, Hurd & Reichmann, 231 So. La Salle St., Chicago 4, Ill., up to 11 a.m. (CDT) on June 12. Statement effective May 29.

• **Official Films, Inc., Jersey City, N. J.**
May 29 (letter of notification) 219,385 shares of class A common stock (par 10 cents), offered to class A common stockholders of record May 29, 1950 on a share-for-share-basis, with rights expiring June 26, 1950. **Price**—$1 per share. **Proceeds**—To use part (approximately $57,000) to redeem outstanding 35-cent cumulative preferred stock and the balance for expansion into television and other fields and for other general corporate purposes. **Office**—25 Journal Square, Jersey City, N. J.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

Pacific Gas & Electric Co. (6/13)
May 17 filed $80,000,000 of first and refunding mortgage bonds, series T, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; First Boston Corp. **Proceeds**—For new construction. **Bids**—Expected June 13, 1950 at 11:30 a.m. (EDT)

Pacific Refiners, Ltd., Honolulu, Hawaii
March 29 filed $750,000 of 6% 15-year sinking fund debentures, due 1965 and 500,000 shares of common stock (par $1) to be offered in units of $3 principal amount of debentures and two shares of common stock at $5 per unit to common stockholders of record April 14 at the rate of one unit for each share. Unsubscribed securities will be retained by the company and subject to future issuance as may be subsequently determined. No underwriter. Proceeds for construction expenditures. Company refines and markets crude oil. Statement effective May 4.

• **Pacific Western Enterprises, Inc., Tempe, Ariz.**
May 25 (letter of notification) 60,000 shares of common stock, at par ($5 per share). No underwriter. **Office**—24 West 7th Street, Tempe, Ariz.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Parlin Manufacturing Co.
May 22 (letter of notification) 10,000 shares of 5% cumulative preferred stock to be offered at par ($10 per share), each share to be accompanied by a warrant to purchase one share of series B common stock at par ($1 per share). Such option must be exercised or waived at time of subscription to preferred stock. No underwriter. Proceeds for acquisition of plant, machinery and raw materials and for working capital. **Office**—1331 Fidelity-Philadelphia Trust Building, Philadelphia 9, Pa.

Peoples Gas Light & Coke Co.
May 8 filed 116,962 shares of capital stock to be offered to stockholders of record June 5, 1950, at the rate of one new share for each seven held; rights will expire June 30, 1950. **Underwriter**—None. **Price**—At par ($100 per share). **Proceeds**—To buy additional common stock in Texas Illinois Natural Gas Pipeline Co. and to pay $10,000,000 of bank loans. Statement effective May 29.

Pfeiffer Brewing Co., Detroit, Mich.
May 22 (letter of notification) 20,000 shares of common stock (par $5) to be offered by a stockholder at the market price on the New York Stock Exchange, commencing about June 1, 1950.

• **Phillips-Jones Corp.**
May 31 (letter of notification) 10,000 shares of common stock (no par) offered to executives of the corporation at $15 per share. Net proceeds to be added to cash assets of company.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

• **Prophet (Fred B.) Co., Detroit, Mich.**
June 2 filed 40,000 shares common stock (par $1). **Underwriters**—Smith, Hague & Co., Detroit, and Straus & Blosser, Chicago. **Price**—To be filed by amendment. **Proceeds**—To Fred B. Prophet, Chairman of the Board, the selling stockholder.

Provident Life Insurance Co., Bismarck, N. D.
April 19 (letter of notification) 12,500 shares of common stock (par $10) being offered directly to stockholders of record April 25 at $20 per share; rights to expire July 1. No underwriter. Proceeds to maintain the proper ratio of capital and surplus to liabilities in connection with entering the accident and health insurance field. **Office**—Broadway at Second, Bismarck, N. D.

Prugh Petroleum Co., Tulsa, Okla.
May 23 (letter of notification) 60,000 shares of common stock. **Price**—At par ($5 per share). **Underwriter** — Prugh, Combest & Land, Kansas City, Mo. **Proceeds**—For acquisition and development of oil properties. **Office**—200 Drew Bldg., Tulsa 3, Okla.

Public Finance Service, Inc.
May 22 (letter of notification) $250,000 of 6% cumulative debentures, dated June 1, 1950. **Price** — At par. **Underwriter** — None. **Proceeds** — For working capital. **Office**—18 West Chelton Avenue, Philadelphia 44, Pa.

• **Rainbow Onyx Co., Phoenix, Ariz.**
May 31 (letter of notification) 35,000 shares of capital stock. **Price**—$2.50 per share. **Underwriter**—Kirby L. Vidrine Co., Phoenix. **Proceeds**—For housing, machinery, equipment and operating capital.

Reid Brothers, Ltd., San Francisco, Cal.
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—None. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

• **Rhodes, Inc., Atlanta, Ga.**
May 31 (letter of notification) 7,400 shares of common stock (par $10). **Price**—$13.50 per share. **Underwriter**—Courts & Co., Atlanta. **Proceeds**—To selling stockholder—Rhodes Perdue, President of company.

Richland Oil Development Co., Chicago, Ill.
May 19 (letter of notification) 300,000 shares of common stock (par 50 cents) to be sold at $1 per share. No underwriter. Proceeds for drilling activities and payment of rentals and obligations. **Office**—1609 Roanoke Bldg., 11 So. La Salle St., Chicago, Ill.

• **Richmond Television Corp., Los Angeles, Calif.**
May 29 (letter of notification) 150,000 shares of common capital stock. **Price**—At par ($2 per share). **Underwriter** — Edgerton, Wykoff & Co., Los Angeles, Calif. **Proceeds**—For working capital. Expected this week.

Rockland Light & Power Co.
May 5 filed 50,000 shares cumulative preferred stock, series A (par $100). **Underwriter**—Issue awarded June 6 to Stone & Webster Securities Corp. on its bid of 100.42 for a 4.65% coupon. Reoffered today (June 8) at 103.25. **Proceeds**—To pay off short-term bank loans and for construction program.

• **Ronson Art Metal Works, Inc., Newark, N. J.**
May 29 (letter of notification) 1,300 shares of common stock (par $1) to be sold for the benefit of the estate of Louis V. Aronson at the going price on the New York Stock Exchange, which was $18.25 per share on May 25. **Underwriter**—Ross Blanchard & Co., New York City.

Rosefield Packing Co., Alameda, Calif. (6/8)
May 12 filed 111,700 shares of common stock (par $3), to be sold by 17 stockholders. **Underwriters**—Stephenson, Leydecker & Co., Oakland, and Barrett Herrick & Co., Inc., New York. **Price**—$8 per share. **Business**—Manufacturers & Skippy peanut butter. Offered today.

Ryerson & Haynes, Inc., Jackson, Mich.
May 22 (letter of notification) 4,000 shares of common stock (par $1) to be sold by officers of the company at market (approximately $14.75 per share). **Underwriter**—McDonald-Moore & Co.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Sentry Safety Control Corp.
May 19 (letter of notification) 132,050 shares of capital stock (par $1) **Price**—At market (approximately $1 per share). **Underwriter**—First Guardian Securities Corp. **Proceeds**—To retool machinery for inventory and working capital. There will be no public offering.

Shoe Corp. of America, Columbus, Ohio
May 23 filed 4,633 shares of $4.50 cumulative preferred stock, series A (no par), to be issued as part of consideration for the common stock of Gallenkamp Stores Co. No underwriter.

Southern California Gas Co.
May 2 filed $25,000,000 of 2⅞% first mortgage bonds, due June 1, 1980. **Underwriter**—Issue awarded June 7 to Lehman Brothers on its bid of 102.0501 for a 2⅞% coupon. To be reoffered at a price to yield 2.75%. **Proceeds** — For construction and to reduce indebtedness owing to Pacific Lighting Corp., parent.

• **Spencer Chemical Co., Kansas City, Mo. (6/19)**
June 1 filed 85,000 shares of cumulative preferred stock (par $100) to be offered for subscription by common stockholders at rate of .085 shares of preferred for each share of common held. **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co. and Glore, Forgan & Co. **Exchange Offer**—Pfd. shares not purchased by common stockholders are to be offered in exchange for outstanding shares of 5% cumulative pre-

ferred stock. Rate of exchange to be supplied by amendment. Unexchanged shares of old preferred stock (150,000 presently outstanding) will be called for redemption. **Proceeds**—For general corporate purposes.

• **Stuart (The) Co., Pasadena, Calif.**
June 7 filed 99,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—William R. Staats Co., Los Angeles, Calif. **Proceeds**—To three selling stockholders. **Business**—Pharmaceutical products and dietary supplemental items.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price—$1** per share (U. S. funds). **Underwriter** — None. **Proceeds** —Funds will be applied to the purchase of equipment, road construction, exploration and development.

Sun Oil Co., Philadelphia, Pa.
May 1 filed 115,000 shares of common stock (no par) to be issued under the 1950 stock purchase plan to about 11,000 employees of the company and its subsidiaries. No underwriter. Proceeds for general fund. Statement effective May 23.

Sunray Oil Corp. (6/20)
May 23 filed 750,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—Together with other funds from $80,000,000 of privately placed long term promissory notes, for retirement of certain outstanding capital obligations of company and Barnsdall Oil Co. pursuant to plan of merger of two companies.

Toledo Edison Co. (6/13)
April 18 filed 702,075 shares of common stock (par $5). **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Smith Barney & Co.; Otis & Co. **Proceeds**—Of 400,000 shares to be applied by company to construction costs and of 302,075 shares to go to Cities Service Co., the selling stockholders, for payment of notes and debentures. **Bids**—Will be received at Room 1600, 70 Pine Street, New York 5, N. Y., before 11 a.m. (EDT) on June 13. Statement effective May 9.

Triplex Corp. of America, Pueblo, Colo.
May 18 (letter of notification) 28,571 common shares to be sold at $7 per share. T. E. Nelson, Assistant Secretary of the company, will handle the sales on a commission basis. Proceeds for working capital and payment of obligations. **Offices**—Pueblo, Colo., or 1415 Joseph Vance Bldg., Seattle, Wash.

(Mrs.) Tucker's Foods, Inc. (6/19-23)
May 23 filed 150,000 shares of common stock (par $2.50). **Price**—To be filed by amendment. **Underwriters**: A. C. Allyn & Co., Inc.; Dittmar & Co., and Rauscher, Pierce & Co., Inc. **Proceeds**—To 20 selling stockholders. Expected after next week.

United Mines of Honduras, Inc.
March 16 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To reopen an antimony mine which produced antimony for the U. S. Metals Reserves Corp. during the war and to explore and develop the Montecilo mining properties on which company has options; to pay loans and for working capital. **Office**—North American Building, Wilmington, Del. Will be placed privately.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

Volume Heaters, Inc., Reno, Nev.
May 17 (letter of notification) 200,000 shares of nonassessable common stock. **Price**—At par ($1 per share). **Proceeds**—To build 20 demonstrating units, design, equip and supervise a factory and for general business purposes. **Office**—Room 1, Biltz Bldg., Reno, Nev.

Washington Gas Light Co.
May 8 filed 30,600 shares of $4.25 cumulative preferred stock (no par) being offered to common stockholders of record May 31, 1950, at the rate of one preferred share for each 20 common shares held; rights to expire on June 13. **Underwriter**—Johnston, Lemon & Co., Washington, D. C., and eight others. **Price**—$103 per share and dividends. **Proceeds**—For corporate purposes, including construction. Statement effective May 31.

• **Western Gypsum Corp., Carson City, Nev.**
May 29 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Phil Morse, Trustee, P. O. Box 1283, Kingman, Ariz. **Proceeds**—For equipment, real estate, working capital and general corporate purposes. **Office**—Virginia and Truckee Building, Carson City, Nev.

Western Oil Fields, Inc., Denver, Colo.
May 5 (letter of notification) 600,000 shares of common stock and a $50,000 note carrying interest at 4% payable from percentage of oil sold. This note will carry with it as a bonus 500,000 shares of stock. **Price**—Of stock, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver. **Proceeds**—To drill for oil in Wyoming and for working capital.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None. **Proceeds**—Exploration and development work. Statement effective May 23.

Wisconsin Electric Power Co.
May 5 filed 585,405 shares of common stock (par $10) offered to common stockholders of record June 6, 1950 on basis of one new share for each five shares held; rights to expire June 29, 1950. **Price**—$17.50 per share. **Underwriter**—None. **Proceeds** — For capital expenditures on the combined electric properties, to reimburse the treasury for capital expenditures previously made, and for other corporate purposes. Statement effective May 26.

Wisconsin Power & Light Co.
May 8 filed 320,231 shares of common stock (par $10) being offered for subscription by stockholders at the rate of one new share for each five held on May 24; rights will expire June 12. **Price**—$16.75 per share. **Proceeds**—To finance construction program. **Underwriter** —Smith, Barney & Co. and Robert W. Baird & Co., Inc.

Prospective Offerings

• **Aetna Finance Co.**
June 3 it was reported company may do some financing later this year. Traditional underwriter: Goldman, Sachs & Co.

Alabama Power Co.
May 12 company reported to be considering issue in late summer of about $10,000,000 preferred stock. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp.; Drexel & Co. Proceeds will be used for construction expenditures.

American Investment Co. of Illinois (6/21)
May 24 announced company is planning to file shortly a registration statement covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

American Natural Gas Co.
May 18 it was announced company plans issuance of 380,607 shares of common stock (no par) to common stockholders of record on or about June 21 at rate of one share for each eight shares held. **Price**—To be filed by amendment. **Underwriters** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

• **Central Vermont Public Service Corp.**
May 4, it was announced that if offer to acquire Green Mountain Power Corp. becomes effective, it plans to refund outstanding $7,715,000 first and refunding 3¾% bonds due 1963 of Green Mountain by the issue and sale for cash of first mortgage bonds of a new series and of a new series of preferred stock, $100 par value. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; probable bidders for preferred: W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly).

Chicago & Western Indiana RR.
Jan. 31 reported company will probably issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

Columbia Gas System, Inc.
April 27 stockholders voted to reclassify the 500,000 shares of unissued common stock (no par) into 500,000 shares of unissued preferred stock (par $50). They also approved a proposal to amend the company's charter so as to permit the public sale of common stock without first making an offering of the shares to its own common stockholders. The company's program currently calls for the sale of $10,000,000 of additional common or preferred stock, the proceeds to be used to pay for construction costs. **Underwriters** — May be named by competitive bidding. Probable bidders: Blyth & Co., Inc.; Shields & Co. and R. W. Pressprich & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.

Columbus & Southern Ohio Electric Co.
March 9 reported planning new equity financing before the end of the year in the form of common stock. Proceeds will finance a portion of the company's construction program.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Consolidated Edison Co. of New York, Inc.
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

Domestic Credit Corp.
June 20 stockholders will vote, among other things, to authorize a new issue of 200,000 shares of prior preferred stock, issuable in series, and on changing name to Domestic Finance Corp. Management plans further expansion which will require additionl capital from time to time. Probable underwriters: Merrill Lynch, Pierce, Fenner & Beane, and Paul H. Davis & Co.

Eastern Utilities Associates
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

Elliott Co.
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

• **Emerson Radio & Phonograph Corp.**
May 29, Benjamin Abrams, President, announced that company may use unissued 1,240,390 shares of capital stock (par $5) to acquire additional plant facilities if needed. Traditional underwriter: F. Eberstadt & Co.

• **Fedders-Quigan Corp.**
June 2 it was announced that company plans registration late this month of about $5,000,000 convertible preferred stock. Offering expected in mid-July through Smith, Barney & Co.

Florida Power & Light Co.
June 9 stockholders will vote on creation of 50,000 shares of $4.50 cumulative preferred stock (par $100).

Houston Lighting & Power Co.
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

Long Island Lighting Co.
May 18 it was reported company's construction program in 1950 will cost $20,000,000 which is currently being financed by up to $12,000,000 bank loans pending permanent financing which may be done following effectiveness of consolidation plan. Probable bidders for any new securities include Smith, Barney & Co.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Macy (R. H.) & Co.
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

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● Market Basket, Los Angeles, Calif.
May 25 company announced it plans sale of 4,452 shares of authorized but unissued, preferred stock, series C, (par $15) and an additional 30,000 shares of preferred stock, (par $15) to be authorized. Further details not available.

Milwaukee Gas Light Co.
April 18 reported contemplating issuance of additional securities, the proceeds of which will be used to finance $13,000,000 of first 4½s due 1967 and $2,000,000 of 7% preferred stock, to fund some $8,500,000 of bank loans, and for new construction. No definite plan has been evolved. Probable bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

● Mountain Fuel Supply Co. of Utah
June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed through the sale of stock and will have an authorized capitalization of 2,500,000 shares, par $8 per share each.

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Otis & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Equitable Securities Corp.; (2) for preferred:—W. C. Langley & Co.

New England Public Service Co.
April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The proceeds will be used to pay bank loans.

New York State Electric & Gas Corp.
May 24 it was reported company expects to sell $14,000,000 of bonds and $6,000,000 of new preferred stock in June, 1951, with an additional $10,000,000 of new securities to be sold in 1952, the proceeds to be used to pay, in part, cost of new construction estimated to total $55,800,000 in the next three years. Probable bidders for bonds and preferred: Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. Probable bidders for bonds only: Halsey, Stuart & Co. Inc.

Niagara Mohawk Power Corp.
Jan. 19 announced that construction program will necessitate in 1950 not more than $25,000,000 of additional debt or equity financing, including short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co.

Northwestern Public Service Co.
May 26 company applied to the FPC for authority to issue 7,000 shares of 5¼% cumulative preferred stock (par $100) and not to exceed 49,200 shares of common stock (par $3). The common stock is to be offered to common stockholders on the basis of one share for each ten shares held, with the price to be filed by amendment, and A. C. Allyn & Co., Inc., underwriting the issue. An agreement has been entered into with the same bankers to place the preferred stock privately. The proceeds are to finance construction program.

Pacific Petroleum, Ltd. (Canada)
April 12 company announced it plans to file with SEC 1,000,000 additional shares of common stock shortly. Proceeds (U. S. currency) will be used for further expansion and development work in the Alberta oil field. **Underwriter**—Eastman, Dillon & Co.

Pacific Power & Light Co.
April 13, Paul McKee, President, disclosed that a group of 16 purchasers who acquired company's 500,000 shares of common stock from American Power & Light Co. on Feb. 6, last, have informed him of their intention to make a public distribution of these shares at earliest practical date, which may be shortly after Aug. 6. A. C. Allyn & Co., Inc. and Bear, Stearns & Co. headed this group. The 500,000 shares of common stock are being split-up on a 3½-for-1 basis, all or part of which will be publicly offered. Company also expects to raise $3,000,000 in new money later this year and a similar amount in 1951.

● Public Service Co. of Colorado
May 22 it was said that company may raise approximately $15,000,000 by this summer, viz: $7,500,000 by sale of 75,000 shares of preferred stock and $7,500,000 by sale of bonds or convertible debentures. Probable bidders for bonds: Halsey Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; First Boston Corp.; Harris, Hall & Co., Inc.; Kidder, Peabody & Co. Probable bidders for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers; First Boston Corp.; Boettcher & Co. and Bosworth, Sullivan & Co. Proceeds will be for construction program.

Public Service Electric & Gas Co.
April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

● Raytheon Manufacturing Co.
June 1, Charles F. Adams, Jr., President, announced that arrangements were being made for an offering later this summer to common stockholders of approximately 290,000 additional common shares of the company—on the basis of one share for each five common shares held. This offering, he said, will be underwritten by a group of investment bankers headed by Hornblower & Weeks.

Schering Corp.
May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

● Seaboard Finance Co.
June 3 it was reported that company in August is expected to register with the SEC additional shares of its stock. May be offered through dealer-manager group probably headed by First Boston Corp.

● Sierra Pacific Power Co.
June 2 company announced it plans to finance and permanently refund $2,200,000 of bank loans by the sale of debentures and common stock prior to Oct. 31, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.

Southern Co.
May 11 company was reported to be planning issuance of approximately 1,000,000 additional shares of common stock late in July. Probable bidders: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc.

Southern Ry. Co. (6/15)
May 2 it was announced company is planning to refund $10,000,000 of its $12,474,000 St. Louis Division first mortgage 4% bonds, due Jan. 1, 1951, by issuing a like amount of new St. Louis-Louisville first mortgage bonds due 1975. The remaining $2,474,000 of St. Louis Division bonds would be retired from treasury funds. **Bids**—For new bonds will be received at Room 2018, 70 Pine St., New York 5, N. Y., up to noon (EDT) on June 15. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; Union Securities Corp. and Drexel & Co. (jointly); Kuhn, Loeb & Co.

Tampa Electric Co.
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Texas Illinois Natural Gas Pipeline Co.
May 8 it was announced that this company's financing program contemplates the sale of $90,000,000 of bonds and $12,000,000 of interim notes in addition to the sale of 1,750,000 shares of common stock (of the common stock 50% is to be purchased by Peoples Gas Light & Coke Co.). Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; and (2) for interim notes—White, Weld & Co. and Glore, Forgan & Co.

Tide Water Power Co.
May 4 stockholders have approved an increase in the authorized common stock to 1,000,000 shares from 500,000 shares. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Transvision, Inc.
May 20 it was reported that early registration with SEC is expected of 300,000 shares of common stock. **Price**—$2.75 per share. **Underwriter**—Blair F. Claybaugh & Co. **Proceeds**—To pay loans and for additional working capital. **Offering**—Expected late in June.

● Utah Natural Gas Co.
June 5 it was announced company plans to build a 325-mile 22-inch pipe line in Utah to cost approximately $25,000,000. Hearings will be held before the Utah P. S. Commission in August or September, after a study of the project.

Utah Power & Light Co.
May 23, G. M. Gadsby, President, said company plans to sell $10,000,000 of additional first mortgage bonds through competitive bidding during the first half of October, and 166,604 additional common shares in September. The latter will be offered to present shareholders in the ratio of one new share for each eight shares held. Proceeds from the bond and stock sales will be used to repay short-term loans in connection with the company's construction program, and for carrying forward the expansion program into 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Drexel & Co.; Carl M. Loeb, Rhoades & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); First Boston Corp. and Blyth & Co., Inc.; Harriman Ripley & Co Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. Probable bidders for common: Blyth & Co., Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Washington Water Power Co.
May 22 it was announced Washington P. S. Commission filed a petition with SEC asking for (a) distribution of company's capital stock to American Power & Light Co.'s stockholders, or (b) offering for sale and selling at competitive bidding all of said shares of Washington Water Power Co. held by American.

West Coast Transmission Co., Ltd.
Feb. 10 reported that Eastman, Dillon & Co. and the First Boston Corp. were ready to underwrite the financing of the 1,400 mile pipe line proposed by the West Coast Transmission Corp., along with Nesbitt, Thomson & Co., Ltd., of Montreal, Canada, and Wood, Gundy & Co. of Toronto, Canada. The financing would be divided 75% to bonds and the remainder to preferred and common stock. A large amount of the bonds are expected to be taken by life insurance companies. Arrangements will be made to place in Canada part of the securities. It is expected an American corporation will be formed to construct and operate the American end of the line in Washington, Oregon and California. The completed line, it was announced, will cost about $175,000,000.

Worcester County Electric Co.
April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane.

With T. Nelson O'Rourke

(Special to The Financial Chronicle)

DAYTONA, BEACH, Fla.—William L. Hensley has rejoined the staff of T. Nelson O'Rourke, Inc., 356 South Beach Street. He has recently been with Merrill Lynch, Pierce, Fenner & Beane.

R. C. Whitaker Opens

(Special to The Financial Chronicle)

PORTSMOUTH, Ohio — Robert C. Whitaker is engaging in a securities business from officers in the Masonic Temple Building.

With Hulburd, Warren

(Special to The Financial Chronicle)

DETROIT, Mich.—Hale L. Dickerson is with Hulburd, Warren & Chandler of Chicago.

Henry Warner Co. Member Phila.-Baltimore Exch.

PHILADELPHIA, Pa. — Henry B. Warner & Co., Inc., 123 South Broad Street, announce their election to membership on the Philadelphia-Baltimore Stock Exchange.

T. F. O'Brien Opens

(Special to The Financial Chronicle)

CANTON, Ohio — T. Frank O'Brien is engaging in a securities business from offices at 1221 Hoover Place, Northwest.

With Blair, Rollins Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Bernard G. Dowd is with Blair, Rollins & Co., Incorporated, Russ Building.

Joins Mason Bros. Staff

(Special to The Financial Chronicle)

OAKLAND, Calif.—Charles Spencer has joined the staff of Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

With Investment Service

(Special to The Financial Chronicle)

DENVER, Colo. — Orvie E. Cowan has been added to the staff of Investment Service Corporation, 650 17th Street.

Waddell & Reed Add

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — George F. G. Johnson has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Merrill Lynch

HOLLYWOOD, Calif. — Betty Schneider has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 6361 Hollywood Boulevard.

With Davies & Mejia

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Richard W. Strong is with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

With Waddell & Reed

(Special to The Financial Chronicle)

LINCOLN, Neb.—Loren G. Hatfield, Jess Mason, and Walter S. Van Wyngarden are with Waddell & Reed, Inc., Barkley Building.

King Merritt Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ervin D. Macrae is now with King Merritt & Co., Russ Building. He was previously with Paul C. Rudolph & Co.

Our Reporter's Report

The avalanche of new issues which came up for bids on Tuesday put considerable stress on the capital of a number of dealers and distributors. In fact the heavy run of "drop-outs" by reason of capital problems and short staffs, forced the dissolution of one major syndicate which was to have bid for the Pennsylvania Co.'s $60,000,000 of serial bonds.

But all in all, the week's unusually large outpouring of new offerings was well-taken and spoke volumes for the action of the underwriters earlier in moving to clear away several recent issues which had proved to be "sticky" at prices originally fixed.

Northwestern Bell Telephone Co.'s $60,000,000 of 34-year debentures brought out two bids, one of 100.71999 for a 2.75% coupon, and the second, 101.71 for the same interest rate.

Thus the winning bid topped that of the runner-up by less than a penny per $100 principal amount or barely 10 cents per $1,000 piece. Indicating that both groups were thinking in almost identical terms this appeared to make the actual marketing much easier.

At any rate the reoffering at 101.107, to yield the purchaser a return of 2.70%, brought out brisk demand and quick announcement of oversubscription and closing of the books.

Reports indicated that some larger participants were inclined to retain portions of their allotment for investment account or possible appreciation.

Pennsylvania Co. Serials

Pennsylvania Co. wound up with only a single bid for its $60,000,000 of serial collateral trust bonds, although it had been indicated almost up to the deadline that two groups would be in the running.

The second group dropped out, reportedly for the reason that it was unable to hold together a big enough aggregation to handle the business under circumstances that prevailed.

Conjecture around the Street was that the issuer's timing was bad, suggesting that the financing should have been put ahead or back to get it out of competition with Northwestern Bell and the big New York State issues.

Moreover, it was argued, a single maturity accompanied by a healthy sinking fund arrangement would have aroused more interest.

Bond Well Received

Whatever the discussion, the fact remains that the bonds found a ready reception when brought to market. The successful group, sans competition, paid the company 99 for a combination of coupons ranging from 2½% to 4½% for 25 maturities.

Reoffering was undertaken at prices fixed to return the buyer a yield of from 1.75% on the shortest maturity to 4.50% on the longest series.

At least three of the major insurance companies were reported to have come into the market for substantial amounts of the bonds and by the close of the first day it was understood that the balance unsold was well under $10,000,000.

Another Big Week Ahead

With virtually all of this week's new bond offerings well absorbed underwriters were making ready for another busy period in the week ahead.

Largest single undertaking in the immediate list is $80,000,000 of Pacific Gas & Electric Co. first and refunding bonds, series T, due 1976, to finance new construction. Three groups appear to be in the running for this issue, when bids open on Tuesday.

On Monday, Northern Natural Gas Co.'s $40,000,000 of serial debentures due 1953-70 will provide a real warm up. Four groups have been formed to go after this piece of business which will provide funds for expansion and payment of existing debts.

Dallas Power & Light Co. will open bids on Wednesday for $24,500,000 of first mortgage 30-year bonds to retire certain existing debt and finance construction. Competition is keen here with seven groups set to bid. Meanwhile Southern Railway will sell $10,000,000 new St. Louis Division first mortgage bonds to refinance outstanding 4s, due 1951, with the $2,474,000 balance to be paid out of the treasury.

COMING EVENTS

In Investment Field

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

June 8, 1950 (Boston, Mass.)
Boston Securities Traders Association Thirty-first Annual Outing at New Ocean House, Swampscott, Mass., with golf at the Tedesco Country Club nearby.

June 9, 1950 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

June 9, 1950 (Kansas City, Mo.)
Bond Traders Club of Kansas City annual field day at Quivera Country Club.

June 9, 1950 (New York City)
Municipal Bond Club of New York annual meeting and field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 9, 1950 (Philadelphia, Pa.)
Philadelphia Securities Association annual field day at the Aronomink Golf Club, Newtown Square, Pa.

June 10-11, 1950 (Georgia)
Georgia Security Dealers Association annual outing at the Hotel Tybee, Savannah, Ga.

June 10-11, 1950 (San Francisco, Calif.)
San Francisco Security Traders Association annual spring outing at the Diablo Country Club, Contra Costa County, Calif.

June 14, 1950 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 16, 1950 (Milwaukee, Wis.)
Milwaukee Bond Club annual picnic at the Lake Club and the Oconomowoc Country Club.

June 16-18, 1950 (Minneapolis, Minn.)
Twin City Security Traders Association summer party at Grandview Lodge, Gull Lake, near Brainerd, Minn.

June 16, 1950 (New Jersey)
Bond Club of New Jersey outing at the Montclair Golf Club.

June 16, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual field day at Whitemarsh Country Club.

June 16, 1950 (Toledo, Ohio)
Bond Club of Toledo 16th annual Outing at the Inverness Club preceded by a cocktail party and buffet dinner June 15 at the Commodore Perry Hotel.

June 20, 1950 (Louisville, Ky.)
Bond Club of Louisville annual summer outing and election of officers at the Louisville Boat Club.

June 20, 1950 (New York City)
New York Curb Exchange 5 & 20 Club annual golf tournament at Wheatley Hills Golf Club, East Williston, Long Island.

June 21-23, 1950 (Boston, Mass.)
Municipal Bond Club of Boston parties at Hotel Statler and outing at Concord Country Club.

June 23-25, 1950 (Los Angeles, Calif.)
Security Dealers Association of Los Angeles spring outing at the Hotel del Coronado.

June 23, 1950 (New York City)
New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead, Long Island.

June 24, 1950 (Chicago, Ill.)
Bond Traders Club of Chicago annual outing at the Nordic Country Club.

June 26-27, 1950 (Detroit, Mich)
Security Traders Association of Detroit & Michigan, Inc., and Bond Club of Detroit joint summer outing and golf outing at Plum Hollow.

June 28, 1950 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual spring outing at the Field Club.

July 7, 1950 (New York City)
Investment Association of New York annual outing at the Westchester Country Club, Rye, N. Y.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel.

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Fall Meeting.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel (Starlight Roof).

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINNGTON, D. C.—Two of the most widely accepted current "certainties" of this capital are that Congress will not adjourn at the very earliest until mid-August, and that there will be no tax law enacted this session.

It is admitted that the currently available evidence gives a preponderant support to both of these outlooks, and yet it is possible to foresee developments which could change either or both of these prospects in a few weeks.

Until recently, everybody practically assumed that Congress "just could not hang around" longer than July in an election year, that the boys were too hot and bothered about getting re-elected to fuss around all summer with legislation, and that no matter how bleak the outlook for adjournment apppeared, come July the legislators would fold up their tents and quietly or otherwise steal away.

Now the stampede is in exactly the opposite direction. The social security bill will take three weeks of Senate floor consideration, and the conference with the House another three weeks, before that is out of the way, or so it is opined. The Senate Appropriations Committee has not even brought in its own version of an overall supply bill for fiscal '51, and when this does come on the floor, it will take another three weeks of floor consideration. Then, if there is to be a tax bill as well, it just wouldn't be humanly possible for the Congress to finish up before Labor Day at the earliest. This is exclusive of a parcel of lesser bills, many of them controversial and requiring some consumption of time.

There is no doubt that the present outlook is bleak. The prospects for a late adjournment are heightened by the fact, paradoxically enough, that the House is just about through with its schedules. All the House members are, as usual, up for election. Only one-third of the Senate is elected each two years. The House boys can be absent in droves, coming back only from time to time from the fields of political battle to sit out a conference on an appropriation bill or some other legislation, and then skin out of town again while the Senate sweats it out.

There are two intangibles, however, to bear in mind. One of these is that when the Senate gets anxious to quit, it can pass great gobs of controversial legislation with a speed that would make the head snap. Instead of taking three weeks, the omnibus appropriations bill might be got out of the way in three days. In times past, before the appropriations were tied up together, the Senate has been known to begin consideration of a major supply bill and complete it in a little more than two hours.

Secondly, the President has shown no sign as yet of whipping the boys to enact his program, and the boys have let Mr. Truman know that they don't mean to be whipped—Democratic boys, that is.

So all it needs is a change in the mood of the Senate, and these changes in mood sometimes come with surprising speed. Thus a late session is not yet a certainty, even if it seems to look that way today.

* * *

The way the tax bill has got itself tangled up has been rather widely press-written.

There is every reason to suspect that at least part of the mess is due to an unreached concert of motives between Republicans and Democrats to sabotage the bill, and the delay of the bill in House Committee suggests no serious attempt to get the bill enacted into law this session.

Republicans, of course, privately, want Mr. Truman to veto the bill. They want the veto to stick. Then they have the beautiful campaign issue of the President taxing and taxing and spending and spending. A good many Democrats want to save the President the embarrassment of having to veto a tax bill in an election year, and of thereby giving the Republicans a campaign issue.

It is not a question of Republicans and Democrats on the Ways and Means Committee getting together in either a smoke-filled or an air-conditioned room. It is just that loading the bill in a way to harm its chances meets these utterly diverse objectives.

On the other hand, there are many Democrats who feel that the score politically will weigh heavily in the President's favor to let get approved, a stripped-down tax bill, and many Republicans as well as Democrats will assert privately that despite the President's express threat to veto a bill without compensating tax increases, Mr. Truman can be persuaded to let a stripped down bill get into law.

It will be from four to six weeks yet before a "moderate" bill can be ruled out altogether this year. When and if the House passes the bill, then the time will come for the Democrats promoting the stripped-down bill to see whether the arrangement can be sold. If sold it will be put across fast. Republicans would not dare openly to sabotage such a maneuver, even if it were to their disadvantage politically.

* * *

Rep. Frank Buchanan's latest maneuver to dragnet in an encyclopaedia of information about what was spent by some 166 leading U. S. corporations in any way affecting any public issue which might be the subject of Federal legislation, is something which will raise a first class fuss in a short time.

Mr. Buchanan, a former high school teacher of economics, is Chairman of the special Lobbying Investigation Committee of the House. He issued under his signature an elaborate, three-page questionnaire to these corporations with a demand for the return of the information by June 15 at the latest.

The questionnaire asks for a complete listing of all travel expense of any person sent by any of these firms to Washington, D. C., from 1947 to date; his name, title with the company, and purpose of making trip. This would pose quite a problem for Sun Oil, for instance, which trucks all its products to the nation's capital. With some big firms, such as General Motors, with large staffs here for doing business and numerous trips of executives to the Washington office, such a detailed record would be voluminous.

Mr. Buchanan also wants a complete detailed listing of all the expenses of the maintenance of a Washington office, including expenses for salaries, telephone, telegraph, rent and office supplies since 1947.

The third schedule on Mr. Buchanan's ambitious questionnaire also calls for a detailed listing of all expenses of any of these companies for putting out duplicated matter on any issue which might become the subject of Federal legislation.

Under a fourth schedule the companies in question would be required to list their contributions, if any, to a list of eight specific organizations generally reputed to stand for conservative programs.

All expenditures made by the subject corporations for any advertising on any matters which might become the subject or were the subject of Federal legislation, proposed or otherwise, also must be listed, with details, dates, and if possible, copies of the advertisements, also would be required under another schedule of the Buchanan questionnaire.

Under a third schedule Mr. Buchanan would obtain from each company a comprehensive report of all its contributions to any educational or trade organization. Thus, all contributions paid to trade associations, chambers of commerce, associations of manufacturers, and the like, would be required.

If a company printed any book or pamphlet, it would have to list this and its expenditure therefor.

Finally, the Buchanan questionnaire would require the listing of all expenditures to "influence legislation," and "direct or indirect," including the costs of appearing before Congressional committees. It is noted that even the Lobbying Act exempted the appearance before committees under the ancient and Constitutional right of petition.

It is reported in informed quarters that Mr. Buchanan's attempted invasion of business privacy was issued without the approval of the Lobbying Committee and without telling about it in advance to Republican members. There is substantial doubt as to the legality of the questionnaire. **Incidentally, the questionnaire guarantees no privacy of the information sought.**

* * *

Bluntly the new General Motors contract with the United Auto Workers, it is asserted here, has the effect of guaranteeing that increased productivity in that company's operations shall be passed on to labor. Heretofore the advantages of higher productivity were shared among consumers, labor and stockholders.

With the wage outlook ahead for the motor industry as a whole, the prospect is said to be against any overall reduction in car prices for the next two or three years. Those firms which have no important retooling expense may make token reductions in car prices. Those which are forced to make rather extensive model changes may be expected to increase some prices.

* * *

House leaders, it is reported, have privately passed the word to the White House that they will not wear themselves out considering on the floor the proposed ratification of the International Trade Organization when there is scarcely a chance the Senate will approve it.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Ah'm sorry, suh, but ah refuse to transact any business with yo'all except on the SOUTHERN side of the floor!"