ESTABLISHED 1839

In 2 Sections – Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 171 Number 4918 New York, N. Y., Thursday, June 22, 1950 Price 30 Cents a Copy

EDITORIAL

As We See It

The recent pronunciamento of the British Labor Party threw a bombshell into current negotiations about the so-called Schuman Plan, but sober second thought reveals that it did a good deal more than that.

There must be a good many in Washington who of late have felt very much like many a European statesman felt when the famous cablegram of President Roosevelt smashed the London Economic Conference in 1933. It is difficult to understand how Washington officials as well as French and other national figures could have learned of the British Labor Party's recent pronunciamento with emotions very different from those of 1933. The Government in Britain, if we can as we are asked to do, make a clear distinction between the party and the Government which gives it its life and sustenance, may do its best to shuffle somehow out of the embarrassing situation into which it has been placed by an opposing faction in its party, but one can scarcely doubt that the Schuman Plan so far as its success is dependent upon support from the present British regime is "on the critical list" to say the least.

But this does not seem to us to be the full story by any means. For one thing, this episode must raise in the minds of thoughtful people everywhere the question as to whether we are not in a sense once again deluding ourselves about our ideological friends and enemies. One would be quite irresponsible were he to suggest that the socialists, either in Britain or elsewhere, are likely to ape their cousins, the communists, in their international political behavior—that is the political behavior as exemplified by the Kremlin.

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Will We Have Another Postwar Slump?

By WILLIAM A. McDONNELL*

President, First National Bank, St. Louis, Mo.

Midwest banker, in giving reasons why customary postwar depression has not come, points out: (1) World War II economically has not yet ended; (2) government has intervened in economic field; and (3) modern technology has had revolutionary effect on domestic and international problems. Holds transition from relatively free to controlled economy has been taking place with objective of state ownership of instruments of production. Says we live under "managed-money economy" and looks for economic readjustment when automobile and building construction slumps and when heavy government arms outlays diminish.

After every major war in which our country has been engaged we have had a severe deflationary period. For the first time in our history—thus far, at least—this has not occurred. The pattern of business and economic developments since the close of hostilities in 1945 has on the whole been surprisingly different than what our past experience would lead us to expect. Five years after the end of the shooting, business demand in most lines continues near record levels with about sixty million persons gainfully employed. Unemployment, what little exists, is due mainly to additions to the labor force of about 1,000,000 annually as compared to 600,000 a year, a decade ago. The steel industry is operating close to or beyond its theoretically rated capacity, and the automotive industry promises to turn out a new all-time high record production this year; the construction industry is erecting new housing units at a rate almost twice that

Wm. A. McDonnell

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*An address by Mr. McDonnell at the Annual Convention of the Purchases and Stores Division, Association of American Railroads, St. Louis, Mo., June 16, 1950.

The Federal Threat to Chartered Banking

By F. RAYMOND PETERSON*

President, American Bankers Association

Chairman, First National Bank & Trust Company, Paterson, N. J.

ABA President attacks bill pend'ng in Congress to set-up Federal credit agencies for granting and guaranteeing loans to small businesses. Gives details of proposed legislation and contends bill, if passed, would establish a new and third banking system which would compete with and possibly destroy state and national chartered banking. Attacks government-guaranteed loans, and sees no need for investment companies to aid small business.

The Annual Convention of the New York State Bankers Association this year comes at a time that may later prove to have been a very important period in the history of American banking. This year, as a member of the ABA's official family, I have traveled thousands of miles and talked with many bankers and businessmen. In my talks with them, I have found that the main item of almost universal concern deals with the question of whether we are on the road to more inflation.

There are many influences today that are tending to produce stability in the economy. There are also others which definitely are now contributing to another forward movement of the forces of inflation; and for the most part, these stem from the government's spending programs and its policies and actions in the field of credit.

F. Raymond Peterson

This morning I want to discuss an important current development. Legislation to stimulate and to provide government-sponsored credit and capital for small business has recently been introduced in Con-

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*An address by Mr. Peterson before the 54th Annual Convention of the New York State Bankers Association, Spring Lake, N. J., June 16, 1950.

I. D. A. OF CANADA CONVENTION ISSUE—The Second Section of today's issue of the "Chronicle" is devoted to the 34th Annual Convention of the Investment Dealers' Association of Canada, held at Montebello, Quebec.

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.

LOUIS H. GOLDMAN
Partner, Goldman & Co., N. Y. C.
Members of N. Y. Stock Exchange

(Tennessee Corporation)

"A Security I Like Best for the Future," is not the title under which I would care to write since there are so many securities from which to choose and the question of timing is all important in making one's selection. I would much rather call this article "A Security I Like for the Future."


Louis H. Goldman

In seeking a security for long-term appreciation, as well as for income, there are several factors which must be taken into consideration. First, the company must represent a growth situation which has future growth potentials; secondly, the company must have a capable and conservative management; thirdly, the outlook for the industry must be favorable for the longer term and the company must possess a diversification which would give a greater degree of stability to earnings from year to year. To my mind the common stock of Tennessee Corporation represents an investment fulfilling these objectives.

The Tennessee Corporation, incorporated in 1916, is engaged in the mining and treatment of ores from company-owned mines in the State of Tennessee. The principal content of the ores is iron, sulphur, copper and zinc, in the order of importance. The company's plants process these ores and produce sulphuric acid, copper, miscellaneous zinc and copper salts, and iron sinter. The company operates fertilizer plants which use the company's own sulphuric acid. Various company plants also manufacture plant foods, insecticides and fungicides. Other chemicals produced by the company include manganese sulfate and zinc sulfate, used in agriculture; ferric sulphate for water purification; and sodium fluosilicate, an important ingredient used in the manufacture of enamel finishes, glass, and other products.

Another subsidiary of the Tennessee Corporation produces copper sheet, strip roll and plate copper. These products are widely used in the building industry and for use in equipping the brewing, chemical, distilling and food processing industries. In the prewar years the greatest portion of the Tennessee Corporation's business was dependent upon the agricultural industry. The greatly expanding demand for fertilizer has been largely responsible for the growth of the company, total U. S. consumption having grown from 6,931,000 tons in 1936 to in excess of 16,000,000 tons in 1949. Although there would seem to be a future long-term growth in this particular industry, the company has attempted to diversify its operations over a period of years so as to be less dependent upon the needs of agriculture. This has been achieved with a considerable degree of success due largely to the trend toward industrialization of the South. The company has obtained new customers for its sulphuric acid production which is widely used in the manufacture of synthetic fabrics, textiles, rayon, and various steel trades. The iron sinter, an amorphous mass, containing in excess of 60% iron, is in great demand by iron and steel companies located in the Birmingham Area. The demand for copper at current prices is very favorable for the company from an earnings standpoint. A research laboratory is actively engaged in the development of new types of insecticides and fungicides.

To my mind the most outstanding feature of this company has been the financial management. In the table below it will be noted that over a period of eleven years the company has retired all outstanding debt, more than doubled working capital, increased the annual dividend from $0.25 to $1.70, and spent over $10,000,000 for capital improvements. Currently the company is in the strongest financial condition in its history and would seem to be in a position to survive almost any foreseeable future period of economic adjustment.

Year	Sales (Millions)	Net Working Capital (Millions)	Earned Per Share	Dividend	Capital Expenditures (Millions)	Debt (Millions)
1949	$39.24	$10.95	*$3.26	$1.70	$1.60	----
1948	38.12	9.74	*3.76	1.70	1.16	----
1947	31.75	7.22	*3.05	1.50	1.20	$0.34
1946	27.69	6.70	*1.89	1.00	1.73	0.67
1945	24.88	7.24	*1.36	1.00	0.40	1.03
1944	24.90	8.10	*1.32	1.00	0.50	1.43
1943	22.97	7.23	*1.72	1.00	0.12	1.83
1942	20.42	5.11	*1.36	1.00	1.02	2.23
1941	17.82	4.98	*1.60	1.00	1.55	2.63
1940	13.68	5.49	1.36	0.25	0.65	3.09
1939	11.71	4.94	0.41	----	0.37	3.43

*After laying aside reserves for contingencies, now totaling $1,600,000.

The reasons I like this security are:

(1) The sound financial management of the company.

(2) The increasing diversification of activities in expanding industrial sections of the country.

(3) The lack of obligations senior to the common stock.

(4) The relatively small capitalization of only 853,000 shares in which there has been an absence of speculative activity.

Although as in any industrial enterprise earnings may fluctuate, I feel that the company possesses future growth prospects and the price of the stock at approximately 19 has not reflected the change in the operations and financial status of the company that has taken place in the past ten years.

This Week's Forum Participants and Their Selections

AUGUST HUBER
Market Analyst, Spencer Trask & Co., New York City

(Kennecott Copper Co.)

To pin-point a "favorite" security—out of literally thousands—is usually a hazardous undertaking. Any such choice must necessarily be prefaced with general market considerations, and recognition of the following:


August Huber

(1) That even the best individual situation can at some price at least be temporarily overvalued; and, conversely,

(2) A poorly managed, basically unsound company at a certain price can be undervalued. Thus, a so-called "favorite" stock should be one based primarily on underlying factors which impart soundness along with its general prospects.

It appears to me that Kennecott Copper possesses the basic necessary attributes which place it in an attractive position for investment consideration:

(1) The company occupies a dominant position in the industry. It is the largest copper producer in the United States, and one of the leading factors in the world copper trade.

(2) Annual productive capacity of operation properties is in excess of one billion pounds of copper — two-thirds from domestic mines—the remainder from company's Chile properties.

(3) Company is the second largest producer of molybdenum (important alloy for steel manufacture) and recovers considerable quantities of gold, silver, and zinc.

(4) With the bulk of domestic mining operations using the "open-pit" method, Kennecott is regarded as the lowest-cost domestic producer.

(5) The Chilean mines are operated via the underground method but the high grade of the ore makes for relatively low producing costs.

(6) Kennecott's copper reserves are large — Domestic, conservatively estimated at 9,500,000 tons; Chilean, 4,350,000 tons.

(7) Wholly-owned subsidiary—Chase Brass & Copper Co.—fabricates a wide range of products and normally uses somewhat less than half of the parent company's domestic output.

(8) Following last year's inventory readjustment phase—characterized by copper production cut-backs and price reductions—the demand for copper has

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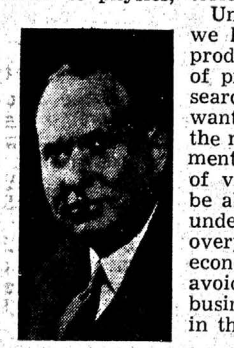
Coming Shifts in Fiscal Policy

By BEARDSLEY RUML*

Former Chairman, Federal Reserve Bank of New York

Asserting there have been new discoveries in economics and finance as well as in science, Mr. Ruml contends one of these discoveries has been that Federal deficits, prudently incurred in times of unemployment, tend to be deflationary rather than inflationary. Cites financing war with reduced interest rates as new shift in fiscal policy, and lays down principle that taxes should be high enough, but no higher than required to maintain stability of currency. Advocates budget surpluses in prosperity and deficits in depressions, along with stable tax rates. Favors a "consolidated cash budget" to measure impact of government transactions on the economy.

The discoveries and insights coming out of World War II are by no means limited to physics, chemistry, biology and surgery. Advances have also been made in the fields of finance and economics. The full import of these advances is not yet understood, but we do know enough to know that some things that many competent people thought were true are either false or true in a different way than was once believed. Let me give a few examples.



Beardsley Ruml

In 1937, an eminent economist advised the Treasury that unless the budget was soon balanced, the interest rate would go to 6% to 8% the way it had in France. And yet during the war the national debt rose from $45 billion to $275 billion on a declining rate of interest.

In 1940, a metropolitan newspaper of high reputation expressed an opinion editorially, which I suspect was generally shared, that it was unfortunate that we were entering a period of defense preparations with the handicap of a debt that had already nearly reached $45 billion. And yet the debt increased six-fold and was at no time a limitation to our productivity.

Guns versus Butter

In 1941, we were told that we would have to choose between guns and butter, that to arm for war in two hemispheres we would have to cut our standard of living sharply. And yet in 1944, the general over-all standard of living was at least as high as in 1941, and in addition we produced some $80 billion worth of armament. The miracle of production came out of better use of resources and of productivity that had been growing unnoticed beneath the surface of actual output for a period of 15 years.

While our capacity to produce has grown with leaps and bounds, at the same time we have made tremendous progress in the fields of marketing research and marketing measurement with such devices as the consumer panel, consumer juries, and testing laboratories.

Unnoticed except by technicians, we have been guiding our great productive capacity into the kinds of products which marketing research has told us people really want and need. At the same time the new field of market measurement has guided us in the amounts of various products which could be absorbed, thus avoiding either underproduction or the wastes of overproduction. So this field of economics is helping, too, in avoiding the severe extremes of business cycles we have known in the past.

A New Insight

Let me give one more example of a new insight in the field of fiscal economics. During the 1930's most people believed that a deficit in the Federal budget was inflationary. Today we can see that a nation that has millions of unemployed who want to work and billions of dollars invested in idle plants and equipment is much like a factory or company that has a sizable amount of unused capacity. Under such circumstances, an increase of demand tends to reduce unit costs, and therefore under competition tends to reduce prices rather than to increase them. For the same reasons, Federal deficits prudently incurred in times of unemployment, since they also tend to reduce unit costs, tend to be deflationary rather than inflationary as far as the purchasing power of the dollar is concerned.

These discoveries, insights, or whatever you want to call them, in the field of economics and finance are just as real as radar, D.D.T., and atomic energy. They are not matters of theory or wishful thinking, they are matters of experience and observation. The plain fact is that the war was actually financed on a declining rate of interest. What does this mean? It means that a new relationship has been created between the private money market and the national state. This relationship was created by law in 1913, 1933 and 1935, but it required the impact of a World War to give us the experience necessary for understanding, in part at least, what had happened.

I hope that it will be understood that I am only describing what has come about—I am not advocating, objecting, praising or blaming. Just as radar, rocket and jet propulsion, insecticides, the

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*An address by Mr. Ruml before the 54th Annual Convention of the New York State Bankers Association, Spring Lake, N. J., June 17, 1950.

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Additional Articles in Section Two

SECTION TWO of today's issue, which is devoted to the 34th Annual Convention of the Investment Dealers' Association of Canada, held at Montebello, Quebec, includes the following articles:

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

25 Park Place, New York 8, N. Y.

REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher

WILLIAM DANA SEIBERT, President

WILLIAM D. RIGGS, Business Manager

Thursday, June 22, 1950

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $25.00 per year. (Foreign postage extra.)

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

Today's Costs of Tomorrow's Pensions

By ROBERT C. TYSON*

Comptroller, United States Steel Corporation

Characterizing first-half of 20th century as "a blaze of welfare, security and deficit financing," Mr. Tyson reveals problems and complexities in setting-up pension plans and in estimating their costs. Stresses responsibility of accountants along with management in computing and checking the actual and prospective costs of pension systems. Describes various cost-accounting methods.

When historians of the future write our history for the first half of the 20th century they will undoubtedly say that it went out in a blaze of welfare, security and deficit financing. The opportunity and obligation of the accountant is to make sure that the brightness of the blaze does not blind us to the danger of the fire. Pensions, their costs and their consequences, are complicated and obscure to most people. Pensions, by their very nature, are arrangements which cover the life-spans of individual men and women and reach out even beyond that when groups of men and women are concerned. The things we do today about pensions will have consequences long after we are dead. We had better be sure that those consequences will be good, not evil. The fact that the consequences may be long deferred does not mean that they can be disregarded; it means, on the contrary, that these consequences must be even more vividly envisioned and so brought to bear on our present-day decisions.

Robt. C. Tyson

The inherent nature of pensions presents an especial opportunity and obligation to the accountant as a member of the management team, and one which his occupation especially equips him to undertake. His obligation begins long before any names are signed to any pension contracts.

Let me tell you why I think this is true. Take the simplest possible example: A company hires a youth at the age of 20 and agrees with him at that time that he will have a pension beginning 45 years later when he stops working. Now look at the questions that pop up: How much will the pension be? Will he live 45 years? If so, how much longer? Will he stay with the company? Where is the money to come from to pay his pension? How is it to be provided? These are only some of the questions. They multiply in their complexity as soon as you begin to consider the pensions of more than just one man. Now who is to answer these questions and answer them *before* the pension arrangement is made? After that it will be too late. I submit to you that all such questions are to be answered only in terms of records—records of people, their mortality, their turnover in employment, their probability of disability, their normal advancement in the pay scale, their survival spans in retirement, the normal growth of the business and its employment, the sources of funds, the methods of ascertaining and allocating costs, the nature of sinking funds, and so on. These are the things about which accountants and their actuarial counsels are supposed to know more than any other element in the management team. Pensions, I repeat, are matters that present both opportunities and obligations to the accountant.

The Pension Bases

In deciding upon a pension plan the first thing to be determined is usually the bases upon which the actual amounts of pension payments are to be determined. In the case of United States Steel's plan the bases are the length of service, age and reason of retirement, average earnings over the last 10 years of employment, with the added feature of minimum amounts inclusive of social security benefits. An immediate next consideration is what is the cost and can the company stand it. Depending on the cost, the bases are subject to reconsideration and revision.

*An address by Mr. Tyson before the National Association of Cost Accountants, New York City, June 19, 1950.

Once the bases for granting pensions have been proposed, trained actuaries can reasonably determine the actual dollar amounts to be paid to prospective pensioners in years to come. The accountant had best rely upon the skilled actuary for such estimates, supplying to him the necessary company records of employees numbers, sex, age distribution, compensation and turnover.

Methods of Costing Pensions—"Cash Disbursement"

Once the actual dollar amounts to be paid to prospective pensioners are established the accountant is immediately confronted with the necessity of determining the method of meeting the cost of those payments.

There are a number of methods of providing for the cost of pensions. One method is to operate the pension plan on what has come to be called the "cash disbursement basis." In this case no provision is made for the pension cost during the active employment of the pensioner. Upon his retirement he is, in effect, continued on the payroll at a reduced rate of compensation. Some companies use this plan and some sincere individuals endorse it on principle. Others endorse it because it calls for the least immediate cash outlay.

I personally believe that the cash disbursement method is unwise from a management point of view, improper from an accounting point of view and undesirable from the employee point of view. I think it is unwise from a management point of view because even though we know that it inescapably results in a pyramiding fixed cost through good times and bad, the initially low cost insidiously and deceptively leads both management and employees to think that pensions do not cost very much. An attitude of "after me the deluge" is, almost unconsciously, provoked.

I believe that the cash disbursement plan is improper from an accounting point of view because it ignores in the cost of the product currently produced the cost of the pension currently earned but paid after the employee stops producing. There seems to be no justification for an accountant to ignore a part of a cost simply because the payment of that part of the cost is divorced in time from the performance of the service for which it is paid. No accountant, for example, would defer or ignore the current social security tax cost until such time as the employee upon whose earnings the tax is paid starts to receive social security benefits.

I believe that the cash disbursement plan is undesirable from an employee point of view because there is no assurance to the employee that the money for his pension will be available when he qualifies to receive it. It is a matter of record that during the 1930s many pension plans using the cash disbursement method were terminated or the pensions had to be reduced, including the pensions of those already retired.

Mr. George B. Buck, a distinguished actuary regularly consulted by business, government bodies and labor organizations, has publicly stated: "Generally speaking, the cash disbursement method of providing for pensions costs is being discard as inequitable, unsound and dangerous to the pension security of retired employees."

Funding or Retirement Method

So much for the cash disbursement method. A second method of providing for the cost of pensions is to make no provision for an employee's pension during his active service, but to pay into a fund at the time of his retirement

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Business Indexes and Stock Prices

By CHARLES F. ROOS*

President, Econometric Institute Inc.

Dr. Roos reviews various indexes used in connection with study of stock market fluctuations, such as trend of corporation earnings, dividends, interest rates, and production. Points out if capitalized earnings alone were used as basis for stock prices, current market would be double actual level. Says, also, dividend payments alone do not explain price fluctuations and low stock market levels, on basis of past performance, are not influenced by interest rates or by production volume. Discusses unfilled orders as business index.

In 1899, Richmond Mayo-Smith, Professor of Political Economy and Social Science at Columbia University, wrote: "There seems to be no way of estimating profits or any rate of profit." Today, almost everyone of you believes he knows what corporate profits were last month. He is reasonably sure what they will be the next quarter, and he has a good idea of what they will be six months hence. A few of you have good ideas regarding their probable range during the next five years.

Dr. Charles F. Roos

Naturally, a main reason why this audience is so interested in corporate profits is that profits are related in some way to stock prices. The extent to which they are so related can be readily determined today because data for testing various hypotheses are now available. The Cowles Commission for Research in Economics, for example, has constructed reliable indexes of common stock prices. These indexes represent investment experience for the period 1871 to 1937 for some industries and for the period 1900 to 1937 for a much broader group. For the period 1926-1937 these indexes are identical with the Standard and Poor's indexes.

The Cowles Commission has similarly constructed indexes of earnings for the same periods, as has Standard and Poor's for the period 1926 to date. The latter are comparable, but not quite identical with the Cowles Commission indexes for the period 1926-1933. In the present study I have used the Cowles Commission indexes of earnings through 1933. I have chained these to the Standard and Poor's indexes for 1933 and used the latter to date.

Since the first quarter of 1939 the Econometric Institute has published historical series for 1919-1938 and current estimates of quarterly earnings. These add up to the same annual total in the historical period as those calculated by the Cowles Commission, but have the advantage of giving a more accurate picture of turning points. In the studies which I will show you today I use the Econometric Institute series from 1919-1933 chained to the Standard and Poor's index of quarterly earnings of 50 industrial stocks which begins in 1934.

Many investors also believe that stock prices are related to dividends. Today we have annual dividend series constructed by the Cowles Commission for the period 1900-1937. We also have a quarterly index of dividends constructed by Standard and Poor's for the period 1934 to date. In the study that I am presenting I chained Standard and Poor's index of dividends of 50 industrial stocks to the Cowles Commission index in 1934. This chaining procedure is valid because in the years of over-lap of the two indexes the movements are almost the same and the levels are quite comparable.

Interest Rates and Stock Prices

Some investors believe that interest rates likewise have something to do with stock prices. For testing this hypothesis Moody's yields on AAA corporate bonds are available. Whether one should use yields on industrial bonds, utilities, rails or governments is, of course, debatable. In resolving the problem one should note that the movements have been rather similar and that the corporate index provides a good average. Moreover, the investor after all does have the choice of buying any of the bonds for interest yields or stocks for dividend yields.

There is, of course, nothing new in just comparing earnings, dividends, bond yields and stock prices. Analysts have been doing this for years for individual stocks. Thirteen years ago I myself kept up-to-date such studies for 100 leading corporations. Nor is there anything particularly new about overall comparisons of stock price indexes and earnings, dividends and bond yields. Our Econometric Institute published such a study in 1938, and various others have followed suit. Our institute made the mistake of calling its index of these quantities a stock price criterion for the Dow-Jones averages. It stopped publishing this criterion nearly a year ago, because (1) the spread between the criterion and actual stock prices had grown very large and (2) some of its investment counsel clients ask it not to embarrass them by publishing the criterion.

This study of stock prices was first made in 1937 at a time when quarterly indexes of earnings and dividends had to be constructed from relative sparse data. At that time statistical studies of the influences of dividends and earnings showed little preference for one over the other. Earnings were given the preference because they tended to change about three months ahead of dividends and an early turning index seemed to be desirable. Since 1937, over 50 new quarterly observations have been added to the data available and the ratio of dividends to earnings has changed on several occasions. In addition,

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*An address by Dr. Roos before the New York Society of Security Analysts, Inc., New York City, June 2, 1950.

The State of Trade and Industry

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

The trend of total industrial production made further mild progress the past week and continued moderately above the level for the similar week last year. In keeping with the improved rate of output overall continued claims for unemployment insurance dipped somewhat, while initial claims were virtually on a level with the previous week.

Despite record-breaking production the last nine weeks steelmakers are making virtually no progress catching up on order accumulations. In fact, overall supply is tighter today than two months ago, states "Steel" magazine, metalworking industry weekly. The mills will enter third quarter with heavy tonnage backlogs in most major products, especially sheet and strip. Bar, plate, shape and specialty backlogs also will be heavy with deliveries extending into fourth quarter. Bulk of third quarter output already is committed, leaving only relatively small tonnage open in the period for new business, this trade paper notes. All signs point to heavy consumer requirements throughout the rest of the year. Some slackening, however, would not be surprising. Vacation shutdowns alone may ease demand pressure. Still, high level business throughout summer months is indicated with steelmaking facilities pushed to the limit as producers endeavor to reduce accumulations. Normal seasonal decline in demand for tin plate, building steel, requirements for certain household appliances and even automobiles also may contribute to an easing in pressure as summer advances.

Upward pressure on finished steel prices is intensifying, this magazine observes, but no general advance appears in prospect. All major producers indicate continued resistance to rising raw material costs though they express concern over the outlook. Signs of a reaction in the runaway scrap market have tended to ease pressure for a general markup on finished steel.

* * *

Automotive output soared to a further new high point last week with gains registered by Chevrolet and Chrysler Corp. divisions, according to "Ward's Automotive Reports."

Bulk of the record production is being realized on five-day schedules except in the case of Ford and Chevrolet where Saturday work is continuing, the agency reported. Overtime hours, however, are being put in at a number of plants from Monday through Friday, it added.

On the basis of projected schedules, August production of cars and trucks in United States plants should approximate 830,000 units, the agency said. While this is only slightly over the 820,000 anticipated for June, it indicates a sizable gain over July. In that month a fewer number of work days coupled with model changeovers are expected to hold the industry to about 730,000 completions, Ward's declared.

* * *

On Friday of last week President Truman vetoed the freight absorption bill. The purpose of the legislation was intended to clarify certain business practices such as the use of delivered prices and freight absorption, as to their legality, when used to meet competition and not as a part of a price-fixing conspiracy. The President contended that the bill would cause more confusion than it would dispel and that the courts can be expected to clear up some doubts about the anti-trust law intricacies in cases now pending.

Mr. Truman further stated: "I recognize the businessmen have been concerned lest they be penalized for perfectly sensible and appropriate competitive action." Continuing, he said: "I believe their concern is unwarranted. If in the future there should be clear evidence to the contrary, the law should, of course, be changed."

"But," he asserted, "it is quite clear that there is no bar to freight absorption or delivered prices as such" under the present law.

* * *

An increase in the corporate tax rate to approximately 41% from the present 38% top rate was voted by the House Ways and Means Committee on Monday of this week.

In revising the corporate tax schedule for all companies the result achieved will, if the proposed bill becomes a law, mean higher taxes for concerns making over $166,667; lower levies for those earning between $5,000 and $166,667, and no change for firms whose profits are under $5,000.

The above revisions would affect all income earned in taxable years starting after Dec. 31, 1949. A final vote, considered routine, to report the measure to the House for action is expected today.

Steel Output to Exceed Capacity Level for 10th Week

When the figures are toted up in a few days, hundreds of steel consumers will have shattered some of their best production records, according to "The Iron Age," national metalworking weekly, in its summary of the steel trade. Steel users are operating at a terrific clip—matching the smashing performance of the steel industry itself. By the end of the month, steel will have hung up some more new production records—and so will some of steel's best customers.

Apart from the fact that steel is being consumed in record tonnages, steel people say there are three accentuating factors: (1) In addition to current production requirements, steel consumers are trying to rebuild their inventories. There are signs that a few are beginning to have some degree of success. (2) Some consumers are speculating on the question of higher prices for steel, having already noted the renewed trend toward premium prices. (3) Some steel consumers are trying to protect themselves against the possibility of a steel strike.

Most steel labor contracts are reopenable on wages Nov. 1,

Continued on page 31

Tyson Opens Dept. For Obsolete Secs.

PHILADELPHIA, Pa.—Tyson & Company, Inc., Lewis Tower Building, has announced the organization of a special department to investigate obsolete or "worthless" stocks or bonds for potential value.

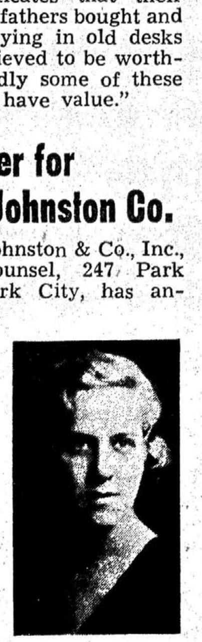
The new service, to be directed by Harold Tyson, Vice-President, is believed to be the only one of its kind in the city.

Mr. Tyson said several inquiries into values of obsolete stocks made for clients led to the firm's decision to open up the new service. In two instances, he said, so-called "worthless" stocks proved to have value.

Mr. Tyson expressed the opinion that there were more forgotten stock purchases of bygone years in Philadelphia attics and cellars than anywhere else in the United States. "And the reason for it," he explained, "is that this city and the surrounding area comprise the oldest financing center in the United States, and for many years this area was the largest market for the individual sales of securities as distinguished from the institutional market. We think our new department," he continued, "will remind Philadelphians of those yellowed-with-age stock or bond certificates that their fathers or grandfathers bought and that now are lying in old desks and trunks, believed to be worthless. Undoubtedly some of these old certificates have value."

New Officer for D. T. Johnston Co.

Douglas T. Johnston & Co., Inc., Investment Counsel, 247 Park Ave., New York City, has announced the election of Mrs. Elsie Johnson Himes as Assistant Vice-President. She has been associated with the firm as an account manager since 1945.


Mrs. Elsie J. Himes

Mrs. Himes attended the Albany Academy for Girls and graduated from Wellesley College in 1932. She studied at the New York Institute of Finance and is a member of the New York Society of Security Analysts.

Henry Harris Dir.

The election of Henry U. Harris to the board of directors of Stone & Webster, Incorporated was announced by Whitney Stone, President. Mr. Harris is a partner in the New York brokerage firm of Harris, Upham & Co. He is also a director of the Texas Company, American Steel Foundries and the Chemical Bank & Trust Co.


Henry U. Harris

Opens Offices

KANSAS CITY, Mo. — Mrs. Lorene Dandridge is engaging in a securities business from offices at 1705 Michigan.

Observations . . .

By A. WILFRED MAY

Thru the Roof or the Cellar?

Two documents coming to hand vividly demonstrate the prevalent sharply contradictory attitudes toward inflation. One is a letter from a correspondent, Mr. H. Murray-Jacoby, putting forth seven detailed questions, which although disclaimed by him as "hypothetical," quite obviously are motivated by his overriding expectations (with fears and/or hopes) of war-induced dollar depreciation and drastic inflation. In the directly opposite vein, a prophecy-of-doom in the guise of a booklet, "Lower Prices Coming," by William J. Baxter, with cartoons by Robert Day*, has simultaneously hit our desk.


A. Wilfred May

The author of the letter which follows, Mr. H. Murray-Jacoby, was formerly a utility financier; a director of insurance, industrial and railroad corporations; financial adviser to foreign governments; and Ambassador-at-Large in the Hoover Administration.

Dear Mr. May:

I have promised myself for some time to pose a number of [sic] hypothetical questions to you as you seem to be particularly well qualified to answer them, and I hope that you will agree with me that the answers to these questions would certainly be of profound interest to your readers. So I hope you will treat with them in your column or at least write me a personal note if you should consider the subject, shall we say, too delicate. Let me underline again that these are purely hypothetical questions with "ifs" all over the lot, and I hope, with all my heart, that the occasion will never arise where we will be burdened with worrying about these matters. Yet, the cautious mind likes to think of all eventualities.

First Question: ***World War Three and Monetary Inflation?***

Could you conceive of a third world war at the end of which the dollar would still be the same as now? Our best military mind, General Omar Bradley, has made it plain in his Senate testimony that in such an event we would have to engage in a great land war on the continent. We would have to fight 500 Russian divisions, in fact, we would have to fight 700,000,000 people. Not only would we have to do the major fighting; we would most certainly have to do the major financing. Would you say that price ceilings and controls could keep the dollar stable; or would you say that the gigantic cost of such a war—some have estimated it at $500 billion—would cause a drastic dilution of the dollar structure, as the then $750 billion debt would be vastly greater than the earning assets of the country? Or would you say that our productive capacity, too large in fact for normal consumption, is so immense that monetary inflation is completely impossible?

Second Question: ***Investment Ecapes?***

In the event of such monetary inflation, what media would you consider the best for the investor to consider?

Third Question: ***Fire Insurance Stocks in an Atomic War?***

Looking in that regard at the fire insurance stocks which made such a good showing in France and elsewhere, how would they act as a protection during an atomic war? Naturally, the companies with inflationary stock portfolios would benefit from the growing spread between that portfolio and the unearned premium reserve. I believe they are not liable for fire losses from incendiary bombing; how did the British companies make out during or rather after the blitz in that regard?

Fourth Question: ***Oil Equities?***

There was no experience in oils during the postwar period in Europe after World War I and were therefore not caught by the Prof. Ivan Wright studies. Had there been companies like

Continued on page 42

*"Lower Prices Coming," by William J. Baxter, published by International Economic Research Bureau, New York City 5; 90 pp., $1.00.

Needed: Better Government At Lower Price

By HARRY W. DAVIES*
Retiring President, New York State Bankers Association
President, Syracuse Trust Company

Mr. Davies reviews conditions leading up to appointment of the Hoover Commission and outlines reforms recommended. Says waste and extravagance has resulted from expansion of government activities, which if continued at same rate, would exceed growth of national income. Calls for support of Hoover Commission reforms by collaborating with the New York State Citizens Committee for the Hoover Report.

I bring you a message that has captured the imagination and the hopes of millions of Americans. It is a message of better government: "Better Government at a Better Price." It is a message of the recommendations by the Hoover Commission for the reorganization of the Federal Government.

Now, talking about government, especially its details, is pretty dry stuff. But when the talk gets down to the cost of government, we begin to get interested.

Everyone says government costs too much, whether it's local, state or Federal. Like the weather, no one does anything about it. Up to now it's been just a topic for conversation. But it's gone beyond the conversation stage now. Something is going to be done about it. In fact, something has already been done—and is being done—about it.

H. W. Davies

Before I finish my remarks, I think you will agree that our message is urgent and vital. I hope you will decide that the time has come for you to enlist as individuals in the cause that can save you, as individuals, a good many hundreds of dollars.

In other words, I'm going to talk about one of the nearest and dearest things to all of us—our pocketbooks.

Message of Hoover Commission

The message of the Hoover Commission is brought to you by an organization that is a cross section of America, men and women who have banded together in the New York State Citizens Committee for the Hoover Report. Similar organizations are functioning in every state in the nation. There are thousands of members among the nation's businessmen, union leaders, educators, labor and housewives.

We are joined together in a crusade, a non-partisan, non-profit crusade to save the American system of government from running away with itself, or spending itself into bankruptcy.

We are neither Republicans nor Democrats, Protestants, Catholics or Jews, white or black. We are just Americans who believe that the Democratic system is the best there is, but who also know that the system has "bugs" in it that have to be exterminated in order that democracy can come to its full flower of liberty and service for every citizen.

These "bugs" are not the fault of any particular political party or individual. They have developed within the framework of the executive branch of the government, that has, like Topsy, "just growed." Through years of depression, war, and now cold war, we have spent money for good purposes — necessary purposes. But it seems that every time another few millions are added to the national budget, it becomes necessary to add a few hundred more employees, or a couple of more bureaus.

This situation has gone on, year after year, until today we come to the amazing and dangerous point where the interest alone on the national debt costs as much as it did to run the entire government 20 years ago. That debt of $252 billion amounts to a debt of $7,000 on every family in America, a debt that we, our children, and our children's children, are going to have to pay. And the debt is still going up, even in peace time.

I tell you, too, that our $42 billion national budget means that your government is spending $79,900 every minute. In the time it takes me to complete this sentence—a quarter of a minute—your government spends, on the average $19,977.15.

An interesting thing about this situation is, that nobody is blaming the Republicans. And not even the Republicans are blaming the Democrats. It is no wonder, then, that back in July, 1947, Congress began to get alarmed over this state of affairs and unanimously passed the Lodge-Brown Act "to give the American people one more chance to master their government before they become its slaves."

It's as simple as that. We are down to the proposition of whether we shall maintain the American tradition that government is the servant and not the master of the people, or whether this tradition shall be turned about and all of us, by gradual process, become automatons in a vast complex, just paying more and more taxes as the years go on.

The Lodge-Brown Act provided for a commission to study the executive branch of the government. President Truman appointed six Democrats and six Republicans. The President sat in at the commission's first meeting and he made former President Hoover the chairman. Dean Acheson, now Secretary of State, was the vice-chairman.

The Commission was charged with the responsibility of finding ways of limiting government expenditures to essentials, by cutting out duplications and overlapping services, but without limiting any of our existing services.

In other words, the Hoover Commission has told us how to limit costs by applying efficiency, rather than a meat axe.

The Commission began and ended on a scientific basis. It had 24 committees, or Task Forces, of research experts to make preliminary studies. These Task Forces worked for 10 to 14 months each and reported their findings from which the Commission made its report in 19 volumes of 2,000,000 words. There wasn't a single division of opinion on political grounds. This report is now known as the Hoover Report for Reorganization of the Federal Government.

The Hoover Report

Going through this report, item by item, is a hard job. It is also hard on your ulcers, if you have them. And if you don't have them, then reading the Hoover Report is a fine way to get them.

For instance, the Hoover Commission found that personnel on the government payroll had increased from 600,000 to 2,100,000 in 20 years. That was one Federal employee for every 175 people in the United States.

Yet Uncle Sam is a notoriously poor employer. About 500,000 persons leave government employment every year. Many of them fed up with the frustration, snarls of red tape and tight fisted bureaucracy that rule our government. But on the other hand, it is practically impossible to get rid of an unsatisfactory Federal employee. It takes, on an average, seven months to fire a worker. In one case it took 17 months to dismiss an employee against whom 45 instances of incompetence and insolence had been proven.

It's things like that the Hoover Report would correct.

The Commission found that we have 30 agencies lending your tax money. We have 25 agencies dealing with mineral resources. We have 28 working in welfare, 14 in forestry, 65 gathering statistics and 34 engaged in obtaining land for the government. There are 65 heads of gigantic agencies that report directly to the President. Obviously, not all of these agencies can report to the President, because if he gave each one an hour a week he would have no time or strength left for formulating broad national policy.

It's things like that the Hoover Report would correct.

These duplicating and uncoordinated agencies have created such a welter of confusion in the executive branch of the government that the oldest government employees have a difficult time knowing exactly what they are supposed to do, or to whom they are responsible.

For example, after the war the Army had a $16,000,000 camp in Alaska that it no longer needed. So the Army tore the camp down and shipped the lumber to Seattle. In that port the Department of Interior took it over, shipped it back to Alaska and reerected it at a point 10 miles from where the Army had it originally.

That, my friends, is something less than cooperation or coordination in the Federal Government.

In the Post Office Department, with 500,000 faithful employees in 42,000 offices scattered in every village and hamlet in America, there is an operating deficit of $500 million every year. It operates under 57 separate appropriations instead of a single budget item. Its books are kept at the general accounting office in Nashville, Tennessee, and for one solid year after its fiscal year ends, the Post Office Department cannot tell you its financial balance, or rather lack of balance.

It costs 22¾ cents to process a money order, for which the average fee is 11.18 cents.

That common, everyday, penny postcard that you use in your business, costs the Post Office two and a half cents to deliver.

Working largely by hand, a Post Office employee can sort 1,200 to 1,600 pieces of mail per hour, yet there are machines that will double this rate. Those machines are **not** being installed.

The average age of the fleet of 10,000 post office trucks is 15 years. The obsolescence makes operating costs **20% higher** than the average for large private fleets of vehicles.

The Hoover Commission has recommended legislation that would modernize the Post Office without limiting services or cutting salaries, and that would wipe out that $500 million annual deficit. But what has been done? Not what should be done, believe me! A bill has been introduced to increase postal rates by $130,000,000 a year.

I ask you: isn't it more sensible to pass the Hoover recommendation than increase rates and still have the same old inefficient operations?

Recently there was a timely news picture in the press, of men working on the Hungry House Dam project in Montana. This project was originally estimated to cost $6 million. Before it is complete, it will cost $93 million!

One of the reasons for such a situation is the intense rivalry, and uncoordinated activities of the Corps of Engineers and the Bureau of Reclamation of the Interior Department. They vie to see who can build the biggest dams, and apparently, at the biggest price.

Right now two agencies have on their drafting boards projects that would cost $52 billion. And they'll build them, too, because there is no central governing agency to determine whether this mass of projects is in the national interest, or if they are just pork barrels. These agencies have been known to prepare plans for a dam at a cost of $250,000, and when completed, find the other agency has a plan for a dam a half mile away at the cost of another $250,000.

It's things like that the Hoover Report would correct.

In submitting the commission's report, Mr. Hoover said "It was not our mission to dig up mud. Our problem was solely constructive reform."

Lack of Central Inventory

And one of the things the report would reform is the government's complete lack of a central inventory of its goods. In 1949, the commission found, the government spent nearly seven billion dollars for supplies, material and equipment. Yet it could not find an overall listing showing whether or not some of the new material purchased duplicated what was

*Address of Mr. Davies before the 54th Annual Convention of the New York State Bankers Association, Spring Lake, N. J., June 16, 1950.

already on hand, and is worth $27 billion.

The $27 billion worth of equipment is stored in warehouses for which the government pays high storage charges.

While on the subject of purchases, I am going to tell you something that you will find hard to believe. Yet it is a fact.

Would you believe that it costs the government an average of $10 for every purchase it makes? Yes, by the time a purchase order is initiated, processed and completed, it costs $10 in material and labor.

Consequently, when the government buys an item for 50 cents, the actual cost of that item is $10.50. I know you may doubt that statement, but the proof is in the Hoover Report.

These things have resulted from unmanaged expansion of the government to keep pace with the growth of the nation. Mr. James A. Farley, former Chairman of the Democratic National Committee and former Postmaster General, speaking in Syracuse several weeks ago, made a startling statement of fact that has been reported throughout the nation. It bore on the growth of the nation and the comparable growth of the government.

Mr. Farley said he did not doubt President Truman's prediction that in the next 50 years the national income would rise to $1 trillion. But Mr. Farley added, if the cost of government increases proportionately in the next 50 years, as it has in the past 50 years, the Federal Government would cost $6 trillion every year, and there would be 20 million employees.

Very obviously that cannot be! A halt has to be called, and soon, or the mighty maw of government will consume every dollar we earn and all the property that we own. Right now, on the average, it costs each of you $349 annual income tax to support the cost of big government, plus the hidden and excise taxes.

Public Support Must Be Had

Is it any wonder, then, that the men and women who have made a study of this problem are taking their case to the American people, and not only asking but begging, for their support. We are not doing this for ourselves. We are doing it for every man. woman and child in America. **The job can't wait.**

A start has been made. Last year the Congress passed about 20% of the Commission's recommendations. Recently, after a conference with President Truman, the Chairman of the National Committee, Dr. Robert L. Johnson, President of Temple University, reported that reorganization plans being prepared by the President would, if enacted at this session of Congress, mean a gratifying score of 60% of the recommendations.

Among the recommendations yet to be acted upon is that for reorganization of the Veterans Administration. This has become a controversial issue. But not a single right or service of veterans will be curtailed.

The crux of the report on veterans is that they are entitled to as fast and efficient service in settlement of claims as individuals receive from private agencies and insurance companies. The Commission found that it take the Veterans Administration four times as long, by the hand process, and with four times as many employees, as it does a private company to settle a death claim.

The veterans' interests were given prime consideration in the commission's study of government. This is demonstrated by the fact that Franklin D'Olier headed the VA task force. Mr. D'Olier was the first national commander of the American Legion.

The goal that is held out to all of us by the Hoover Commission is "Better Government at a Better Price." In attaining that goal, there will be stumbling blocks and opposition. Bureau heads don't want to give up personnel or authority; not even if it means greater efficiency and saving tax dollars. Pressure groups will be active to save pet projects. Practically everyone will have some self interest to protect.

No one will suffer if the reorganization plan is adopted. But the taxpayers will be relieved of quite a bit of their suffering, because adoption of the Commission's recommendations will mean an annual saving of between $3 and $4 billion every year.

To make this possible, the Citizens Committee needs the help and support of bankers like us, both individually and collectively. You people, who have the interest of your nation and government at heart, must offset the pressure groups and the bureaucrats.

You can help by supporting the New York State Citizens Committee for the Hoover Report, by reading and studying its literature, by writing your representative and senators; telling them in a sincere way that you are in dead earnest about this business of government reorganization. And you can talk to your friends and urge them to write letters, too.

As I have said, this is a citizens crusade. By joining you will help not only yourselves, but your country as well. You can help to make it stronger, more vigorous, and its government more responsive to the will of the people. You can be modern Minute Men, defending our way of life in peace, as you would defend it in battle.

A. B. Morrison Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—Richard K. Johnson is with A. B. Morrison & Co., du Pont Bldg.

With Waddell & Reed, Inc.

(Special to The Financial Chronicle)

DECATUR, Ill.—Ross B. Willard is now associated with Waddell & Reed, Inc. of Kansas City.

With Inv. Service

(Special to The Financial Chronicle)

DENVER, Colo. — Robert W. Saulter is with Investment Service Corp., Security Bldg.

Capital Accumulations

WILMINGTON, Del. — Capital Accumulations, Inc. has been formed with offices at 200 West Ninth Street. Officers are Alexander D. Campbell, President; Philip B. Weymouth, Vice-President and Treasurer; and William S. Satterthwaite, Secretary. Mr. Campbell was formerly President of Pioneer Enterprises, Inc. of Bluefield, W. V., and was connected with Lord, Abbett & Co.

Milton Reiner to Admit

Hugo G. Florio will become a partner in Milton E. Reiner & Co., 115 Broadway, New York City, members of the New York Stock Exchange, as of June 22.

Security of U. S. Imperilled by Western Copper Bloc, Congressman Patterson Charges

Buying of copper futures resulting in recent price rises cited as evidence that domestic producers are "reasonably certain" that tariff on Chilean copper will be imposed July 1. Cost to public is placed at $150,000,000 yearly.

WASHINGTON, D. C., June 21. —A "small but powerful" group of Western copper producers is threatening the security of the United States through its efforts to prevent passage of his bill to continue suspension of the import duty on Chilean copper, it was charged here by Congressman James T. Patterson (R., Conn.).

The recent buying of copper futures, resulting in a four-cent rise in the price of copper over the past two weeks, is "clear evidence" that certain Western copper interests and their friends are assured his bill will not be passed, and are "taking this opportunity to reap unconscionable and morally unjustifiable profits at the expense of the American public as the result of their knowledge," Congressman Patterson said.

While legislation fixing an import duty on Chilean copper was imposed in 1932, when domestic copper production exceeded demands, the duty has been suspended since 1941, when demands began to exceed domestic supply. Unless Congressman Patterson's bill, is passed by Congress and approved by President Truman by June 30, when the tax suspension legislation expires the two-cents per pound tax will automatically be levied July 1.

Declaring that there was no "reasonable" justification for the copper tariff, Congressman Patterson stated that domestic demands for copper are now exceeding domestic supplies at the rate of 500,000 tons per year. This, he said, is the result of the nation's increased population and expanding economy since the war.

"The only people to gain from a tariff on foreign copper," Congressman Patterson said, "are a small group of Western copper producers who are also fabricators. Three of these companies control about 85% of all domestically mined copper and about 70% of copper fabrication. A tariff on Chilean copper, which is now supplying 35% of our needs, would enable them to undersell competitors in the fabrication field who must buy their copper in the open market.

"But since a tariff on Chilean copper automatically raises the price of copper in the U. S., domestic as well as imported, the American public would be the biggest loser. They would have to pay more than $150,000,000 yearly for their copper-using products, including automobiles, refrigerators, and many other kinds of mechanical and household needs."

Recalling the recent visit to the U. S. of President Gonzalez Videla of Chile, Congressman Patterson stated that imposition of the copper tariff would be a serious blow to a nation that has stood "shoulder to shoulder" with the U. S. in the cold war against Soviet Russia and needs all the dollars it can get for purchase of U. S. machinery to aid its industrialization program.

"The tariff would bring in only about $5,000,000 yearly to the U. S. Treasury," Congressman Patterson said. "But it would result in a substantial loss of dollar revenue to Chile, and wouuld certainly be used by Communists in Chile and other countries to drive a wedge between them and the U. S. A."

As of today, no date has been set for a hearing on the instant, which is now before the Ways and Means Committee of the House of Representatives.

Dealer-Broker Investment Recommendations and Literature

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

Canada's Oil—An outline of basic government regulations of interest to all oil men—compiled by The Royal Bank of Canada, Montreal, Que., Canada.

Commercial Bank Stocks—Brochure tabulating 16 stocks of interest to the savings banks of Massachusetts—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Hasty Selling—Analysis of the true situation concerning the current reaction—also charted study of **Admiral Corp.** and specific recommendations on 30 stocks—trial subscription to current issue of "Forecast" plus next three—$3.00—Gartley Forecast, 68 William Street, New York 5, N. Y.

Is Stock Splitting Sound?—Analytical brochure—Cahill & Bloch, 11 Wall Street, New York 5, N. Y.

Manitoba — and the **Western Market**—Survey of the extensive and wealthy market comprising Western Canada from the Great Lakes to the Rockies—Department 171, Manitoba Department of Industry and Commerce, Legislative Bldg., Winnipeg, Man., Can.

Market Outlook — Brochure summing current trend—Spencer Trask & Co., 25 Broad Street, New York 4, N. Y.

Outlook for Tire and Rubber Stocks — Analysis — Goodbody & Co., 115 Broadway, New York 6, 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.

Public Utility Bonds — Comparative tables—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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American Power & Light Co.—Analysis—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Beryllium Corp.—Memorandum—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Southern Union Gas Co.**

Boston Edison Co.—Memorandum—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Cal.

Central Vermont Public Service Corp.—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a memorandum on **Petroleum Corporation of America.**

Douglas & Lomason Co.—Memorandum—White, Noble & Co., Buhl Bldg., Detroit 26, Mich.

Filtrol Company of California—New analysis — Lee Higginson Corp., 40 Wall Street, New York 5, N. Y.

Also available is a new study of **Speer Carbon Co.**

M. A. Hanna Company—Analysis—**C. E. Unterberg & Co., 61** Broadway, New York 6, N. Y.

Kansas City Power & Light Co.—Memorandum—Uhlmann & Latshaw, Board of Trade Bldg., Kansas City 6, Mo.

Lawrence Portland Cement Company—Analysis—Grady, Berwald & Co., Inc., 30 Pine Street, New York 5, N. Y.

Lea Fabrics—Information—Aetna Securities Corp., 111 Broadway, New York 5, N. Y.

Also available are data on **Winters & Crampton, Plywood, Inc., Douglas & Lomason,** and **Copeland Refrigeration.**

Madison Gas and Electric Company—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Also available is a report on **National Tool Company.**

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

New England Electric System—Memorandum—Josephthal & Co., 120 Broadway, New York 6, N. Y.

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

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"There Is No Such Thing As Government Money"

By ORVAL W. ADAMS*
Executive Vice-President
Utah First National Bank, Salt Lake City

Western banker, in pointing out all money comes from taxpayers and thus there is no such thing as government money, denounces invasion of private rights under guise of planned economy. Says times call for wisdom and courage by bankers and positive denunciation of government actions tending to destroy private enterprise. Attacks subsidies as "robbing Peter to bribe Paul," and accuses Administration of attempting to "prime the pump by smashing it." Says theme song now should be "God Save America," not "God Bless America."

In a normal world your concern and the concern of the banker would be the same — to see that the bank remains in position to return to its depositors on demand the moneys deposited by them with it.

Orval W. Adams

In this abnormal world you gentlemen have ably performed the duties entrusted to you. Under your supervision the ability of a bank to return the number of dollars deposited with it is taken for granted.

But the banker is, or should be, concerned as well in seeing to it that the dollars you make sure he can return to his depositor are dollars of equal value with those deposited.

It is indeed fortunate that you gentlemen have so ably performed the duties entrusted to you and have ensured the return of the number of dollars deposited for when we look to the other side of the equation, to the value of the dollars deposited, the story is quite different.

There is no such thing as "government money." Until that statement has become part of our subconsciousness, a premise upon which we act and react instinctively, it will be possible for those in control of government to perpetuate themselves in office by returning some of the money they take from us and labeling it "government money."

Until it is so understood, that every dollar spent by government comes from the taxpayers and might otherwise have been spent by them as they elected and without the overhead cost of the millions employed by government to spend the taxpayers' moneys, it will remain true as our last President, Heber J. Grant, said some years ago that "you can't beat Santa Claus." Pull off the old gentleman's whiskers and you will find the wolf revealed.

The necessary functions of government benefit all of us and we rightly and willingly contribute to their cost, but strange as it may seem, bureaucracies have a tendency to grow and to perpetuate themselves; functions initially exercised for proper reasons are continued for improper reasons and their cost increases.

Let me illustrate by directing your attention to the matter of subsidies:

Subsidies start by taking from Peter to pay Paul. They are continued to rob Peter in order to bribe Paul.

During the war, and for a period thereafter, in order to ensure the production of necessary commodities, and to minimize inflation, it was necessary to pay subsidies and such subsidies were rightly paid.

To pay a subsidy to get needed production of an essential commodity is one thing; to pay a subsidy to get unneeded production of something when produced must be destroyed, is quite another thing.

Today the farmer is in the spotlight; he is getting back more than he contributes to government. He is expected to pay for this with his vote; to sell his liberty for some temporary financial advantage.

But not all farmers are fooled; both as individuals and in their organizations they are calling for justice and not favoritism. They recognize that unwarranted subsidies may mean the death of needed subsidies. And they know that tomorrow some other group will be in the spotlight, and that they will be footing the bill.

I believe that we, as individual bankers, have a responsibility and an obligation to inform citizens and our depositors to the best of our ability in regard to money, credit, and the elements of sound public finance upon which rests to so great a degree the banking structure and consequently the safety and earning power of the funds entrusted to our care.

Our first duty is to our depositors. Upon this we will all agree. But just what is the extent of this duty? Is our obligation to our depositors fulfilled by merely so managing our banks as in the ordinary course of events to insure the return to them of the moneys deposited by them, or do we not owe a further duty? Are we not charged with the responsibility of doing what we can to make their deposits worth having, to see that they earn something substantial, and to see to it that when repaid they are repaid in dollars of real value?

The depositor is the very backbone of this nation—the man who is self-supporting, who saves, who bears the brunt of taxation, who supports the people and the government. Without him life would be primitive indeed. Without him the man on relief would soon find himself in the position of being oblidged to rely upon his own efforts for a livelihood. This is so obviously true that one wonders there should be resentment among these classes of the community when a word is said in defense of the depositor, a word which in effect means no more than a warning to these interests not to kill the goose that lays the golden egg.

Today a word uttered in defense of the depositor is often met with the cry of partisanship, and I am just bit afraid that in attempting to avoid any feeling or appearance of partisanship we, as bankers, may have unwittingly become partisans in the very worst sense: You can not avoid partisanship by keeping silent when one party desires that you keep silent, and partisanship in disregard of your duty, to the injury and peril of your depositor, is the worst sort of partisanship.

Must Not Keep Silent on Principles

We cannot be justified in keeping silent when it is our duty to speak, by any plea that we must avoid partisanship.

First: We must manage our own banks. Our depositors are entitled to know in whom is vested the management of the institutions in which they deposit their funds. If we are obliged to surrender the management of our banks in whole or in part to some other person, persons, or agencies, I believe it is our duty to inform our depositors of that fact.

Second: It is our duty to manage our banks in the light of experience, and to the best of our ability, with a view to safeguarding the funds entrusted to us. If we are obliged to abandon practices which in the past have proven necessary to the security of our institutions and our depositors, we should inform our depositors of that fact. Diversification in investments and loans, limitation in the amounts of loans, insistence upon the self-liquidating character of loans accepted by us, the preservation of liquidity, all these must be continued or our depositors be informed that we propose to venture their funds in disregard of some one or more of these principles.

Third: It is our duty to use our best efforts to insure to our depositors a fair return on the funds entrusted to us, and when such a return is rendered increasingly impossible by reason of conditions beyond our immediate control to inform our depositors of such facts in order that they may intelligently act for their own protection.

Fourth: It is our duty to do everything in our power to make it possible for us to return to our depositors when demanded by them dollars not depreciated by government fiat or by excessive government borrowing. Merely to give back the same number of "counters" would be to fulfill but a legal, not a moral, obligation. When we observe forces beyond our control tending to render impossible the return of sound dollars to our depositors, it again is our duty to inform them of such facts in order that they may act in their own protection.

We know that the politician will do all in his power to prevent the people becoming tax conscious, that he will do this by borrowing instead of paying as we go, by raising revenues through indirect taxes whenever possible instead of through direct taxes. We know that the continuance of the present spending and borrowing policies of government can lead to but one end, the destruction of the savings of our depositors. It is our duty to do what we can to make the people tax conscious, to show our depositors that visible taxes are but a trifling portion of the real tax burden, to show them not only the extent to which invisible taxes cut into their earnings and their savings, but also to show them how they are further taxed as truly as though such impositions were called taxes by the low interest policies of government and by competition of government with banks.

Have we made it clear to our depositors that the reduction of more than one-half in the returns paid on their savings deposits has necessarily and directly resulted from the low interest policies of government, together with the fact that government is today the chief customer for the accumulated funds of our depositors? The average depositor should know that the government has become the banker's main customer as a result of the accumulated effects of the experimental policies of the administration, of continued threats to industry, and of the consequent destruction of confidence in the future.

Does the average depositor understand that continued borrowing and continued unbalanced budgets lead to the one inevitable end of uncontrolled inflation? Do our depositors understand that they are the creditors and the banks the debtors? Do they understand that when the government reduces its own debts by inflating the currency, it also reduces the debts of the banks to the depositors, renders impossible the return by the banks to the depositors of such dollars as were entrusted by the depositors to the banks, destroys not only the earning value of the deposits but destroys also in large part the principal of the deposits?

Do our depositors understand that the seemingly plump and wholesome condition of the banks does not reflect health but bloat, that excess reserves represent in principal part the purchase of the obligations of government and the credits created in favor of government upon such purchases?

They do not, and it is our duty to endeavor to the best of our ability to make these facts clear to them. We banks have failed in that duty.

Does the average depositor understand that by insuring deposits in the FDIC, what the government has really done is tantamount to insuring itself against threatened lack of funds, to discourage the depositors of America from resorting to the old practice of hiding their savings in a wool sock, to coax out this money from its hiding place and bring it into the vaults of the banks where it can be made easily accessible to the Federal Government? The FDIC cannot insure against loss of earnings through unavoidable reductions in interest rates, nor against loss of principal through inflation.

Does the average depositor realize that with increased centralization of power has come a loss of the proper sense of responsibility for spending the moneys of the people; that history is repeating itself and a group securing control of a one-time democracy are entrenching themselves in power by subsidizing a portion of the electorate?

Does the average depositor realize that the administration is steadily engaged in making per-

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*An address by Mr. Adams before the Annual District Conference of 5th District of the National Association of Supervisors of State Funds, Salt Lake City, June 7, 1950.

Factors in Favorable Market Outlook

By JULIAN D. WEISS

President, First Investment Corporation, Los Angeles

Asserting business outlook for remainder of year is relatively favorable, and business activity should continue on high plateau, Pacific Coast investment counsellor bases contention on: (1) heavy and rising consumer demands; (2) business inventory building, along with high level of capital expenditures; (3) heavy government expenditures, and (4) maintenance of price level and easy credit. Foresees rising stock market.

For purposes of perspective, it should be noted that my various analyses and forecasts of the business outlook released since the end of the war have expressed an optimistic viewpoint. The only modifications of this general conclusion were expressed in reports in early and mid-1949. For example, we stated in the "Chronicle" of March 31, 1949. "In recent years the writer consistently has expressed a favorable viewpoint relative to business activity. The current and prospective situation warrants more caution. The weakness and maladjustments in our economic structure are greater—but, at the same time, we definitely do not foresee depression, at least in 1949. A moderate decline in business activity seems certain, partly because of slightly lower physical volume and, in greater degree, because of declining prices. However, we do not foresee a major deflationary spiral. Business activity should be down only slightly from 1948 (say 5% to 7%) and is likely to be far above any level attained in prewar years. In fact, it should be above any past peacetime year excepting only 1948. Earnings probably will decline in greater degree for many reasons but on an over-all basis should be highly satisfactory."

Julian D. Weiss

In other 1949 reports we stressed the fact that the moderate decline which was occurring was in the nature of an inventory readjustment, rather than marking the inception of a cumulative and cyclical downward spiral of major proportions.

In my opinion, the *business outlook* for the remainder of 1950 is relatively favorable. While important gains in production are not to be anticipated from this point, business activity should continue on a high plateau. Consumer demand, stimulated by high purchasing power and easy credit, can be expected to continue at favorable levels, subject to the selectivity of demand for certain types of goods that has characterized it thus far this year. Demand by industry for durable goods, like consumer demand, should be satisfactory, particularly in light of the firming tendency of commodity prices. Stimulus of government expenditures will continue. There will be a substantial deficit. Government expenditures for the cold war likely will increase further; and if deflationary developments manifest themselves, Washington will use its extensive credit and spending powers almost without limitation.

The major factors on which the above conclusions are predicated include the following:

(1) Consumer Demand

Rising Population—While the war time and immediate post war increase in birth rate may not be fully maintained, it is apparent that a combination of more births and a greater life expectancy mean an upward trend in population. This creates new markets and new consumer demand.

The *distribution of individual incomes* has been characterized by a broadening of the base, which increases mass purchasing power.

Wage increases have outstripped increases in cost of living and this enhances true purchasing power. This basic trend continues.

Consumer *ability to buy* is present in 1949 personal incomes were $210 billion (almost three times the $72½ billion of 1939) and only slightly below the record $212 billion of 1948. Thus far in 1950, personal incomes have been running at an all time high annual rate of around $219 billion, which reflects payment of approximately $2½ billion in Veterans insurance refunds during the first six months of the year.

Even more important, *disposable* income of individuals (income less taxes) was at an all-time peak in 1949 of $191.2 billion vs. $190.8 billion in 1948. This compares with $70.2 billion in 1939 and $75.7 billion in 1940. For the first quarter of 1950 disposable personal income attained a new record, being at an annual rate of $199.6 billion, again reflecting the Vets insurance payments.

The ability to buy undoubtedly is present. People are showing great selectivity as to willingness to buy. Expenditures for household furnishings and for appliances and other consumer's semi-durables have been very high; similarly, for automobiles and home building, aided by easy credit. Purchases of furs, jewelry, women's apparel, etc., have tended to lag. The demand for television sets has amazed everyone.

While people have been going into *debt* because of heavy instalment purchasing, it still has not reached dangerous proportions, and is below prewar relationships. Consumer credit of about $18 billion is only about 9% of disposable income compared with about 12% in 1940.

Individual savings in 1948 and 1949 approximated $12 billion in each year compared with $2.7 billion and $3.7 billion in 1939 and 1940, respectively. Preliminary estimate of savings for first quarter of 1950 is $18.6 billion annual rate.

By way of indicating the "margin of safety" in our economy, it can be noted that in 1949 personal savings of $12 billion plus retained earnings of corporations of $9 billion (earnings in excess of dividend payments) totaled $21 billion or 9.3% of national income.

(2) Business Expenditures

The coal and steel strikes did not subtract from total demand, but tended to prolong it.

Industry has again been building inventories, although at a moderate rate. This tends to stimulate business activity. (It will be recalled that in 1949 dollar value of inventories contracted, contrasted with pronounced increase in 1947 and 1948.)

Total industry expenditure for new plant and equipment will be below the 1948 level of $19.2 billion, and the 1949 level of $18 billion as estimated in our previous reports. However, the firmer trend of commodity prices (which imply higher costs in general), and the trend toward increased building costs have recently stimulated such expenditures. The decline from 1949 should be moderate—perhaps $2 billion.

(3) Government Demand and Expenditures

One of the most important changes in our economy relates to the greatly expanded role of government. Expenditures by government have an important effect on the entire economy, both for fundamental and psychological reasons. When we talk of Federal expenditures of $43-$45 billion, we talk big figures even for the U.S.A. No extended discussion of the government's role is required. A few of the salient points are mentioned:

Heavy expenditures in all categories to extent necessary for political reasons, with a weather eye cocked to the fall elections.

Defense expenditures in regard to the "cold war." If our economy slips a little and unemployment increases appreciably, count on another war scare.

Credits for small business. One of the few groups not benefiting from government largesse is small business. They vote too; and besides, says Washington, easier credit and capital will help. There are several proposals, which if enacted would tend to have a stimulative effect. (A detailed discussion of this subject is well presented in the National City Bank of New York Economic Letter, May, 1950, P. 52.)

Housing — low cost housing; proposed middle income public housing; extremely easy credit for builders and borrowers, etc.

Public Works—Roads; schools; dams; bridges, etc. Publicly financed construction by both the Federal Government and by states and municipalities will continue to increase. (At last Washington has learned that leaf-raking is an economic waste.)

Veterans insurance refunds—estimated at $2½ billion in the first half of 1950.

Government budgetary deficits —Estimate of $5 billion for fiscal year to end June 30, 1950; and $6 or $7 billion in the coming fiscal year. This means the government is pumping out into the economic stream an amount in excess of what it takes in, equivalent to three times the total estimated business of the television industry in 1950. Again, inflationary implications.

(4) Foreign Trade

Exports have been declining, particularly in relation to imports. While this reduces the favorable stimulus to production, the present tendency is good from a world political viewpoint.

(5) Inventories

Increases in manufacturers and wholesale inventories have been small. Retail inventories have increased moderately, but are not excessive in relation to sales. Total inventories are only moderately above the December, 1949 level, and are below a year ago. Purchasing agents generally are still observing cautious buying policies; and economists generally believe manufactured goods are going readily into consuming channels.

(6) New Orders

This, of course, relates both to production and inventories. U. S. Dept. of Commerce figures have shown steady improvement in new orders of manufacturers. The machine tool orders have displayed particular strength, although it is understood preliminary figures for the past few weeks show some topping out. Demand for steel is very good. Demand for autos at the retail level has pleasantly surprised the manufacturers. All sources report that there is a considerable wait to obtain a Cadillac. Demand for lumber and other building materials is great and has been reflected in the price structure. The same applies to non-ferrous metals.

It is understood that manufacturers' new orders have exceeded shipments, and thus that unfilled orders show an increase.

(7) Prices

Price, of course, is the equating mechanism between supply and demand. The pressure of demand has been reflected in basic indicators such as steel scrap; in zinc prices which are up 2¾c since March 14; in the recent price rises in copper to 22½c, etc. Thus the Axe-Houghton Index of durable goods raw materials prices has reached the highest level since April, 1949. Their index of semi-durable goods raw materials prices is at peak levels since November, 1948 due to advances in hides, wool tops and rubber. However, the commodity price rise has been moderate. Thus the comprehensive All Commodity Index of Wholesale Prices (Source: Bureau of Labor Statistics) has advanced to 157.4 as of June 6, compared with the recent low point of 150.6 on Jan. 3, 1950. The present figure is just above the 155.4 of May 14, 1949. This commodity trend is most favorable. A big deflationary trend induces withholding of commitments. A big rise presages a bust. A slow and moderate rise induces reasonable forward planning. No big change in commodity prices is anticipated. This statement applies to the important "Cost of Living Index." Farm prices and food products are well below a year ago, and show nominal change in recent weeks.

(At the same time wages are trending upward; and *employment* is high . . . conclusion, good public purchasing power.)

(8) Credit and Money Supply

Commercial loans have been declining, and total loans are moderate in relation to deposits. There is no credit strain. The "Quick Asset" position of corporations has been improving. Excess reserves are ample. Money supply has increased tremendously. Official government

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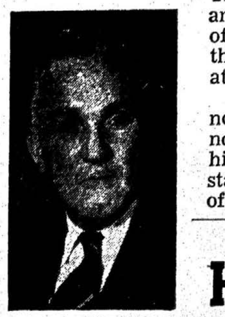
From Washington Ahead of the News

By CARLISLE BARGERON

It is up to the lawyers to interpret just where business stands now with the veto by Mr. Truman of the so-called basing point bill. In his veto message, Mr. Truman said business could go right ahead and do what it wanted to do under the provisions of this bill; in other words it wasn't really needed but he was afraid it would confuse the anti-trust laws. Senator O'Mahoney, one of the sponsors of the measure and long touted as a friend of small business, publicly called attention to Mr. Truman's statement and said he hoped business would be reassured and go right ahead as though the bill had been passed. It was only needed to remove the timidity of some businessmen; Mr. Truman's statement should do this, he said.



Carlisle Bargeron

As I said it is up to the lawyers to make the most of the situation and they undoubtedly will.

This article deals with what caused Mr. Truman to veto the bill. Apparently what the bill sought to do, its merits, did not enter into his consideration. He vetoed it in the same spirit and for the same reasons he turned thumbs down recently on the Kerr gas bill. Both actions were taken at the behest of the Leftists in his party and in each instance they were seemingly acting to show who was boss. It is as if they feel they must from time to time create an issue whether one is justified or not and make the President decide with them just to show how much their captive he really is. If they let up the President might get ideas of independence.

Their ranks have been joined by another professor, Senator Douglas, of Illinois, to work up these issues for them. The professor has been built up into a great stature in the Senate by the Leftist propagandists—a man who is above partisan politics, a man of great analytical mind, of broad education whose statements on legislation should be accepted without debate. They are completely accepted by the Leftist propagandists.

As was the case with the Kerr gas bill, the so-called basing point bill had been hanging fire for many months without the Administration so much as lifting its finger to indicate it was unacceptable. Its sponsors were Truman Democrats, not Southern "reactionaries" or Republican stooges of Big Business. Perhaps the reason the measure had been enjoying its comfortable position was that the professor hadn't gotten round to studying it. When he did, he gave it the same lofty intellectual treatment he gave the Kerr bill and concluded it should not pass as it was inimical to small business. The Leftist propagandists promptly took up the chant that it is amazing how brilliant this man is, his analytical faculty is truly tremendous. Not being able to kill the bill in Congress they moved in on Mr. Truman with the demand for a veto. Automaton-like he accomodated them.

It is the ease and certainty with which the Left-wing accomplishes a thing of this kind that intrigues me. You would assume that no Republican could get any major legislation through. But the men being frustrated are not Republicans. They are loyal members of Mr. Truman's party. His veto of the Kerr bill was a distinct slap in the face to men whom he breaks bread with when he goes to the Capitol; they were such party stalwarts as Speaker Sam Rayburn and Senator Tom Connally. Kerr himself came handsomely to the rescue of the party finances in the 1948 campaign. No knowledgeable person has ever looked upon Senator O'Mahoney as anti-Fair Deal. He has been one of the Truman faithfuls. He was the Senate sponsor of the basing point bill.

How must these men feel, men who have long been pillars in the party and who through no act or word have shown they were in the slightest displeased with Mr. Truman's program or the way the Democratic party is going. They are different in this respect from men like Senators George and Byrd who, while still wearing the Democratic label, make no bones about their not being Trumanites or Fair Dealers. They expect no consideration from the President; they don't even go to the trouble of trying to influence him. Their strength lies in the Senate, in the respect of their colleagues and in their following in the country. They would not be surprised at all if the President were to veto one of their bills.

But men like Rayburn, Connally and Kerr and O'Mahoney! They associate with the Fair Dealers, show no distaste for them and generally, at least, they hue to the party line. Yet a group of young squirts, insofar as service is concerned, newcomers to the party, have a veto power over them which they can exercise at any time and with amazing facility.

In each instance of rebuff they grumble privately but make no public comment which would be displeasing to the President, no indication they aren't on the same lovey-dovey terms with him as they have always been. When a man of Mr. Truman's stature gets that sort of hold over other men it is time for friends of the latter to have real concern.

How Long Will the Building Boom Last?

By D. W. ELLSWORTH

Vice-President, E. W. Axe & Co., Inc.

Economic adviser cites numerous factors likely to prolong current high building activity; as continuing housing deficit, growth of average family, and increases in population which have been virtually all urban. Maintains danger from high construction costs is alleviated by government's many artificial stimulants.

In 1940, according to the census, there were 37 million dwelling units in the United States, of which 35 million, or 94%, were occupied. The unoccupied houses began to fill rapidly, so that by 1945 and 1946, according to the sample censuses of those years, the available housing units, at least in urban areas, were 98.0% to 99.8% occupied. This means of course that virtually all habitable dwelling units were fully occupied, and it seems reasonable to assume that this condition of 100% occupancy began as early as 1944, when new residential construction had been severely restricted for two years.

Donald Ellsworth

In 1940, according to the census, there were 3.7 persons per occupied dwelling unit in urban and rural non-farm areas. This figure may be used as the normal occupancy ratio for computing total housing needs.

The total population has increased 14 million since 1944, which was about the time when all housing units became fully occupied. Dividing 14 million by 3.7 indicates that there was a need for 3.8 million new housing units from 1944 to 1950.

Actually there were 3.7 million housing units built in the five years ended Dec. 31, 1949, according to the Bureau of Labor Statistics. The 3.7 million units added does not mean however that there has been a net gain of that amount in the number of housing units standing, because thousands are destroyed every year by fire or other disaster, or become so old that they have to be abandoned. Ingalls, possibly the outstanding authority, estimated before the war that the number of units destroyed annually amounted to 100,000. Assuming that to be a reasonable figure, we must subtract at least half a million from the number actually built, leaving 3.2 million units added since 1944, as compared with an indicated need for 3.8 million new units.

Housing Deficit

So we still have a housing deficit which, when filled, will merely provide enough space for the present population with 100% occupancy. But the boom will probably continue (eventually) until the occupancy ratio recedes to 97, 96, 95 or some percentage that was considered normal before the war.

There are other factors which might prolong the boom beyond the point indicated by the bare figures. There is every indication that the average size of families is growing, and it has been asserted with some cogency that many of the houses now being built are too small.

The figure of 3.7 million housing units built from 1945 to 1949 includes only urban and rural non-farm construction. How many farm dwelling units have been added is unknown, but the number is probably relatively small because the farm population is virtually stationary, and the number of occupied farm dwelling units, according to the census, was actually lower in 1947 than in 1940.

The increase in the population has been virtually all urban, and this has intensified the need for new housing, so that it is probably actually greater than indicated by the figure of 3.8 million based on the total population.

The population is increasing 2½ to 3 million persons per year, mainly because of a birth rate of 24 per thousand, as compared with a prewar rate of 17 per thousand. The marriage rate had receded to the prewar rate in 1949, but the birth rate thus far has shown little sign of slackening. The present rate of population increase at any rate indicates a present need for 700,000 to 800,000 new housing units annually. Last year 1,025,000 units were started (and presumbaly completed) and this year the total will be substantially higher, according to present indications.

So the housing shortage is being overcome, but the building boom probably has some distance to go before anything like a prewar occupancy ratio is attained.

It may be cut short of course by high construction costs which are now rising so rapidly that it is probably a matter of months when the postwar peak of 1948 will be regained. This danger, on the other hand, is partly offset by the many artificial encouragements to building, including government guarantees of high loans and easy terms of purchase. It has been said that in some places the purchase of a new house can be arranged on easier terms than the purchase of an automobile. This and the prevailing high and widely diffused purchasing power suggest the continuation of the boom to some point beyond the date when rising costs would otherwise begin to discourage builders.

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Dealer-Broker Investment Recommendations and Literature

Plywood, Inc.—Brief analysis—Baker, Simonds & Co., Buhl Bldg., Detroit 26, Mich.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the Cement Industry.

Ronson Art Metal Works, Inc.—Detailed study—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Sisters of St. Francis—Memorandum—Thomas McDonald & Co., 11 South La Salle Street, Chicago 3, Ill.

Solar Aircraft Co.—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Standard Steel Spring Company—Detailed report—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

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

Uruguay Dollar Bonds—Bulletin—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Valley National Bank of Phoenix—Memorandum—William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif., and Security Bldg., Phoenix, Ariz.

Needed: A New Approach To Labor Regulation!

By WILLIAM T. GOSSETT*
Vice-President and General Counsel, Ford Motor Company

Pointing out chief characteristic of our time is bigness in human affairs, Ford executive, asserting Supreme Court holds illegal mere power to monopolize with intent to use it, contends this dictum should be applied to labor organizations. Cites monopolistic growth of labor unions, and denounces industry-wide labor agreements. Sees labor having impressive political power and says basic human rights are thus endangered. Upholds legal restrictions on strikes and boycotts, and calls for restudy of labor legislation.

Several years ago I read an arresting account of what would happen if you or I were able to step off this whirling globe and stand aside while the earth pursued its course without us. If this fanciful idea were practicable, the results might be very salutary indeed. Forgetting the preoccupations of the day, we could view in proper perspective such mundane problems as communism, the hydrogen bomb and the rights of minorities.

Wm. T. Gossett

There is a great need today for the advantages of detachment. For we must feel the rush of great forces. Basic changes seem to be taking place in the social, economic, and political structure of the world—changes which must affect laws and the basic ideas which underlie laws.

Ours is a paradoxical age. We find ourselves possessed by a sense of strength and, simultaneously, by a sense of insecurity. It is a time of unbounded opportunity, and yet of restlessness and uncertainty, a time which, perhaps more than any other, confronts the law and lawyers with unique problems.

In this country, one of the principal characteristics of our age, it seems to me, is that it tends to regard itself as the best that history has known. We feel, I think, that we have achieved something which in other times would have been far beyond man's grasp. But there is substantial disagreement as to the best way to consolidate and extend our gains.

Bigness Characteristic of Our Time

It is not easy to recognize at once the significant elements in any process of evolution. But there is one which seems to me clearly to be characteristic of our own time, one which deserves special attention. That is bigness—bigness in all aspects of human affairs. The bigness that seems to go with progress is everywhere around us—big governments, big budgets, and big international, political, and economic organizations.

Size, of course, is not a new preoccupation of Americans. Since big business (particularly the big corporation) probably was the first of the various forms of bigness in this country, I would like first to examine with you briefly this fateful development of our grandfathers.

Industrial enterprise developed in an extremely favorable climate in this country. With our Jeffersonian idea that "no government" was better than "too much government," industry was unhampered. More than that, it was pampered like a precocious and promising child. Protective tariffs went progressively higher; and there were subsidies and gifts of land and other natural resources.

The results were impressive. As early as 1860 the output of our mills and shops placed us fourth among the manufacturing nations of the world. By 1890, that output had increased fivefold and placed us first, with a volume exceeding that of Great Britain and Germany combined.

The time came, however, when the American people began to be concerned about the consequences. They began to fear that these husky prodigies might grow powerful enough to exert a baleful influence upon the lives of their creators. Then, as now, people saw that unchecked power inevitably sucks away the vitality of freedom.

As a consequence, society began to take counter-measures. In 1884 an antimonopoly party appeared, and in 1888 both major political parties condemned the "trusts."

The results are familiar to all of us: The Interstate Commerce Act was enacted in 1887, the Sherman Antitrust Act in 1890, and following these, as the needs arose, the Federal Trade Commission Act, the Wilson Tariff Act, the Clayton Act, the Robinson-Patman Act, and a host of other Federal statutes designed to place controls upon the power of large aggregations of capital.

These statutes have been interpreted by a large number of court decisions; and they have been expanded and adjusted to meet the problems of a growing industrial economy.

Prior to the decision of the Court of Appeals in the government antitrust suit against the Aluminum Company of America, in 1945, it was the opinion of most specialists in the antitrust field that the actual exclusion of competition was a necessary element of the offense of monopolizing under Section 2 of the Sherman Act. But, as you know, the Court held otherwise in the Aluminum case.

Today it seems clear from the decisions of the Supreme Court in the American Tobacco and Griffith cases[1] that the mere possession of the power to monopolize, coupled with an intent to exercise it, even if the power never is exercised, is sufficient alone to constitute a violation of the Act.

A well-known lawyer testified recently before the House Judiciary Committee that, and I quote, "the (Sherman Act) has received a friendly interpretation by all of the courts, and notably in the United States Supreme Court. . . . The ambit of the statutory prohibition has been enlarged to embrace every conceivable collusive restraint. Antitrust has fared well in its hands."[2]

There is convincing support for this statement. In the 1948-49 term of the Supreme Court, the government was successful in 9 out of 11 business regulation cases decided by opinion. It was successful in 12 out of 13 cases decided in the 1947-48 term; and in 11 out of 14 cases in the 1946-47 term.[3]

Fear of Bigness

Nevertheless, there still is ample evidence of the people's fear of abuse of the power of bigness in business. Congressional Committees continue to probe into one phase or another of this question. Among the many suggestions being considered in Washington today are such measures as these:

Large increases in the fines assessable against corporation officers found guilty of antitrust violations;

Flat percentage limitations upon the share of business obtainable by a single corporation in any industry;

Treble damage actions by the government against violators of the antitrust laws;

Prohibitions against further participation in the same business enterprise by officers and directors found guilty of antitrust law violations;

Prohibition against corporate mergers where the result might substantially lessen competition;

A rule making judicial determinations of antitrust violations in a government suit conclusive in a subsequent treble damage action brought by a competitor alleged to have been damaged by the violation.

The evidence seems to me conclusive that the problem of fitting corporate bigness into our society is well in hand. Strong legislation, aided by favorable court decisions, already exists. Additional measures are under consideration. The people thus have manifested a will to preserve the benefits and still avoid the dangers of big business.

Above and beyond the legal considerations, it seems to me that the modern corporation has come to a clear awareness of its public responsibility. It has developed a broad view and a philosophy which has roots deep down in a sense of service to the people. It is acutely aware of its social obligations apart from its obligation to make money for its stockholders. Corporate management is deeply conscious of these simple virtues, realizing that the corporation itself will survive, provided only that it performs a useful purpose and acts with due regard for its obligations to society.

I have taken the time for this quick review because it seems to me to illustrate a basic force which we need to keep constantly in mind when attempting to interpret into law the instinctive suspicion which people have of power consolidating anywhere within our society.

That force is public opinion. In any small community, public opinion is always a strong force. A hundred years ago, this was not so true of a national community. Then, people had neither the experience nor the necessary information. Today, high-speed printing, mass production of newspapers, radio and television have led to the development of an informed and vocal public opinion on a national scale.

But while society was working out its measures to solve the problems of big business, there was developing the problem of big labor.

Growth of Labor Union Power

When, in 1886, Samuel Gompers furnished his first office as President of the American Federation of Labor, with an old kitchen table and a potato box, labor had no size, standing or force in the American social order. Eventually, however, as was to be expected, the men and women brought together in the big industrial establishments, of the country organized themselves and also turned to the government for help.

The fight for recognition of those fundamental rights which organized labor regarded as essential to place it in a position to deal with management on equal terms, is an interesting story which is well-known in a general way to most of us. Even after labor had won the right of peaceful picketing and the right to strike, its drive toward bargaining parity was hampered by court injunctions, by seemingly insurmountable organizing problems, and by the refusal of management to bargain collectively.

But in the years since the enactment of the Norris-LaGuardia Act and the Wagner Act, the American labor movement has taken its place as an important element of bigness in a society of bigness. The statistics are impressive. Organized labor in the United States at the present time numbers over 15 million—as compared with three million in 1933. Allowing for families, organized labor represents a substantial element of the population. It is by no means inconceivable that organized workers with their families eventually will constitute a majority of the entire population.

But however that may be, organized labor can no longer realistically be described as the "underdog" in our society. In fact, ours recently has been characterized as "a laboristic economy" because of the revolution in power and influence of labor which has taken place in recent years.

Few would deny, I think, that among labor unions are to be found some of the largest and most powerful organizations in this country, both economically and politically. There is talk of a merger between the AFL and the CIO. And even if the merger is not consummated, the mutuality of interest which always exists between the two organizations will be sufficient to make felt their combined power, economic or political, as the occasion may require. As their powers have increased so have their ambitions—a familiar human frailty.

Danger of Industry-Wide Bargaining

The coal industry and the maritime industry, among others, have industry-wide bargaining. Elsewhere there is in vogue a practice called "pattern bargaining."

Business is feeling, and will continue to feel more every day, the heavy hand of such practices. One consequence is the virtual destruction of one element of competition between large and small business enterprises.

The most biased of labor parti-

Continued on page 26

*An address by Mr. Gossett at the Annual Meeting of the Chicago Bar Association, Chicago, Ill., June 15, 1950.

1 American Tobacco Co. v. U. S., 328 U. S. 781 (1946); U. S. v. Griffith, 334 U. S. 100 (1948).

2 Statement of Milton Handler, Esq., Professor of Law, Columbia Law School, testifying on Aug. 5, 1949.

3 H. A. Toulmin, Jr., Esq., testifying before the House Committee on the Judiciary, July, 1949.

Mutual Funds

By ROBERT R. RICH

Mr. Bartholet's Opportunity

The Mutual Funds Industry might view with some trepidation the projected investment education of women's groups if such a program were in other than the able hands of Paul Bartholet of the Mutual Fund Institute.

In the past, some investment courses, by adroit presentation of the case for Mutual Funds, have left audiences with serious misunderstandings concerning the "sales loads," the risks of price fluctuations, and the important sales load distinctions between systematic and periodic investment plans.

Abetting these misrepresentations has been sleazy promotional material which, in isolated incidents in the past, has presented Mutual Funds to the public as an investment vehicle with a per share price that rises forever. Distorted performance diagrams and charts have given the impression that money in Mutual Funds is on a roller coaster going up. That most of these charts start with 1932 or 1937 hardly makes them unbiased.

As an antidote to this investment quackery, many Funds have recently become almost pedantic in stressing to their shareholders the elementary facts about Funds and their possible future performance. This is heartening to watch, for any other road can only lead to more regulation, stricter supervision, and the wrath of embittered investors who, stirred by gambling fever, would wish to see no less than the end of the capital market when they finally lost.

One is being no more than a realist if he recognizes that Mutual Funds are not a satisfactory answer for everyone's investment problems, despite the flexibility of Funds in answering a variety of needs. One is doing no more than recognizing an imperfect world if he realizes that the advantages of Mutual Funds imply certain disadvantages, also.

In the present educational program, which already has enlisted the enthusiasm of some 2,200 women's clubs and some 135,000 women (Heaven forbid), there could be potential dynamite if the lectures were handled in less than the most orthodox and conservative fashion. Otherwise, one might shudder at the titles of the three-course lecture series: "How to Make Your Money Work for You," "Keeping Up With the Cost of Living," and "Rules for Good Investing."

This lecture series is a wonderful opportunity for Mr. Bartholet and the assisting members of the industry to demonstrate an inherent sense of responsibility and an intelligent maturity.

For, Mutual Funds are important; they do answer an essential community need. But no sound basis for growth exists unless the public is firmly educated in two basic principles; investments should be made essentially for income and not capital gains (sometimes impolitely referred to as speculation), and investments should be made with a decidedly long-term view in mind.

Level-headed industry behavior in educating the public is the best argument, in fact the only argument for less regulation.

Keystone Files 500,000

Keystone Custodian Funds, Inc., Boston, Mass., on June 16 filed 500,000 certificates of participation series 81 with the Securities & Exchange Commission. Underwriter is The Keystone Company of Boston, Mass.

Vance-Sanders Needles Stock Averages

Vance-Sanders, in its "Brevits," has effectively punctured the idea that the "averages" are any more than a crude measure of Stock Market behavior. They comment as follows:

"If one wishes to philosophize a bit about the idiosyncracies of investing, a good starting point might be the profound faith so many people place upon a stock market average to tell them what the market is "doing."

By "doing" we mean the use people make of an average to tell them whether the market is high or low in relation to some previous level or the comparisons which are so often made of individual stocks to see whether they have "done" better or worse than some average.

About the best that can be said for a stock market average is that it tells in a general way what stock prices have done over a period of time. The trouble is, however, that no matter how an average is put together it cannot give a strictly **accurate** picture of what has happened to **all** of the many classes and types of stocks which are owned by the investing public.

For instance, the following table showing the variation in several of the generally recognized averages from the 1946 highs to the present time is illustrative of this point.

Various Stock Price Indices Related to Their 1946 High Levels

Stock Average	Change
Dow, Jones 30 Industrials	+6.5%
New York Times Index	+5.5%
New York Times Comb.	+1%
Stand. & Poor's 365 Stks.	— .25%
Assoc. Press 50 Stocks	—4%
Stand. & Poor's Comp. 416	—4%

These averages are, of course, for all intents and purposes, supposed to show what stocks have "done," but the considerable variation as between the results shown for each average indicates the difficulty and impracticability of relying on **any** average as a **precise** measure of stock performance.

Unlike most other things that are used as a standard of measurement a market average has to rely on a series of intra variables in order to obtain its own measuring proficiency. A mathematician could probably figure it out but the odds must be well into the millions to one that any two averages will perform exactly alike during a specified period of time.

Perhaps the **least** comprehensive but most popular measure of stock prices is the Dow, Jones Index of 30 industrial stocks. This index **(relating to only one class of stock)** has assumed its importance not because it is the most accurate index but because it is the most readily **available**. This stems from the fact that it is officially computed on an hourly basis throughout the business day and being the **only** index which is so readily available it is erroneously looked upon by a great many people as a sort of official barometer that tells all the market has "done."

Because of its limitation to only 30 stocks of one class the Dow, Jones Industrial Index will serve to illustrate the point we have made above as to the variables involved in any stock market average.

Since the low of the market in 1942 the Dow, Jones Industrial Index has "said" that the market has advanced 144%, but here is the record of the five worst and five best performers in this index during the same period.

Best Performers

Standard Oil of Calif.	+338
Sears Roebuck	+331
Goodyear Tire	+304
National Distillers	+275
E. I. duPont	+225

Worst Performers

United Aircraft	+ 6
International Nickel	+20
Loew's	+24
American Tel. & Tel.	+56
Corn Products	+64

The nub of the matter is that most investors would do well to use care in arriving at any conclusions investmentwise with respect to individual stocks based on a comparison with a stock market average. In the long run, it would seem more logical to select securities on the basis of their **adaptability** to the individual needs of the investor. If securities are chosen with care and are constantly watched thereafter to make sure that they continue to merit the investor's confidence, the movements of a stock market average should only be of academic interest.

Consumer Income Near 1949 Level

Improvement in consumer buying power, as compared with recent months, continues to be shown by the monthly Real Income Index maintained by Investors Diversified Services.

Although the typical consumer had only 98 cents in real income in contrast to each $1 worth of buying power he commanded a year ago, recent months have shown a steady gain.

The fact that real income is not ahead of last year is largely accounted for by diminished farm income. The living cost side of the real income balance is virtually unchanged from last year. Benefits to the consumer of slightly lower food and clothing prices are offset by higher costs for shelter and miscellaneous items.

"High productivity is, of course, the key to high real incomes," said E. E. Crabb, President of Investors Diversified Services, "and recent labor settlements are encouraging in this respect. Industrial production is now ahead of a year ago with slightly fewer workers employed in manufacturing establishments. Demand for consumer durable goods remains high. Disturbing factors are the still mounting level of consumer credit and the decline in business loans."

Mutual Fund Institute Offering Investment Education to Women

Several thousand women's groups throughout the country will focus attention on a study of investments this fall, according to Paul Bartholet, President of the Mutual Fund Institute, New York City.

Paul Bartholet

Up to the present, 2,253 clubs, representing some 135,000 individual club-women and located in four states, have already responded to the offer of a special study course entitled "What Every Woman Should Know About Investing Money," with additional applications coming in every day. The course was prepared under the guidance of the Mutual Fund Institute, a non-profit corporation.

Designed to give women greater knowledge about investing in the securities of American industry, the lectures cover the pros and cons of various savings and investment methods, ranging from tucking money under the mattress to putting funds in savings banks, government bonds, and corporate securities.

Investment firms throughout the United States have been invited by the Mutual Fund Institute to volunteer the services of their members during question-and-answer periods which will follow the lectures.

Other groups that have also shown special interest in the program include more than 8 0 farm clubs served by extension specialists of the United States Department of Agriculture, adult education classes conducted by colleges and universities, Young Women's Christian Associations, and a state-wide nurses' association with a membership of 1,800.

The Institute will offer its investment study program to several thousand additional women's clubs this fall.

Halsey, Stuart Group Offers $15,000,000 of Kansas City P.&L. Bds.

Halsey, Stuart & Co. Inc. heads a group which is making public offering of $15,000,000 Kansas City Power & Light Co. first mortgage bonds, 2¾% series due 1980, at 101.85% and accrued interest. The group won the award on its bid of 101.3399%.

Proceeds from the sale of the bonds will be used to finance in part the construction and acquisition of additional property, to pay $4,822,500 2% notes issued to provide temporary financing for such purposes and to reimburse the company in part for expenditures made from other funds for such purposes.

The bonds will be redeemable at the option of the company at 104.85%, if redeemed during the 12 months ending May 31, 1951, the premium decreasing annually thereafter; for special purposes the bonds may be redeemed at prices ranging from 101.86% to 100%.

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increased strongly. Prices meanwhile, have reflected the tightness of supplies and have moved up from about 17c per pound, to 22c.

(9) The high level of general industrial production, along with government stockpiling requirements, have sustained a tight copper supply situation. At the end of last month, stocks of refined copper held by producers were less than two weeks' supply.

(10) Viewed in longer term perspective, the demand for copper should continue to fluctuate with the general level of industrial activity—particularly autos, building, and electrical equipment. Indications are that this should be sustained well above prewar levels for a considerable period of time.

(11) Domestic copper producing capacity, which used to be in excess of consumptive requirements, is now below the latter. Prices will obviously fluctuate, as the range of 16½c and 22½c over the past year illustrates, but prospective conditions suggest an average price of about 18c could be a reasonable expectation over the next several years. This would mean earnings of about $5—$6 per share for Kennecott, without benefit of its other developments.

(12) The Quebec Iron & Titanium Corporation was formed in 1948. This is owned one-third by New Jersey Zinc and two-thirds by Kennecott, and was formed to develop iron-titanium ore deposits in eastern Quebec.

(13) The titanium properties should begin operations in the fall. Titanium oxide derivatives, are widely used in paint and other industries and have rapidly growing applications.

(14) The Quebec corporation is also pushing ahead on pilot plant work in the refining of titanium metal whose attributes—rust resistance, light weight, and great strength — combine many of the best qualities of aluminum and stainless steel.

(15) Ore reserves of the Quebec properties are very substantially in excess of 125,000,000 tons. Still in its embryonic stages, the Canadian property may, over a period of years, produce close to the current level of earnings from copper.

(16) Kennecott has also begun development work on a large gold property in South Africa, where, incidentally, they are able to take advantage of the tax clause which permits full return of capital before any taxes are paid. The present project evidently represents only the forerunner of substantial additional projects in that area.

(17) Viewed broadly, on the theory that government policies presage maintenance of a relatively high level economy for some time to come, producers of basic raw materials would be well situated. This theory is based on the reasoning that while the present expanded productive capacity of manufacturing industries may mitigate later price advances because of competition, the supplies of basic raw materials are relatively limited. Therefore, a full economy would continue to be reflected in a high pressure of demand for industrial raw materials with consequence benefit to the major producing companies.

(18) Kennecott's financial position is exceptionally strong with about $200,000,000 of cash and government securities. Total current liabilities of $284,000,000 are over seven times total current liabilities of $37,000,000.

(19) The company has no debt—capitalization consists simply of 10,821,000 shares of common stock.

(20) Earnings for 1950 should be around $6 per share. Dividends last year were $4 per share. This should be a minimum expectation for 1950 in view of the excellent cash position and the company's liberal dividend policy.

(21) At 55, the shares yield 7.2% on the $4 basis.

(22) With the exception of one year—1933—dividends have been paid without interruption in each of the past 27 years.

JAMES B. JONES, JR.
Mgr. Statistical Dept.,
Steiner, Rouse & Co.
Members New York Stock Exchange, New York City.

(Union Carbide & Carbon Corporation)

Among quality growth stocks, Union Carbide & Carbon impresses me as an outstandingly attractive investment for conservative income holding and enhanced appreciation prospects. Large capital expenditures since the war, together with important product developments, indicates that the company is entering a new major phase of expansion which should be reflected in higher earnings and dividends.

James B. Jones, Jr.

Since 1945 the company has spent over $340 million on additional production facilities—gross plant investments showing the largest percentage increase of the four leading chemical companies. Gross plant investment at the end of 1949 was double that of 1943. Approximately two-thirds of postwar expenditures represent additional facilities for the production of synthetic chemicals and plastics —two of the fastest growing divisions of the chemical industry.

Union Carbide pioneered in the chemical development of hydrocarbons (petroleum chemical) considered one of the outstanding American contributions to American chemistry and opening up an entirely new field of chemical materials. Synthetic organic chemicals produced serve a wide variety of industrial needs, including solvents and lacquers; intermediates for the production of pharmaceuticals, dyes, plastics and textiles; and basic ingredients for such products as cosmetics, antifreezes and lubricants. Over 200 chemicals products have been developed by the company on a commercial basis, including 32 entirely new products introduced to industry in the past two years.

In the field of plastics, the company ranks as the largest integrated producer; output including phenolic, polystrene, polyethylene and vinyl plastics and resins, adapted to a wide range of industrial uses and sold under the brand names "Bakelite" and "Vinylite" to fabricators for further processing in numerous industrial and consumer uses. Vinyl resins provide a variety of synthetic textile fibers simulating such diverse textile materials as wool, silk, cotton, mohair and high tenacity rayon. In addition to "Vinyon N" synthetic textile yarns which occupy a leading competitive position, the company recently announced a new staple textile fiber "Dynel," which has softness and warmth comparable to fine wool and is expected to become of major importance in the textile field.

Union Carbide ranks as the largest producer of ferro-alloys used in the making of stainless and high quality alloy steels. Of special current interest is the development of high heat-resistant alloys for use in jet engines, turbo super-chargers and gas turbines, which have important growth potentials. It is the most important producer of carbon products including electrodes used in large quantity in electric furnaces. Carbon is also finding an increasingly wide application as a refractory material and in chemical processing equipment. Consumer products include "Eveready" flashlight batteries, company having just recently announced a new "Inside-Out" battery which provides two or more years' additional life over present type in use.

Company is also a dominant factor in the field of industrial gases, producing about 60% of total domestic oxygen output; nitrogen, argon and other rare gases. Oxygen used in conjunction with acetylene, another basic product of this division, provides the so called oxy-acetylene torch widely used in steel fabrication throughout industry. Use of oxygen in speeding up steel production is of growing importance and under active experimentation by the steel industry. In addition to oxy-acetylene welding equipment, the company produces high speed electric welding apparatus, new additional processes under development including argon arc-welding for high speed joining of aluminum plates, and jet-piercing methods of drilling blast holes in rock and hard iron ores.

In all of these broadly diversified product lines, extensive fundamental research has played a dominant role, the development of the company being essentially based on its closely coordinated research activities. This covers the field of physics and electro-chemistry, organic, inorganic and physical chemistry. Over 40% of current sales are said to be derived from products or new uses of products developed in the past 20 years.

Capitalization is limited to one class of capital stock, of which are 28,806,344 shares outstanding. Funded debt amounts to $150,000,000. 2.70% promissory notes due $10,000,000 annually, beginning Dec. 1, 1953 and sold to three insurance companies in 1947 to provide in part for expansion purposes.

Despite large capital outlays incidental to postwar expansion, current finances have been maintained on a strong basis, net working capital at the 1949 year-end amounting to $223,908,189, equal to 38.2% of 1949 sales. Current assets were equal to three times current liabilities, cash items alone being 1.3 times current liabilities.

Sales of the company for the three-year period 1947-49 averaged $580 million, compared with $177 million for prewar 1937-39 period, a gain of 226.7%, which on comparison was the best growth showing of the four largest chemical companies.

Earnings per share of capital stock in 1949 were equal to $3.20 per share compared with $3.55 in 1948, $2.66 in 1947 and $2.04 in 1946. During the war years 1941-45 earnings averaged $1.23 per share after reserves and in the period 1936-40 $1.33 per share. Dividends of $2 per share were paid in 1949, $1.67 in 1948, $1.25 in 1947 and at the average rate of $1 per share 1941-45 and $0.80 per share in 1936-40. During the ten-year period prior to 1946, company distributed approximately 70% of net income to stockholders. Dividends have been paid without interruption since incorporation in 1917. Based on now indicated earning capacity upwards of $4 per share or better, stock at current price of around 50 is selling about 12½ times earnings. This compares with an average ratio for the past 15 years of 25 times earnings at yearly highs and 15 times earnings at yearly lows. Based on present conservative $2 dividend rate, stock yields 4%. With expansion program substantially completed and finances on a strong basis, dividends should be liberalized more in line with long-term policy, and extra payment this year appears not unlikely.

In summarizing the merits of this investment I would emphasize the preeminent position of the company in the field of applied scientific research, its outstanding past growth record and now greatly enhanced prospects based on expanded facilities and dynamic new products. Prospective current yield of around 5% affords a liberal investment return, quality considered. To the conservative investor, following a long-range policy, this stock should have special appeal, providing high intrinsic quality and potentially large capital appreciation. Purchased and put away, there appears every probability that investment in the capital shares of this company should pay off handsomely.

I. KOMANOFF
Herzfeld & Stern, Members of New York Stock Exchange New York City

(The Paraffine Cos., Inc.)

Fortunes are made by the discriminating and bold investor who is willing to buy good quality growth stocks, provided such issues are available at advantageous prices and at reasonable price-earnings ratios.

I. Komanoff

Obviously, with the Dow-Jones averages at about 225, and after a year of an almost uninterrupted advance, in which good quality and growth stocks have had an even sharper rise than the market as a whole—obviously — to find an issue that combines good quality, growth prospects and relative reasonableness in price, is no easy job.

However, this writer strongly believes that the common stock of Paraffine Companies, now selling at around 16 on the New York Stock Exchange, represents an unusual opportunity to buy the stock of a well-managed growth company, that is, nevertheless, selling at only about one-half of its 1948 high, and is at its present price capitalizing consolidated earnings at the ridiculously low ratio of 4-5 times.

The stock of Paraffine Companies has been depressed over the past several months because of certain non-recurring factors, the most important of which was a prolonged strike which closed down Paraffine's plants in California for almost four months last

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summer and fall. The strike, of course, adversely affected Paraffines' earnings. This factor, together with the fact that Paraffine is now completing the erection of a large and integrated East Coast plant involving an expenditure of approximately $12,000,000—has caused the extremely conservative Paraffine management to reduce the dividend rate from $1.20 to $0.60. All this has served to depress Paraffine stock to where it is now available at almost its lowest range of the last five years, and, to my way of thinking, represents an amazing opportunity for the reasons enumerated below:

Paraffine is a well-established West Coast producer of linoleums, felt base floor coverings, and a general line of paints and assorted building materials, such as shingles, plasterboard, building papers and insulating materials. Its "Pabco" brand has been so well regarded by its consumers that Paraffine has been able to develop a nationwide market for its products, despite the fact that it has been regarded primarily as a West Coast manufacturer. Consequently, Paraffine's management decided to capitalize on the reputation of its products by building an Eastern plant which would not only serve the large East Coast market, but would also enable Paraffine to effect a substantial reduction and saving in freight charges on products which up till now had been shipped from its Pacific Coast plants.

Recently Paraffine's earnings have been recovering from the effects of the prolonged strike it suffered last year with the result that current earnings are now considerably ahead of the equivalent period a year ago. Although Paraffine will probably report earnings for the fiscal year ending June 30, 1950, of about $1 per share, as compared to $2.14 of 1948-49, its present earnings are now at an annual rate of more than $2 per share. With the stepping up of operations from its new Eastern plant—which plant will probably not be in full production until the latter part of this year—increased earnings potential of approximately $0.75 per share can be conservatively added to Paraffine's earnings. However, this is only part of the story. A considerable source of romance and growth for Paraffine lies in its equity of Fibreboard Products, Inc., which it jointly owns with the Crown-Zellerbach Co. Fibreboard is a fully integrated manufacturer of paper containers, cartons and corrugated and solid fibre shipping cases on the West Coast. Its own growth has been very rapid, and it has spent almost $30,000,000 for plant expansion and integration in the past three years alone. Paraffine's holdings of Fibreboard consist of 30% of the $7 preferred, 56% of the class "A" common and 50% of the class "B" common.

Despite substantial earnings over a period of years, Fibreboard has paid dividends only on its $7 preferred, having ploughed back the balance of those earnings to finance its tremendous expansion program. Consequently, while Paraffine has been reporting only its share of the dividends received, one must take into consideration the very large undistributed earnings of Fibreboard which would accrue to Paraffine if those earnings were to be consolidated. For example, Paraffine reported only the equivalent of $0.48 a share on its own common from the dividends it received last year on its Fibreboard holdings. However, Paraffine's actual equity in the Fibreboard earnings was $1.18 per share. For the current year Paraffine's equity in Fibreboard's earnings is conservatively estimated to be in excess of $1.50 per share.

Moreover, Paraffine carries its investment in Fibreboard at a figure of $7,241,000 as compared to the book value of Paraffine's investment in Fibreboard of close to $17,000,000. It is the writer's contention that even the figure of $17,000,000 as representing the value of Paraffine's investment in Fibreboard is ridiculously low. It is my opinion that if Paraffine's interest in Fibreboard were put up for sale, a price well in excess of the $17,000,000 figure would be realized—possibly anywhere from $20,000,000 to $25,000,000. However, I want to state that I doubt if Paraffine is at all interested at the present time in disposing of so valuable a property and so promising an income producer as Fibreboard is now and promises to be in the future. However, the fundamental cheapness and attraction of the Paraffine common stock at its present price of 16 is strengthened by the fact that the value of its equity in Fibreboard alone is worth almost as much as the 1,473,039 shares of Paraffine are selling for at today's price.

By combining the present earnings rate of Paraffine itself and the additional $0.75 per share potential earnings to be derived from its new Eastern plant together with the approximate $1.50-$1.75 earnings accruing from Fibreboard, we arrive at a combined earnings rate for Paraffine of approximately $4.25 per share. When one realizes that Paraffine has paid dividends consistently since 1923—even during the depression years of the early '30s, when many strong and well known companies were forced to omit dividend payments—one must be impressed with this current price-earnings ratio of approximately 4.1, and must come to the conclusion that the present price of Paraffine represents an unusually attractive opportunity to acquire a good grade quality issue with strong growth prospects at a most advantageous price. Although the present yield on Paraffine of 3.6% is admittedly low, it is only a question of a relatively short interval until the dividend payments will have to be raised to bring them more in line with Paraffine's present and future earnings potential.

To sum up, the author regards Paraffine as qualifying as a "blue chip" in every category except its present well-deflated price. Selling at about one-half its 1948 high, with an unbroken dividend record back to 1923 and at a consolidated price-earnings ratio of about 4-to-1, the stock of Paraffine at its present price of 16 on the N. Y. Stock Exchange would seem to offer an unusual opportunity for substantial appreciation with relatively small risk.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

I've just re-read my last week's column and it has occurred to me I can pull out a lot of juicy quotes that would make me stand out as quite a soothsayer. Unfortunately some readers would be unsporting enough as to drag out other quotes in the same column that would make me out some sort of an idiot, so I decided to drop the whole thing.

* * *

I could devote a couple of paragraphs to such choice phrases as "selective buying" if for no other reason that it always looks good in print and doesn't commit one to anything. But as luck would have it, I don't know what the words, "selective buying" mean. As I understand it, if the stocks I hold are going up, then I've been a selective buyer. If the stocks the other chap holds go up, and mine don't, then he's the selective buyer. By the same logic I'm a dim-witted moron who shouldn't be allowed to sign a check.

* * *

Such reasoning obviously puts me at a disadvantage so it is apparent I won't pursue it.

* * *

This is the time for all sorts of interpretations of either the Dow theory and the other theories that are supposed to answer the eternal riddles of price movement. I have before me seven market letters all explaining in detail how and why the market will follow certain predetermined patterns in the next few weeks. Five take both sides, one takes a down position and one an up position. The consensus leaves me high and dry. I had thought I'd find something in them I could pass on to you as original. All I found was the makings of a lot of yawns.

* * *

A few weeks ago I stepped off the edge and recommended buying three stocks. Since their purchase they have been distinctive for their refusal to share in any advance, a condition that must have annoyed you as much as it did me. In the past few days the market has flip-flopped to such an extent that not only has it given participants cardiac palpitations but has placed the market itself flat on its back gasping for breath. It was interesting to note, however, that while none of these three stocks went up with the recent advance, neither did they participate enthusiastically with the more recent decline.

* * *

In the old days this was a significant indication. The theory was that a stock that wouldn't go down in a wholesale decline, would step out independently when market conditions improved. Cynics might point out that stocks which don't go up with the market will go down further on declines. I can't shrug this off because it is true all too often. I can only point to the fact that none of these stocks did go down to speak of in the past few days.

* * *

It has suddenly occurred to me that I'm defending a position I have no intention of defending. But so long as I can't see any clear-cut stand I'll just sit by and watch the picture unfold. Position is Certain-teed at 18; stop, 15; Flintkote at 33; stop, 29, and Timken Detroit Axle at 17; stop, 14.

[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.]

Joins Grimm Co. Staff

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Alfred W. Thompson has become associated with the staff of Grimm & Co., members of the New York Stock Exchange.

With American Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Margaret W. Perritt has been added to the staff of American Securities Corp., 111 West Monroe Street.

Terms Federal Deficits as Discouraging Factor in Business Outlook

Dr. Nadler, predicting deficit financing is likely to continue unless radical change takes place, says current business activity rests partly on artificial foundation.

Speaking at the meeting of the Virginia Bankers Association at Hot Springs, Va., on June 13, Dr. Marcus Nadler, Professor of Finance at New York University, stressed the current trend of government deficit financing as a discouraging factor in the current outlook for banking and business.

Dr. Marcus Nadler

"Business activity is at a high level and should continue so for several months," Dr. Nadler stated. "Whether or not a moderate readjustment will take place in the heavy goods industries toward the end of this year or the early part of 1951 will depend largely on the rearmament program to be proposed by the President early next year and on the continuation of the present inflationary trends. Commodity prices have increased at a rapid pace in the last few weeks. Wages are being raised and there is danger of a new spiral between prices and wages. It is evident, however, that the strong demand for automobiles and other durable goods cannot continue indefnitely at the present rate."

"In spite of the high level of business activity and employment," Dr. Nadler continued, "the Treasury is operating with a deficit of over $5 billion. Unless a radical change takes place the deficits will continue for an indefinite period. The Treasury is thus confronted with the task of not only carrying out large-scale refunding operations, but also borrowing new money to meet its deficits. Despite the inflationary trends the Treasury is financing its needs through the sale of Treasury bills, which are acquired to a large extent by commercial banks and lead to a further increase in the volume of bank deposits. It is evident that the debt management policy of the Treasury continues to be guided more by the cost of the public debt than by the economic needs of the country.

"While the Reserve authorities are endeavoring to narrow the credit base and to bring about a moderate increase in rates, their policies are somewhat handicapped by the tactics adopted by the Treasury in refunding maturing obligations. So long as commodity prices are rising and the inflationary trend continues, however, the mild credit restrictive measures adopted by the Reserve authorities will continue, and hence a further moderate increase in money rates is to be expected. Basically, the low money rate policy of the monetary authorities has not undergone a change. The policies of the Reserve authorities are more flexible, however, and hence greater fluctuations in government securities may be expected.

"The high level of business activity rests partly on sound foundations, such as the rapid increase in population during the 1940s, the accumulation of huge liquid assets in the hands of many individuals, and the increase in real income of industrial workers. In part, however, the present upswing in business activity is artificial and is based on the large government deficit, the farm support policy and, above all, on the ease with which homes can be acquired with little investment. The pent-up demand created by the war and strikes has also been a factor in stimulating business.

"As regards banking activity, it is fairly certain that the total volume of bank deposits will witness an increase. The banks will buy more government securities and tax-exempt obligations and this in turn will lead to an increase in deposits. The volume of loans will be influenced by seasonal factors. Should the present rise in commodity prices and wages continue, however, a rise in the volume of loans may be expected. But the increase in business loans is not likely to go far, partly because of the large amount of working capital at the disposal of corporations and partly because many concerns have adopted a hand-to-mouth buying policy. Consumer and real estate loans, on the other hand, should continue to rise.

"The investment policies of the banks will depend to a large extent on the refunding operations of the Treasury. At present the supply of medium-term government obligations eligible for purchase by commercial banks is rather limited, and it would be advisable for the Treasury to increase the supply. This would not only enable many banks to lengthen their maturities, but also to diversify their government holdings by maturity. Such a development might also affect the policies of commercial banks as regards consumer and real estate loans.

"While business activity is at a high level and promises to go even higher in the immediate future, there are many problems confronting the economy. It has become more rigid in character. Costs of production are high and can be reduced only through the introduction of labor-saving devices. This is being done on a large scale and may lay the foundation for technological unemployment later on. Many factors operating in the economy are either artificial or temporary in character. It is discouraging to note that in periods of good business activity the government is still forced to operate with a deficit.

"The activities of the banks will reflect these general business conditions. It may be expected that the total volume of bank deposits will increase and that earnings of the banks will be satisfactory."

Midwest Exch. Names Advisory Governors

CHICAGO, Ill.—Homer P. Hargrave, Chairman of the Board of Governors of the Midwest Stock Exchange, has announced the appointment of the following Advisory Governors:

Cleveland: Elmer L. Lindseth, President, Cleveland Electric Illuminating Co.

St. Louis: J. Wesley McAfee, President, Union Electric Co.

Minneapolis-St. Paul: William L. McKnight, Chairman of the Board, Minnesota Mining & Mfg. Co.

Chicago: Sewell L. Avery, Chairman of the Board, Montgomery Ward & Co.; Gilbert H. Scribner, Partner, Winston & Co.; Robert E. Wilson, Chairman of the Board, Standard Oil Co. of Indiana.

Herbert A. Jones

Herbert A. Jones, partner in W. D. Gradison & Co., Cincinnati, died June 14 at the age of 58.

Are Inflation Fears Well Founded?

By AUGUST HUBER

Market Analyst, Spencer Trask & Co., Members New York Stock Exchange

Stock market analyst discusses recent rise in wage rates and continuing government deficits as inflationary forces and concludes country's growing productive capacity, in long run, is likely to prove an offsetting factor to monetary expansion and rising prices.

The advance in wage rates and labor costs during the past decade is well known. Straight time average hourly earnings of workers in manufacturing industries have increased since 1940 from 70c to $1.38. This does not reflect overtime rates, but this factor has lessened in importance.

August Huber

The advance in labor costs can probably best be measured in terms of "output per man-hour" and "unit labor costs." Because of inadequate data, such calculations are necessarily rough and these factors vary greatly among different industries and individual companies. Taking all manufacturing industries as a whole, the rough calculations indicate that from 1939 to 1949 "output per man-hour" has increased only about 10%. Productivity of labor, therefore, has not by any means, kept pace with the increase in wage rates. As a result, "unit labor costs" have advanced almost 100% since 1939. Coincidentally, wholesale prices of finished manufactured goods have increased about 90%, which indicates the influence of rising unit labor costs on selling prices.

During more recent months, increased efficiency of operations by industry, reflecting new and more modern machinery and equipment, is becoming apparent and labor productivity is, therefore, reported to be edging upward moderately. On the other hand, additional labor costs of large proportions have been added through newly created pension funds, welfare, and health programs. In the main, these add to production costs while not commensurately adding to purchasing power.

On the whole the important consideration, it would seem, is that wage increases are inflationary so long as the resulting price increases can be passed on without curtailment of sales, production, and employment. In this connection it is probably worthy of note that Sears, Roebuck recently reduced prices on more than 4,000 items in its mid-summer catalog, on an average of 7%, with many items well in excess of that figure.

Underlying the renewed apprehension concerning "inflation" is the excessive spending by the Federal Government. The gross public debt at the end of March was $255.7 billion, compared with $257.1 billion last December and $251.6 in March, 1949.

The deficit for the current fiscal year to end June 30, 1950, is put at approximately $4 billion, which is lower than had been earlier estimated, and compares with a $1 billion surplus the year before. Since about half the expenditures of the Federal Government at the present time are on national defense and international affairs, next year's deficit will depend a great deal on how our foreign relations develop. It is quite possible, unless the latter worsens, that the deficit for the coming fiscal year, on a cash basis, may be lower than present official budget estimates.

There has been no significant expansion in the money supply during the past few years. The "money supply" (consisting of currency outside banks, demand and time deposits, and postal savings) was $171.5 billion in March, which is up from $167.6 billion a year earlier but just about the same as the $172 billion at the close of 1947.

The Federal Government is committed to a policy of monetary management by which it hopes to control, or at least cushion, the drastic commodity price declines which have followed all past major wars. It would seem somewhat early to conclude that a real test has yet been made and, therefore, the success of such policies remains to be demonstrated.

It is rather paradoxical that today there are growing expressions of opinion and belief that the domestic economy can be sustained indefinitely at a high level because "the Government will not allow it to go down." This is probably an odd commentary on how public psychology operates when it is recalled that the re-election of the present Administration in the fall of 1948 was promptly followed by a sharp market break of 20 points. There is thus illustrated the vagaries of mass reasoning and how it is subject to change sometimes on ill-founded premises. The somewhat less than friendly basic attitude shown toward industry and capital at times in the past, seems to be replaced in the public mind, for the time being at least, by a steadily growing confidence that Federal policies will continue highly beneficial to the general economy.

The expansion in the country's productive capacity, in the long run, should likely prove to be a more influential force on the price level than the monetary expansion arising from the size of present and contemplated Government deficits.

William Raebeck Co. To Be Formed in N. Y.

William Raebeck, member of the New York Stock Exchange, and his brother Harry Raebeck, previously identified with the former firm of Wright, Slade & Co., will form the firm of William Raebeck & Co. with offices at Hoppin Bros. & Co., 120 Broadway, New York City. Both brothers have been in Wall Street for many years.

De Coppet to Admit

De Coppet & Doremus, 63 Wall Street, New York City, members of the New York Stock Exchange, will admit James Campbell, member of the Exchange, to partnership on July 1. Mr. Campbell has been active as an individual floor broker.

Parrish & Maxwell

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—The firm name of Earl T. Parrish & Co., 155 Sansome Street, members of the San Francisco Stock Exchange, has been changed to Parrish & Maxwell. Partners are Earl T. Parrish and Victor T. Maxwell.

Taxes: Problem of Small Business

By HON. J. CALEB BOGGS*
U. S. Congressman from Delaware

Stressing small and big business in nation are integrated, Congressman Boggs warns success and expansion of both small and large concerns are retarded and seriously threatened by present high rate of Federal income taxes. Points out taxes are outstripping personal savings, and, since small business receives its capital largely from individuals' savings, the problem of small business is high taxes. Says aid to small business through loans and easier credit, as proposed by President, is dangerous and may cause bankruptcies. Calls for lower taxes.

In spite of the evident growth and progress which has been made, it is, nevertheless, good practice to make an audit or an inventory or a review of the situation at this mid-century point. Having done so, will, I am sure, provide a sounder foundation for meeting existing problems of today and such challenges as may be forthcoming in the months and years ahead.


J. Caleb Boggs

In my opinion, there has always been general recognition of the part played by small business in our national economy. I also believe, however, that much greater recognition of small business now exists than ever before. This is certainly as it should be when we consider the fact that more than 90% of the business concerns in our country are usually classified as small and when we also consider the fact that these small businesses provide approximately one-half of all the private non-farm employment in the nation.

In view of those facts, it becomes unquestionably clear that small business is indeed one of the keystones of our whole national economy. Wholesalers such as the members of your organization exercise a vital function in that economy by planning and maintaining the operation of channels of distribution which enable manufactured products to flow swiftly and surely into the retail outlets where they are available to the consuming public.

As friend of small business, I am sure that I may say to you without being misunderstood that small business is not, however, an isolated group. Small business and big business are integral parts of our economic structure and each is to a considerable degree interdependent upon the other just as each serves to complement the other. The purpose of each is to serve the public interest in an efficient and necessary manner. To do so properly in the public interest implies immediately, however, the absence of monopolistic or unfair trade practices.

Problems Confronting Business

I now want to discuss with you from my viewpoint as a legislator some of the problems with which business — and especially small business — is confronted. We know that although we have today a very high level of business activity and a high level of employment throughout the nation, that we must constantly seek even greater expansion of businesses, especially those which we broadly classify as small. It is essential to our over-all national economy that we constantly seek greater growth, development, expansion, production and consumption. At the same time we must safeguard the independence of free, private, competitive enterprise.

I am naturally an optimist, but even optimists must at all times be aware of factors and forces having, or potentially having, detrimental effects upon the desirable goals which we seek. I feel sure that you all agree with my previous statement that business, and especially small business, must constantly seek to expand and to attain ever higher goals of production and consumption which in themselves will produce greater monetary returns for all concerned—including the wage-earners — and which will thus bring about not only a higher level of business activity, but a higher standard of living for all of us.

In order to do so it is generally agreed that small business—independent business — must have available adequate capital. Capital for small business comes principally from personal savings and from profits. If this statement is true, as the majority of experts in the field of economics and finance believe it to be, then we must do everything possible to prevent any significant reduction in personal savings and profits. At the present time, in the opinion of many qualified persons, personal savings and profits—from which the funds for the expansion of small business are principally derived—are retarded and seriously threatened by the present high rate of Federal income taxes.

Federal Taxes Outstripping Personal Savings

With respect to personal savings, some very interesting and highly significant statistics have only recently come to my attention. Based upon information released by the Treasury and Commerce Departments of our Federal Government, we find that a startling situation has come about during the past four years with respect to the personal savings of the American people. These figures show that it has been customary in the United States for personal savings of the American people as a whole to be at least two or three times as much each year as they paid annually in Federal income taxes. For example, we find that for the four-year period 1925-1929 the American people saved $3.40 for every dollar which they paid in Federal income taxes. For the four-year period ending in 1939 they had personal savings—available for investment purposes or future purchases of goods and services—personal savings averaging $2.83 annually for every dollar paid in Federal income taxes. During the past four years, however, that desirable situation has been drastically and dangerously altered. In each of those years the American people as a whole paid much more in Federal income taxes than they were able to set aside in personal savings. Specifically, they were able to save in 1949 only 65c for every dollar paid in Federal income taxes—and that figure of 65c is the highest for the four postwar years. I wish to emphasize the fact that the taxes I am speaking about in this connection are only Federal individual income taxes and do not include other Federal taxes such as excises or any state or local taxation.

In view of the foregoing, it is immediately obvious that the ratio of personal savings to Federal income tax payments by individuals is seriously dwindling. This situation cannot but have a serious effect on the establishment of independent, private, small businesses and the necessary expansion of already established small businesses.

Taxation and Small Business

The problem of small business is chiefly the problem of taxation. The large and steady flow of equity capital which supported business expansions after World War I has practically disappeared since the end of World War II. If free enterprise is to continue to be both private and independent, it is essential that business be able to depend upon a substantial and constant stream of venture capital emanating from private sources. It is almost axiomatic that too high a tax on risk capital retards business expansion and employment. As a matter or fact, our present system of taxation seems almost to have been designed to discourage rather than to encourage risks. Our present system of taxation is operating like a brake, for it appears that the greater the reward is to the investor the greater is the penalty imposed by the government in the form of taxation.

Support for these statements is becoming increasingly evident. For example, many of you probably read only three or four days ago of the conclusions reached by the Brookings Institution as a result of a careful study it made, based on reports from business firms. Among many other things, the Brookings report stated:

(1) A tax policy that will promote economic expansion and high level income is imperative.

(2) A tax system designed to facilitate the reasonably free operation of economic incentives is of fundamental importance for the nation.

(3) Small and medium sized businesses are seriously retarded from expansion by high taxes, for their earnings are virtually the only source of needed capital for expansion.

(4) The volume of money savings available for investment is profoundly reduced by personal income taxes.

Truman Plan Dangerous

Within the past month our Chief Executive submitted a message to the Congress concerning the major problems of small and independent businesses. His proposals—which, of course, must be given serious consideration—involve principally easier credit and additional loans. Nearly all other proposals for aiding small business revolve around the same things—namely, more loans and greater extension of credit. Nevertheless, consideration must be given to the fact that a heavy debt for a small business frequently retards that business, stifles its opportunities for expansion and may lead to ultimate failure.

It is possible that you may also have noticed in the public press statements opposing the President's suggestions which, surprisingly enough, came from officials of a government corporation—the RFC.

Said one RFC official, who was not identified: "The government is taking all the cream of business; that's the big reason for small business troubles. The sound thing to do would be to let small business keep a little fat and get a little meat on its bones." He also added, and again I quote: "Small business ought to be given a chance to stand on its own feet, not just a temporary crutch."

Still another unidentified RFC official stated, and again I quote: "What small business needs is incentive, not loans. If you really want to help small business you should give it some tax relief. A loan is like an aspirin, it cures the pain temporarily but doesn't do any real good."

In addition to recommending the establishment of a government-administrated easy-loan insurance plan covering commercial bank loans to small business in sums not exceeding $25,000, the President also requested authorization for the establishment of a nation-wide network of "capital banks" which would buy the stock of small corporations in order to provide them with additional funds.

The reaction of another RFC official to this proposal of the President's was not only interesting, but seemed to me to be of the greatest significance. Said this official, "In our experience in making loans to small business, we've found a terrific tendency for businessmen to want to run their own affairs without a bank or some other outside authority telling them how. They would resist a capital bank buying a large chunk of their company."

Small Business Seeks Independence

To my mind that last statement represents not only an important expression of opinion, but something else which is vital and fundamental to Americans. It focuses attention on the fact that Americans organize their own small businesses not only because they think they can operate a profitable venture, but because they seek independence. The ownership of a considerable portion of a company's stock by a lending agency would of necessity limit and restrict, if not actually eliminate, the fact of independent operation of the borrower's business.

And thus I return to the statement I made some minutes ago that the principal independent sources of capital for small businesses are personal savings and profits. When either or both of these two sources are dried up, the alternatives are clear. Those alternatives are inability to grow and expand, or the borrowing of additional funds from private or government sources, thus increasing the company's debt and fixed charges.

Since the principal reason for the drying-up of profits and personal savings is taxation, then it appears to be not only logical, but imperative that appropriate action be taken at an early date to remedy the situation—by reducing taxes and revising our system of taxtion.

Here, however, we run into still another problem—our tremendous national debt of $256 billion which is expected to be increased by between 10 and 15 more billions of dollars by the end of the next fiscal year in June, 1951. Taxation, national debt and deficit spending are all tied together in our Federal fiscal policy.

Gentlemen, it is time for us to be realistic. If we want small business to be able to expand, we must reduce taxes. However, continuing to be realistic, we cannot reduce taxes while we increase spending and add further to our national debt burden.

In other words, as I see the picture, we must have enough public support for reduced spending and balanced budgets to bring about actual and substantial reductions in appropriations. Having accomplished that, we will then be in a position to give tax relief to individuals and to business. And, having accomplished that, profits and personal savings will increase; incentive for capital investments in small businesses will be restored. The result will be the real opportunity for the expansion of business activity; the steady employment of more and more of our manpower; greater returns to investors, management and workers; and a sound, stable, expanding national economy through the preservation and promotion of free, independent, private enterprise.

In closing, I want to say that I have read with much interest the editorial entitled "Better Acquainted," which appeared in the May, 1950, issue of your excellent magazine, "National Candy Wholesaler." Said the editorial in part, referring to better understanding between manufacturers and wholesalers: "There are times when men, like nations, feel they must cry out against each other and shake the accusing finger, but it is safe to assume that these differences will become less and less important and the mutual problems easier to solve as they come to know each other better."

That very fine statement causes me to ask these questions: How many of you gentlemen are personally acquainted with your respective members of Congress? How many of you as individuals have discussed national affairs and private business problems with your Congressional Representatives?

I feel certain that a personal relationship between you and your Congressman and a frank discussion with him of your problems will be tremendously and mutually advantageous. Please believe me when I say that your Congressman wants to know what these problems are and what solutions you deem practicable and

*From an address by Rep. Boggs at the Annual Convention of the National Candy Wholesalers Association, New York City, June 1, 1950.

desirable. And, on the other hand, he will welcome an opportunity to discuss with you the relationship of your problems with the over-all national problems.

Inasmuch as the government of the United States is, in the last analysis, the people of the United States, I am convinced that only national as well as individual good can result from such a relationship by each of you with your respective Representative in Congress.

Smith, Hague to Admit Everham as Partner

DETROIT, Mich. — Edwin M. Everham will become a partner in Smith, Hague & Co., Penobscot Bldg., members of the New York and Detroit Stock Exchanges, on July 1. Mr. Everham was formerly manager of the trading department of Baker, Simonds & Co. Prior thereto he was an officer of Allman, Everham & Co.

Edwin M. Everham

Walston, Hoffman Opens New Office In Portland, Ore.

PORTLAND, Ore. — Walston, Hoffman & Goodwin, members of the New York Stock Exchange, opened their new Portland office June 19 on the fifth floor of the American Bank Building. The office will be the thirtieth in the System which extends from Coast to Coast.

Timothy Wood, Jr., has been appointed Manager of the Portland office. Mr. Wood was born in Portland, graduated from the University of Oregon, and for many years was identified with the securities business as an executive of a New York Stock Exchange firm, in Oregon and in California. He has been active and prominent in business and civic affairs of the State.

Associated with the Portland office are V. W. Pierson, who has been actively engaged with the investment banking business of Portland for a number of years; Vincent B. Hackett, who has been associated with the investment and banking business for many years, and Chester E. Ryder, who has been associated for the past several years with another New York Stock Exchange firm in Portland.

Percy H. Wilson, identified with the brokerage and financial business of Portland for 27 years, has been appointed Cashier, and Leslie J. Bohrer will head the Wire and Order Department. Mr. Bohrer was associated with the Portland office of a New York Stock Exchange firm for 24 years.

The new Portland office will be completely equipped with brokerage and investment facilities. It will have a new full view quotation board containing the stocks of major corporations listed on the New York Stock Exchange, the New York Curb Exchange and the San Francisco Stock Exchange. The office will have a direct private wire to its New York office as well as to its San Francisco, Los Angeles and Seattle offices.

Complete analytical and statistical services will be available. The firm employs one of the largest staffs of technically trained security research men in the nation. The Northwest Division is being directly supervised by Hubert J. Soher, partner in charge of research.

Several partners and executives of the firm participated in the opening day ceremonies inaugurating the entry of this firm into Portland. The visiting delegation included V. C. Walston, managing partner from San Francisco; Claire V. Goodwin, partner and also President of the Port of Oakland; Kenneth C. Koch of San Francisco; Jack E. Jones, manager of the Seattle office; Martin V. O'Donnell and Ray Moore of Seattle, and William D. Fleming, office manager of the Southern California Division.

Walston, Hoffman & Goodwin are member of the New York Stock Exchange, the New York Curb Exchange, the Los Angeles Stock Exchange, the San Francisco Stock Exchange, the Philadelphia - Baltimore Stock Exchange, the Chicago Board of Trade, the New York Cotton Exchange and the New York Produce Exchange. Offices are located in Oregon, Washington, California, Connecticut, New York, New Jersey, Maryland and Pennsylvania. The firm was founded in 1931.

Marcus Bros. to Admit

CHICAGO, Ill.—Robert S. Witz will be admitted to partnership in Marcus Bros., Board of Trade Building, members of the New York Stock Exchange, on July 1.

Schirmer, Atherton Admits Partners

BOSTON, Mass.—Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges, will admit Horace H. Atherton to general partnership and Edith M. Page to limited partnership on July 1.

Bond Club of Los Angeles Holds Annual Field Day

Rufe Carter, Carter & Co.; Ham Keller, Paine, Webber, Jackson & Curtis; Hal Bolefahr, Dean Witter & Co.

Les Hart, Dempsey-Tegeler & Co. (safe at first); Steve Turner, Wagenseller & Durst (stretching); Hartley Smith, Dean Witter & Co. (pitcher in foreground).

"The Referee and Umpire"

LOS ANGELES, Calif.—The annual field day of the Bond Club of Los Angeles held at the Bel-Air Country Club Friday, June 2, was a big success according to Ralph E. Phillips of Dean Witter & Co. and club President.

More than 250 members and guests participated in the activities which included lunch and dinner, golf, horseshoes, baseball, tennis and other sports, topped off by an entertainment program in the evening.

General Chairman of the field day was Stevens Manning of Paine, Webber, Jackson & Curtis.

Promise of Employment Act of 1946 Unfulfilled

By EDWIN G. NOURSE*

Former Chairman, Council of Economic Advisers

Dr. Nourse outlines ideals and purposes of Employment Act, and concludes there has not been an objective of weighing claims of opposing groups and formulating policies that "on balance" will do most to promote smooth functioning of the economy as a whole.

As I enter the homestretch of my dissertation, I must of course mount my favorite hobbyhorse—the Employment Act of 1946. This experimental development within our frame of government seems to me admirably to point a moral and adorn the tale I have been trying to unfold as to the relationship between technology and public service.

Edwin G. Nourse

The essential feature of this important new statute is that it enunciates a national policy of mobilizing all our organizational resources, public and private, for a sustained high level of national production and the correspondingly high level of national living. As a means of accomplishing this great national purpose, it turns away from any trick device, panacea, or "money magic." With implicit recognition of the fact that this is the age of science in economic and social relations not less than physical processes, the Act sets up a sort of scientific clearing house in the Executive Office (the Council of Economic Advisers) and a somewhat comparable one in the Congress (the Joint Committee on the Economic Report of the President). Both bodies are designed to integrate analysis of the problems of all parts of the economy as a basis for formulating policies that will advance the welfare of the economy as a whole.

In so far as the potentialities of this analytical or scientific approach are appreciated by divisions of government and by the organizations of private business, it would be possible to obtain the goals of economic stabilization and economic expansion at a rate commensurate with the resources available and to avoid the severe interruptions which thus far have constituted a recurrent source of waste and frustration in modern industrial society. If such a purpose is to be realized, technology as systematic knowledge of the industrial arts must be geared to the public service, that is, to promoting the total welfare rather than advancing the narrowly conceived or short-range interests of any particular area, interest, group, or faction.

It was my hope that each member of the Council of Economic Advisers would be equipped not merely with high competence in the techniques of economic analysis but endowed also with a broad and deep social philosophy. Both these qualifications would be needed if they were to weigh and scale the demands of the several parties to the economic process and display a calm judicial quality as the economic attorney for one or another special interest came to argue the claims of their respective clients for favored treatment. It was my hope also that, with that kind of staff assistance, the various members of the Executive family—Cabinet officers and agency heads—would be able to resist the political pressures brought upon them by business, labor, agricultural, and financial constituencies or by representatives of geographical sections. It was my hope that, thus staffed, successive Presidents in future might rise to higher planes of economic statesmanship than we have known in the past, and that the impressive character of the evidence brought to bear in support of policies calculated to advance the welfare of the whole country might win the support of citizen voters. With our constantly rising standard of general education, with our better understanding of scientific principles and their application to the industrial arts both physical and social, such a substitution of power politics to economic statesmanship is the hope of our democracy in the future.

As yet, however, the promise of the Employment Act has not been fulfilled. There has not been a willingness to weigh the claims of all special interest groups as parts of a total productive program and to formulate and follow those policies that "on balance" will do most to promote the smooth functioning of the economy as a whole. Among our people the "gimme" spirit is rampant and the demand for personal security is put above the old spirit of personal creative achievement. Political agragrianism and political laborism have forged ahead of the political capitalism of the recent past, and the merger of farmer and laborer into an unbeatable coalition seems to be the pattern to which we are being adroitly led today.

It would be a sad commentary if, in this day, when popular education has brought us such command of the technologies of material objects and natural forces, we should fail in our grasp of the technologies, that is the applied social science, of the human mind and spirit associated in business ventures and in free political life. But such failure will confront us unless, ere we face life and attack it, our educational institutions give to all of us the firm equipoise of an adequate philosophy of life. Not only those who go on to public position must have an ideal of public service. Every one who labors at a private job must realize that he has both an obligation and an opportunity of sound public service by making his best personal contribution to maximum production. For only by maximizing the total product can the several shares be steadily enlarged.

*Concluding part of an address on "Technology and Public Service" by Dr. Nourse, delivered at the Illinois Institute of Technology, Chicago, Ill., June 9, 1950.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Louis F. Feldman is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

FORREST CITY, N. C.—Morgan P. Bodie is now affiliated with King Merritt & Co., Inc., of New York.

Wolman Foresees Pensions Raising Prices

Columbia University professor holds, whatever scheme is adopted, people will pay for it, and taxes as well as prices will be higher.

Addressing a luncheon meeting of Trade Association Executives in New York City on June 13, Dr. Leo Wolman, Professor of Economics at Columbia University, said that if the people choose larger pensions, they must give up things they now want and buy.

Prof. Leo Wolman

Citing the Federal pension plan as an example, Dr. Wolman pointed out that it applies now to only a fraction of the 11 million people over 65. The exemptions, he said, are inequitable and capricious. It has been reliably estimated, Dr. Wolman pointed out, that if all the population over 65 were brought under pensions and were paid a monthly pension of $10; the annual cost would be $1⅓ billion. If the monthly pension were fixed at $50, the annual cost would be $6⅔ billion. If the figure of $100 was adopted, the annual cost would rise to $13⅓ billion, he said.

For the 41 million families in the country, Dr. Wolman pointed out, a $10 a month pension would cost each family about $32 a year, the $50 pension $160, and a $100 pension would cost each family $320 annually.

Under the Federal Government, he said, we have at present two plans for caring for men and women over 65. One is a pension plan, and the second is known as a public assistance plan. Public assistance, he observed, is a form of relief, covers more people, costs more, and is growing faster. It is financed by Federal grants to the states. Since the Federal Government has grown increasingly liberal in making these grants, the states keep raising the rate of benefits, Dr. Wolman pointed out. Some states are extraordinarily liberal and careless in paying assistance, he said, while others are conservative and careful. The average monthly payment has risen from $19 in 1937 to $45 in 1950 and the most liberal state pays $75 to its aged while the lowest payment is $19.

Collective Bargaining Pensions

Since the pension movement in collective bargaining has attracted widespread attention, it is important to examine these facts and to consider what they imply, Dr. Wolman told the trade association executives.

The liberal pensions now being provided in contracts between unions and companies, he said, are likely to grow in number, but, under the most favorable circumstances, they may be expected to cover only a small fraction of the potential pensioners. The principal reason for this is that most firms doing business in the United States will not be able to afford pensions of the size now being granted. Nor is it by any means clear, Dr. Wolman insisted, that all persons covered by pension contracts with private companies will receive what they are presently being promised.

The real question, he said, is what American industry can afford by way of pensions in addition to the other benefits already contracted for or about to be granted. Pensions, like other benefits, cannot be understood if they are removed from their economic context. The current pension movement, he said, is advancing in an inflationary period when the worth of what a man gets in dollars is less than he anticipated. It is advancing in a period when an individual's tax bill is high and is likely to go higher, Dr. Wolman observed. A "package" of 10 cents an hour for pensions and social insurance is an addition to labor costs and will eventuate in higher prices, just as an increase of 10 cents an hour in wages will raise prices. One way or another, the American public will have to foot this bill for pensions, Dr. Wolman concluded, if it wants them.

Hurlbert C. Elmore

Hurlbert C. Elmore died at his home at the age of 67. Mr. Elmore prior to his retirement was a partner in H. N. Whitney, Goadby & Co.

Cannon Elected by First Boston Corp.

Election of Francis A. Cannon as a member of the executive committee of The First Boston Corp., 100 Broadway, New York City, has been announced by Harry M. Addinsell, Chairman, Board of Directors. A Vice-President and member of the Board of Directors, Mr. Cannon has served in an executive capacity with The First Boston Corp. for many years, in charge of securities sales, and will continue to supervise securities sales operations of the firm. He has spent his entire business career with First Boston or its predecessors, first joining the organization in 1921 as a runner.

Francis A. Cannon

He is a trustee of the Plainfield Savings Bank and a member of The Bond Club of New York. His home is in Plainfield, N. J.

Walter E. Kimm

Walter E. Kimm, a member and former governor of the New York Curb Exchange, died June 13 at Long Island College Hospital after a short illness. Mr. Kimm was in his 58th year.

Mr. Kimm has been a bond specialist on the Curb Exchange for 29 years. After three years in the securities business he was elected an associate member of the old outdoor Curb Market Association on May 11, 1921, just before it moved indoors to become the present-day exchange. In July, 1921, he formed under his own name a brokerage firm which has continued in existence ever since, and on March 8, 1922, he became a regular member of the Exchange.

In February, 1937, Mr. Kimm was elected a member of the board of governors for a three-year term. As a governor he served on a number of the standing committees of the Exchange. He was Vice-President of the Curb Exchange Five and Twenty Club, composed of members on the Exchange for 25 years or longer. He was also a member of the Wall Street Post of the American Legion, having served in the First World War with the U. S. Army Engineers.

F. C. Wright Heads Comm. of Brokers & Dealers on Taxation

Frank C. Wright, of Laidlaw & Co., has been elected Chairman for the coming year of The Committee of Brokers and Dealers on Taxation. Composed of brokerage firms engaged in the securities business, the Committee aims to encourage and promote cooperation among its members in the administration of the tax laws in matters affecting a common interest. It is also available as a clearing house for communications to and from Federal, State, Municipal tax authorities.

William Blair Admits

CHICAGO, Ill.—Edward McCormick Blair and Bowen Blair will become partners in William Blair & Company, 135 South La Salle Street, members of the New York and Midwest Stock Exchange, on July 1. Both have been associated with the firm.

Problems of European Integration

By PAUL EINZIG

Dr. Einzig sees infringement of national sovereignties as chief difficulty in implementing Schuman Plan for European economic integration. Holds it might be worthwhile to hold down progress toward economic integration so as to enable political integration, which is lagging behind, to catch-up.

LONDON, Eng.—The Schuman Plan for the integration of the coal and steel industries of Western Europe is only a new approach to the problem of European economic integration. Hitherto the attempts to that end were made mainly in the sphere of foreign trade and payments. This is the first attempt at integrating production by means of a concrete proposal. There has been much discussion about the integration of the capital investment programs of Western European countries, but nothing very definite has emerged so far. It remains to be seen whether the hopes attached to the Schuman Plan will materialize.

Dr. Paul Einzig

There is a widespread feeling in Britain and in other European countries that this policy of economic integration is really putting the cart before the horse, because economic integration cannot proceed very far without political integration. So long as all the governments retain their political sovereignties it is difficult to imagine that they are willing to expose their countries to the risks that are undoubtedly involved in economic integration. Once a super-government is established, however, with administrative and legislative power over all participating countries, there would be no difficulty in achieving an understanding in respect of financial and economic integration.

If the Council of Europe should be given some real power it would be a realistic step towards economic integration. In that case there would be no need for haggling over the technical details of the intra-European payments scheme. Britain and the other participating countries would willingly agree to an unrestricted clearing and a full convertibility of European currencies in relation to each other even if they continued to restrict convertibility into dollars.

Indeed, in that case even the establishment of a European currency would cease to be a Utopian scheme. As things are at present, the British Government is subject to much criticism in London for having gone too far in an attempt to reach a compromise in respect of the proposed intra-European payments scheme. So long as the sovereignty of each Western European country is absolute, each government endeavors to secure the maximum of advantages to its country without regard for the interests of other countries. Thus, many governments are expected to use the new scheme, if adopted, for securing as much gold as possible from Britain. This was done in the past, and human nature is not likely to change suddenly if and when the new agreement is signed by the governments participating in OEEC. They will want to continue to take advantage of any opportunities for making such use of the new arrangement.

Likewise, there seems to be little hope for achieving an European customs union in the absence of a high degree of political integration. No doubt some progress may be achieved towards a mitigation of the existing barriers to intra-European trade. But in the absence of a European super-government the ultimate end of a unified trading area would remain unattainable. No government would consent to an arrangement as a result of which important industries in their respective countries would be exposed to competition not only on the part of more efficient rivals but also on the part of rivals employing underpaid workers. There would also be the problem of compensating industries which would suffer through the removal of customs barriers. It could hardly be solved without a high degree of pooling of the economic and financial resources of the participating countries, and this again is almost inconceivable unless and until there is a central political authority which could take charge of the collection and distribution of resources.

This latter problem would also arise if the Schuman Plan were to be put into operation before the establishment of a central political authority. The integration of coal and steel industries of Western Europe would involve the closing down of much obsolescent plant. Otherwise there would inevitably result an over-production before many years. It would be difficult enough to induce governments not to continue to bolster up out-of-date works by means of subsidies or other forms of assistance. When it comes to the payment of compensation to those affected by the closing down of such works it would require the powers of a super-government to allocate the resources available for that purpose.

It is, of course, arguable that progress in the direction of economic integration would pave the way towards political integration. This need not necessarily be so, however. On the contrary, economic integration without simultaneous political integration might easily prove to be premature, and might give rise to unfavorable reactions which would cause a grave setback. For instance, if some of the countries participating in the new intra-European payments scheme should find that the greed and selfishness of other countries place them at a grave disadvantage, their governments would be forced to withdraw from the scheme, as a result of which Europe might disintegrate. Indeed, it might be worthwhile to slow down the progress towards economic integration so as to enable political integration, which is lagging behind, to catch up.

The best solution would be to work out to the last detail a comprehensive plan for economic integration, and present it as the ideal which all Western European countries should seek to achieve eventually. The existence of a concrete plan would be much more helpful than any number of vague declarations on the need for economic integration. What is needed is a comprehensive scheme for the integration of European currency, trade, public finance, capital investment, production, social services, manpower, etc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The general trend of fire insurance stock prices since the beginning of 1950 has been slighftly upward. While there was a period during March and April when quotations on these shares were declining, the action recently has been much better and the various price indexes are now close to the highest levels of the current period.

As an example, Standard & Poor's weekly index of 18 fire insurance stocks was at a new high for the year on June 14 at 172.4. In April a low of 162.9 was reached. At the end of 1949, the index was close to 170.

Thus while there has been some improvement in insurance stocks so far this year, it has by no means been all inclusive. Fluctuations have in most cases been relatively narrow and changes from the prices at the end of last year have varied with each issue. In fact, some stocks are lower by several points.

The following compilation shows the price fluctuations so far this year. The current price is compared with the quotation at the end of 1949, and the change in market shown in terms of points. Also presented is the price range on each issue for 1950.

Several of the companies have paid stock dividends since the beginning of the year and share prices have been adjusted for such payment. These include—Continental Insurance, Fidelity Phenix, Fire Association, Insurance Company of North America and Phoenix Insurance.

	Current Price	Price 12-31-49	Change	1950 Price Range	
Aetna Fire	61½	61½	—	66	57½
Agricultural Insurance	72¾	70	+2¾	76½	70
American Insurance (Newark)	21¾	21⅝	+ ⅛	22	20⅛
Boston Insurance	59	62½	—3½	65¾	58¾
Continental Insurance	65	62¾	+2¼	65⅞	54½
Federal Insurance	67	67	—	72	65
Fidelity Phenix	64	61⅜	+2⅝	65½	55¾
Fire Assoc. of Philadelphia	65	61⅞	+3⅛	70½	60
Fireman's Fund Insurance	88½	92	—3½	94	86
Firemen's (Newark)	21⅞	20⅛	+1¾	23	19¾
Glens Falls	50½	52	—1½	53	50¼
Great American	30	31¾	—1¾	32	29¼
Hanover Fire	34	34	—	37	32¾
Hartford Fire	120	116	+4	122½	113
Home Insurance	37½	34¾	+2¾	37½	33½
Insur. Co. of North America	110¼	110	+ ¼	112	103
National Fire	63½	60½	+3	65½	57½
National Union Fire	36	37½	—1½	39	35
Phoenix Insurance	78	80	—2	85	74
St. Paul Fire & Marine	99½	103	—3½	104	94
Security Insurance	34	37	—3	38½	33¼
Springfield Fire & Marine	44	47¾	—3¾	48⅜	44
United States Fire	67	66½	+ ½	69	63
Westchester Fire	22¾	22⅝	+ ⅛	23	21

At first glance the above price changes may appear unusual. However, as a group they do not differ from many other equities.

Although the stock market has been advancing steadily this year, many industrial groups and some stocks have not participated in the advance. Motor, chemical, steel and television shares have been among the most favored groups. However, some stocks even in these industries as well as many other groups have not attracted investors or moved ahead with the market.

A large part of the advance in the Dow, Jones Industrial Average for the current year is attributable to stocks such as General Motors, duPont, and Allied Chemical where special factors like stock splits have undoubtedly been responsible for part of the improvement.

Other equities in the averages, however, have not done so well and are even below the quotations at the end of the year. These stocks include such quality issues as American Tobacco, Corn Products, Eastman Kodak, Johns Manville, Loew's and Woolworth.

This selectivity of the market is likely to continue, though not necessarily favoring the same stocks. The same can be said for insurance shares.

Where a company has been improving its position and is able to increase its dividend to stockholders, a better market action of the shares is to be expected. The next six months will be a period in which many insurance companies will be considering dividend payments. As was the case last year, increased distributions are expected in a considerable number of instances.

This action will provide a needed stimulus to the market and insurance stocks should respond to the increased payments.

Chicago Analysts Elect New Officers

CHICAGO, Ill. — Glenn M. Trumbo, Assistant Vice-President, Chicago Title & Trust Company, and Vice-President of the National Federation of Financial Analysts Societies, was elected President of the Investment Analysts Club of Chicago at the annual meeting, June 15, succeeding William D. Heer, Jr., associated with the Armour & Company Pension Fund.

Glenn M. Trumbo

Other officers elected were: John C. Ratcliff, Miami Corporation, Vice-President; Stanford O. Ege, University of Chicago, Treasurer; J. C. Knotter, American-Associated Insurance Companies, Secretary.

Elected to the Board of Governors: William D. Heer, Jr., Armour & Company; Harold L. Weis, Continental Illinois National Bank and Trust Company; Donald Wales, Security Supervisors.

Robert A. Dahn Joins Kidder, Peabody & Co.

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, announces that Robert A. Dahn has become associated with the firm as a general sales representative in the municipal bond department.

Mr. Dahn was formerly with G. H. Walker & Co. and prior thereto was with Union Securities Corp.

Loucks & McCormick Formed

LAKIN, Kansas — Charles A. Loucks, Paul S. McCormick and Ethel K. McCormick have formed Loucks & McCormick to engage in a securities business.

M. L. Schultz Opens

PLAINFIELD, N. J.—Mortimer L. Schultz is engaging in a securities business from offices at 417 Parkside Road.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is more of the same, selling by Federal Reserve Banks and institutions of ineligibles, with new lows being registered in these securities. The yield spread between the restricted obligations and the bank issues continues to widen because of the price erosion in the nonbank issues. The price differential between the two classes of government securities is large enough now to be rather tempting to holders of the longest eligibles, but so far there have not been any important swops reported. As a rule, however, temptation is not resisted indefinitely. With the Vics again leading the decline, the rest of the ineligibles came in for a minor shakedown to bring them in line with the longest maturities.

The legibles have remained pretty much in their narrow trading range, again being paced by the 2½s of 1967-72. The 1967-72s, the 1956-59s and the 1956-58s have been eased out of some portfolios and the proceeds have gone mainly into shorter maturities. In these instances, however, the amounts involved have not been large. The partially-exempts have been in better demand, due to talked of tax changes. The 1960-65s are the bellwethers of this group.

Market Experts Puzzled

The gradual but steady increase in yield of the ineligibles, led by the Vics, without too great an influence upon the rest of the government issues and corporate bonds, has many money followers puzzled as to what the authorities are trying to accomplish by their actions. Bank obligations have given some ground, but as a whole have not shown nearly as large an increase in yields as had been expected would take place, under the pressure program of the powers that be. To be sure, the inability to exert a direct influence upon the eligibles, is one of the main reasons for the performance being put on by these issues. Also holders of the bank obligations have not been scared by the yield increase in the ineligibles as in the past. They seem to full well realize if it were not for liquidation by Federal, the tap bonds would very definitely be selling at substantially lower yields.

Switching Halted for Present

The continuous increase in return of the restricted bonds has had an unfavorable effect upon switches, many of which were made when the spread between these securities and the bank obligations were narrower than they are now. The owners of bank obligations that could be sold, and the proceeds put into Vics, will have none of it now. They are inclined to sit back and see where yields on the ineligibles are going to stabilize, before they will be parted from the more stable bank issues.

As for corporate bonds, there has been only a minor increase in yield, compared with what has taken place in the restricted issues. Some of the highest grade corporate issues of comparable maturity with the Treasury obligations currently show yield spreads that are about as narrow as they were when there was a "bull market" in government securities. The answer to this is not easy to find, but one thing is evident, holders of these corporate issues are not yet rushing in to sell them in order to get into governments despite the small yield differential between them.

Increased Demand for Governments Expected

Since the authorities have not been able so far to force yields of the eligibles and high-grade corporates up to any appreciable extent, what have they been able to accomplish? Also what is likely to result from here on from the continued selling pressure on the ineligibles? There seems to be no doubt if Federal had not been a consistent liquidator of the restricted bonds, yields of the taps, the eligibles and corporates would have moved down rather substantially. The action of the Central Banks has prevented yields of all bonds from getting out of hand.

It is believed in some quarters that in the not distant future there will be more swops from corporate obligations into Treasuries. As the yield spread narrows, probably due to lower prices for the ineligibles, the opinion is that holders of the nongovernments will be inclined to move more freely into the best credit available, the Treasury obligations.

Vics Becoming Attractive

What about the bank-eligible bonds, particularly the last three taxable issues? Will there be switches out of these securities into the ineligibles because of the very large yield differential between them? Apparently, the feeling is that not too much is going to take place in the way of swops from the banks into the taps, until the latter obligations have shown a tendency to make a bottom. There are, however, some owners of the longest bank 2½s that are looking at the Vics with longing eyes, and it won't take too much more to move them out of the eligible 2½s into the restricted 2½s. While a few good-sized trades (September 2½s for June or December 2½s could be made the amount of the banks that would be exchanged is not believed to be very sizable.

As for the deposit banks themselves selling the longest-term eligibles there does not seem to be much chance of this taking place, until they are able to get issues that will enable them to maintain income. At present the outlook for new offerings of long-term high-income bank issues is not too promising.

Hugh V. Duggan Opens Own Offices in Chicago

CHICAGO, Ill.—Hugh V. Duggan has opened offices at 38 South Dearborn Street, to engage in municipal financing specializing in water and sewer revenue issues. Mr. Duggan was formerly in the Municipal Buying Department of Doyle, O'Connor & Co., Inc., and prior thereto was with Lansford & Co.

Walter Bachman With Joseph Faroll Co.

Walter E. Bachman, formerly of Burton, Cluett & Dana, Colonial Bond & Share, New York City, and Hickey, Doyle & Co., has become associated with Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange, in their unlisted trading department.

New Officials of N. Y. State Bankers Ass'n

Herbert J. Kneip

William T. Taylor

Paul W. Brainard

Herbert J. Kneip, President, National Commercial Bank and Trust Company of Albany, Albany, was elected President of the New York Bankers Association at its 54th annual meeting at Spring Lake, N. J., on June 17. He succeeds Harry W. Davies, President, Syracuse Trust Company, Syracuse.

William T. Taylor, Vice-Chairman of the Board, The Commercial National Bank and Trust Company of New York, New York, was elected Vice-President and Paul W. Brainard, President, First National Bank, Ithaca, was named Treasurer of the Association.

Herbert J. Kneip, the new President, is a banker's banker—one who has literally followed banking tradition by rising from Bank Messenger to President. He won his way up the ladder steadily. In 1917, when he was 29, he became Assistant Cashier, after filling virtually all the intermediate posts along the way. At the age of 33, he became Cashier and, in this key place of responsibility, he handled much detail of a rapidly growing bank. He was made a Vice-President in 1931, 14 years years from the time he became an Assistant Cashier. In 1941, Mr. Kneip stepped into the Presidency of the Bank, succeeding William L. Gillespie, who became Chairman of the Board.

N. Y. Bankers Ass'n Urges Federal Economy

In resolution adopted at Annual Meeting in Spring Lake, N. J., it calls for keeping Federal expenditures under control and for checking further Federal credit expansion. Opposes placing RFC under Commerce Department.

Before adjourning its convention, held at Spring Lake, N. J., June 16 and 17, the New York State Bankers Association convention adopted a resolution calling for reduced government spending, a balanced budget and a check on Federal activities in the credit field. It also registered opposition to the Hoover Commission proposal to place the Reconstruction Finance Corporation under the Department of Commerce. The text of the resolution follows:

The members of the New York State Bankers Association have given consideration to problems of national legislation as they affect the banks of New York State and their customers.

The members of the Association and the people of their communities are disturbed by an unbalanced national budget at a time of great business prosperity. This constitutes a danger to the soundness of our money and a danger to our traditional American institutions. We favor the taking of sound steps to keep the expenditures of the national government under control and to that end pledge our support to the reorganization of government in general accordance with the proposals of the Hoover Commission.

In addition, we recommend that the Congress should keep under constant review the activities of the Federal Government and check their further credit expansion. In this connection we express our vigorous opposition to the legislation, introduced in Congress on May 5, to extend the powers of the Federal Government in making or guaranteeing loans to small business or in providing capital for small business. It is our experience that there is no need for the Government to interject itself further into this field, for the legitimate requirements of small business are now being met by the banks. The member banks of this Association are making every effort to meet the needs of small business for credit in their communities and pledge themselves to a continued vigorous effort to this end. We also recognize grave dangers in the Government establishing itself more firmly in the credit field.

The proposal in Reorganization Plan No. 24 to place the Reconstruction Finance Corporation under the Department of Commerce seems to us likely to subject the operations of that agency to political pressures even greater than they now encounter. This is undesirable. We oppose Reorganization Plan No. 24.

Ahco, Inc. Formed

PALM BEACH, Fla.—Ahco, Inc. has been formed with offices at 268 South County Road, to engage in a securities business. Officers are John L. Ahbe, President; John P. Cochrane, Jr., Vice-President and Treasurer; and Amos A. Jackson, Secretary. Mr. Ahbe is proprietor of John L. Ahbe & Co.

Walter B. Braun

Walter B. Braun, Treasurer of Braun, Monroe & Co., Milwaukee, passed away on June 11th.

Sheldon Ward Joins Kirchofer & Arnold

CHARLOTTE, N. C.—Sheldon M. Ward has become associated with Kirchofer & Arnold Associates, Inc., Johnston Building. Mr. Ward was formerly with Byrne & Phelps, Inc., of New York City. Prior thereto he was with Starkweather & Co. and was a partner in Ward & Williams.

Chas. C. Wright in N. Y.

Charles C. Wright is engaging in a securities business from offices at 1 Wall Street, N. Y. City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Announcement of the election of William Gage Brady, Jr., to the Board of Governors of the Society of New York Hospital was made on June 21 by John Hay Whitney, President of The Society. The Society maintains the New York Hospital, 525 East 68th Street, and the New York Hospital—Westchester Division, in White Plains, N. Y. Mr. Brady is Chairman of the board of directors of **The National City Bank of New York** and a director of **City Bank Farmers Trust Co.** He joined National City in 1915, entering the foreign department, and held the position thereafter of Assistant Vice-President, Vice-President, Senior Vice-President in charge of domestic operations, President and director. Mr. Brady is also Chairman of the board of The National City Safe Deposit Co., the International Banking Corp. and the National City Foundation; President of the National City Realty Corp., and is affiliated with various other companies as an official or director.

Wm. Gage Brady, Jr.

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At the regular meeting of the board of directors of **City Bank Farmers Trust Company of New York** held on June 20, Henry W. Whitnew yas appointed an Assistant Trust Officer.

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Arthur S. Kleeman, President of **Colonial Trust Company of New York** announces the appointment of Donald N. Price as Assistant Vice-President. Mr. Price formerly an Assistant Secretary and Assistant Treasurer, has been with the banking house since 1943.

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Thurman Lee, President of the **Dry Dock Savings Bank of New York,** was elected Chairman of Group IV of the Savings Bank Association of the State of New York, comprising the savings banks of the Bronx, Manhattan and Westchester, at the annual meeting held at the Waldorf Astoria on June 15. Mr. Lee succeeds Albert B. Losel, President of the Peoples Savings Bank of Yonkers, N. Y. Charles C. Joyce, Vice-President and Treasurer of the East River Savings Bank of New York, was elected Secretary-Treasurer. Members of the Executive Committee of the Association are Glover Beardsley, President, Harlem Savings Bank; T. Arthur Nosworthy, President, The Bronx Savings Bank; and Edward P. Pedlowe, President, Portchester Savings Bank. DeCoursey Fales, President, Bank for Savings of New York, was elected a member of the Council of Administration of the State Association.

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On June 19, Lewis L. Clarke, Senior Trustee of **The Bowery Savings Bank of New York,** presented 20-year anniversary pins to 18 members of the bank's organization, including a member of the Board of Trustees, the latter, H. Adams Ashforth. The 20-Year Club of The Bowery now has 142 members.

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Miniatures of prize-winning design modern furniture, for use in the average home, may be seen in the windows of the Broadway and 86th Street office of **The Bank for Savings of New York.** Selected from 3,000 entries and displayed at the Museum of Modern Art, the furniture met the challenge of "prize designs within reach of average homes" in the recent International Furniture Competition. It was created by Edmund J. Spence working with English designers. In miniature, a completely furnished living room and bedroom of the furniture are displayed in the window.

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Brooklyn Trust Co. of Brooklyn, N. Y., has received authorization from the New York State Banking Board to establish two common trust funds in accordance with the State Banking Law, it was announced on June 15. One of the funds will be a "discretionary" fund, for the investment of the principal of trusts where the company as trustee has discretion in the choice of investments. The other will be a "legal" fund, for use as an investment medium when the trustee is restricted to investments declared to be legal for trustees under State law. George V. McLaughlin is President of the company.

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The opening of its new Coney Island branch office by **The Dime Savings Bank of Brooklyn** occurred on June 16. George C. Johnson is President of the 91-year-old institution. The new branch of the bank is in the four-story building at West 17th Street and Mermaid Avenue, purchased by "The Dime" four months ago. A rose was given to each visitor on the opening day, while each person opening a savings account received a ball-point pen by Sheaffer. Officers of the bank were present throughout the day to greet the public. Opening of the new office provides the first savings bank facilities in the Coney Island section of Brooklyn, Mr. Johnson said. "The Dime" has resources in excess of $602,000,000 and more than 290,000 depositors at its main office and its two other branches in Bensonhurst and Flatbush. Edward L. Watson, an employees of The Dime Savings Bank for 20 years, has been named Manager of the new Coney Island branch. Starting as a clerk in the bank's Bensonhurst branch in 1930, Mr. Watson was later transferred to the Flatbush branch of the institution where he has served as Assistant Manager for the past several years.

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William C. Rollauer has been elected Director of Public Relations and Assistant Secretary of the **Queens County Savings Bank of Flushing, N. Y.,** it has been announced by Joseph Upton, President. Mr. Upton also announced the election by the Board of Trustees of Carl A. Van Dusen as Assistant Secretary and Manager of the Kew Gardens Hills branch, and Andrew P. De Phillips as Assistant Manager of the Kew Gardens Hills office.

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Plans for the merger of the **East Hartford Trust Co. of East Hartford, Conn.** with the **Hartford National Bank & Trust Co. of Hartford** were approved by the stockholders of the two institutions on June 16. The Hartford "Courier" of June 17 said in part:

"East Hartford Trust Co. stockholders were unanimously in favor of the offer which was equivalent to $124 a share in the stock exchange. About 600 shares of Hartford National were voted against the terms. A savings bank which owns shares of the Hartford National in voting against the merger expressed fear that the consolidation of banks into large units might hasten or encourage bank nationalization."

At the Hartford National, it is said, 85% of the shares approved the transaction. The merger plans were referred to in these columns May 11, page 1964, and June 8, page 2377.

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According to advices in the Hartford "Courant" of June 15, by A. E. Magnell, the banking careers of James W. Knox, Senior Vice-President, and Robert A. Boardman and George F. Kane, Vice-Presidents of the **Hartford National Bank & Trust Co. of Hartford** are shortly to terminate. The advices go on to say in part:

"Messrs. Knox and Boardman will retire as of July 1 and Mr. Kane will retire July 16, on the 50th anniversary of his entry into banking. Mr. Knox has devoted himself to banking since 1925. The retirements were announced by Ostrom Enders, President of the Hartford National after the meeting of the board of directors, Wednesday, June 14. At the same time he announced the appointments of Joseph R. Proctor and David C. Hewitt, Assistant Vice-Presidents, and Robert C. Buell, Jr., Assistant Cashier, to be Vice-Presidents. Clifton M. Griswold and David H. Smith were named Assistant Cashiers."

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A merger of the **Park Street Trust Co.** with the **Phoenix State Bank & Trust Co., both of Hartford, Conn.,** is planned, subject to the approval of the stockholders at meetings to be held in July. The merger is expected to become effective on Sept. 29, it is learned from the Hartford "Courant" of June 14, from which we quote the following:

"The proposed merger would be on the basis of 1¼ shares of Phoenix State Bank stock plus $75 in cash for each share of Park Street Trust stock. On the basis of the current market for Phoenix State Bank stock ($62 bid) this and the cash would be the equivalent of about $150 a share for Park Street Trust stock. The exchange would be effected by fixing the capital stock of Phoenix State at $3 million. The capital now is $2.5 million."

Raymond C. Ball is President of the Phoenix State, while Richard M. O'Brien is President of the Park Street Trust. The "Courant" states:

"It is expected that Mr. O'Brien will become a Vice-President of the Phoenix State, and James M. Hayes, Treasurer of Park Street Trust, will become an Assistant Vice-President. The staff of Park Street Trust will be retained in positions comparable to their present ones and the business of the Park Street Trust will be continued as a branch office of the Phoenix State.

"The capital accounts of the merged institutions will be capital, $3,000,000; surplus, $3,000,000; undivided profits in excess of $700,000."

As reported in our issue of Jan. 5, page 67, the stockholders of the Phoenix took over the capital State Bank of Hartford in October, last.

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W. O. Lippman, Vice-President of the Westinghouse Electric Corporation and head of its Elevator Division in Jersey City, has been elected a director of **The First National Bank of Jersey City, N. J.,** Kelley Graham, Chairman of the bank's Board, announces.

* * *

A stock dividend of $100,000 served to increase the capital of the **Carnegie National Bank of Carnegie, Pa.,** from $200,000 to $300,000 effective May 8.

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Donald R. Welles has been named Vice-President and Secretary of the **Wilmington Trust Co. of Wilmington, Del.** He will continue in charge of bank operations. Mr. Welles formerly was Comptroller and Secretary. The new Comptroller is Carl B. Baldt, formerly Auditor, who now will devote full time to operations. Five other promotions, one of which gives the bank its first woman officer, have been announced by the directors. They are: George P. Bissell, Jr., from Assistant Secretary to Assistant Trust Officer; Joseph Y. Jeanes, Jr., from Assistant Secretary to Assistant Trust Officer; Gilbert B. Moyer, from Assistant Treasurer to Assistant Vice-President; Lewis W. Flinn, Jr., to Assistant Secretary, and Miss Helen M. Hayes to Assistant Treasurer. William A. Gunsser has resigned as a Senior Examiner of the Federal Reserve Bank of Philadelphia to become Auditor of Wilmington Trust.

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J. Thomas Vandenburg has been elected President of the **Federal Land Bank of Baltimore** and the **Production Credit Corporation of Baltimore,** it was made known by the directors of both groups, according to the Baltimore "Sun" of June 1. Mr. Vandenburg, it is stated, succeeds E. Paul Crider of Chatham, Va., who retired. The "Sun" also noted:

"Mr. Vandenburg, a native of Delaware, had been Vice-President. Elected to succeed Mr. Vandenburg was Homer M. Respess, a native of Virginia. He will continue as Secretary of the two organizations."

* * *

Reporting that the directors of the **City National Bank of Chicago** have voted a 25% stock dividend, the Chicago "Journal of Commerce" in its issue of June 14 added:

"The present $6 annual rate will be maintained on the new stock, the bank said. A special stockholders' meeting was called for Aug. 8 to ratify the stock dividend. Directors also approved the regular quarterly of $1.50."

* * *

An announcement by the Board of Governors of the Federal Reserve System states that the **Industrial State Bank of Kalamazoo,** at **Kalamazoo, Mich.,** has absorbed the **State Bank of Augusta,** at **Augusta, Mich.,** as of June 6. The Augusta bank will be operated as a branch of the Kalamazoo institution.

* * *

An increase in the capital of the **Mercantile National Bank at Dallas, Texas,** took place recently (May 2) when it was raised from $5,000,000 to $6,500,000, the additional capital having been brought about through the sale of $1,500,000 of new stock.

* * *

The directors of the **California Bank of Los Angeles** have elected Darwin A. Holway and W. E. Palmer, Vice-Presidents; A. D. Aston, Assistant Cashier, and appointed John Vander Zee, Assistant Manager of the Beverly Hills office, Frank L. King, President, has announced. Both formerly Assistant Vice-Presidents, Mr. Holway is assigned to the bank's head office and Mr. Palmer to the Beverly Hills branch where he is associated with J. H. Steensen, Vice-President. Mr. Aston will continue in the collection department at head office where he was appointed Manager last October. Mr. Vander Zee has been at the Beverly Hills office since 1947.

* * *

L. M. Giannini, President of the **Bank of America National Trust & Savings Association, San Francisco,** has announced that the Federal Reserve Board had taken affirmative action on the bank's request for a permit to operate a branch of the bank on the Island of Guam. Mr. Giannini also said that negotiations between officers of the bank and representatives of the Naval Government of Guam had been completed, and the branch planned to open for business at Agana, Guam's capital and principal city, on June 19. This brings to seven the number of branches the financial institution has established in the Pacific basin; Bank of America's Guam branch will carry forward the banking services for the Island's military and non-military inhabitants heretofore supplied by the **Bank of Guam,** which had been operated as a division of Guam's Naval Government and which ceased functioning as of June 19, aided by officers and staff members of the Bank of Guam, the branch of Bank of America is under the management of Guy W. Wharton, who moves from the post of Assistant Manager of the bank's branch in Tokyo. Mr. Wharton's immediate assistant will be Carson Hussey, heretofore associated with the bank's International Banking Department at San Francisco.

* * *

N. Y. Curb Exchange Nominating Comm.

The election of Jerome F. Sheridan, George C. Donelon, Joseph Goin of Leahy Bros., and Frank T. McCormick of Dean Witter & Co., all regular members of the New York Curb Exchange, as Class A members of the Exchange Nominating Committee to serve for one year was announced by Francis Adams Truslow, President of the Exchange.

Joseph H. Brown of Reynolds & Co., Edward A. Harvey of L. A. Mathey & Co. and William P. Marseilles, Jr., of G. C. Haas & Co., all partners in Curb Exchange member firms, have been elected Class B members of the Nominating Committee.

The final election of the Nominating Committee was held on the trading floor of the Exchange on Tuesday, June 13, 1950, with Manuel Oviedo, Charles A. Geraci and Paul E. Burdett acting as tellers of election.

C. F. Cassell Co. Adds

CHARLOTTESVILLE, Va.—Fred B. Cooper of Narrows, Va., has recently become associated with C. F. Cassell & Co., Inc., 114 Third Street, N. E., as their Southwest Virginia Representative. Mr. Cooper will be temporarily located in the Town of Narrows.

Allan Bond

Allan Bond, retired broker, died of a heart attack at the age of 81. Prior to his retirement he had been a partner in Bond, McEnany & Co.

Morgan Goetchius

Morgan Goetchius passed away June 14 at the age of 69. Mr. Goetchius before his retirement had been a partner in Fahnestock & Co.

Canadian Securities

By WILLIAM J. McKAY

The atmosphere in which the U.K./Canadian trade discussions in London are taking place is distinctly more favorable than that which existed at the beginning of the year. At that time Canada viewed with extreme disquietude the effect of drastic cuts in British imports from hard-currency areas, and fears were entertained concerning the maintenance of Dominion exports to this country in the event of a possible disappearance of the boom in business activity south of the border.

These general factors that could have provoked an economic crisis of considerable proportions served also to emphasize the importance of a satisfactory new trade arrangement with Britain, especially in view of the expiration on July 1 of the U.K./Canadian Wheat Agreement. In accordance with the terms of this contract Britain has been able to purchase wheat in Canada at prices well below the world level. From the Canadian side it had been vaguely hoped that this fact would have been taken into consideration in the negotiations for a new contract. It was soon evident however that from the British standpoint the Wheat Agreement was a necessary wartime measure, and would in no way influence the conditions of any new arrangement. Thus at the end of May the Canadian Minister of Trade and Commerce announced in the House of Commons that there would be no further contract between Britain and Canada for the purchase of any definite quantity of wheat, and that after the expiration of the Wheat Agreement, Canadian wheat would have to be offered to Britain upon International Wheat Agreement terms as to price, quantity, and position not less favorable than those obtained by any other buyer in the dollar market, whether in the United States or Canada.

Earlier in the year it appeared that Britain's seeming lack of sentiment in her business dealings with the senior Dominion would lead to a serious rift in relations. Extremely frank criticism of British policies was expressed in the Canadian House of Commons and from other authoritative quarters. There was also a wave of complaints from Canadian textile importers concerning the negligent attitude of British exporters to the Dominion. From the British side there appeared to be no change in the inflexible official policy of not permitting sentiment to prevail where any question of dollar-saving was involved.

Shortly thereafter however a near miracle occurred. Despite seeming Canadian buying resistance, British exports to Canada for the first time in many years surpassed the value of imports from the Dominion. The British exchange position which had reached the brink of disaster prior to the devaluation of the pound took a dramatic turn for the better. As a result hopes can now be entertained for a relaxation of the previous stern austerity and for less insistence on dollar-saving at all costs. Almost equally remarkable, Canadian exports to the United States have been maintained at an extraordinarily high level which now promises to be surpassed as a result of increasing U. S. dependence on Canadian sources of supply of industrial requirements. Furthermore, the recent U.S./Canadian arms agreement, which paves the way for a peacetime Hyde Park Agreement, will help to solve the Canadian/U.S. dollar problem when economic conditions are less flourishing. In the meantime U. S. investment funds continue to flow northwards to contribute to the current dynamic phase of Canadian economic expansion.

Thus on both sides of the Atlantic this favorable economic climate should engender a spirit of willing compromise. For the first time since the British dollar crisis of 1946 the opportunity presents itself for the conclusion of a mutually beneficial U.K./Canadian trade arrangement. In this probable event the favorable influences would not be confined to the two countries directly concerned. Any notable expansion of U.K. exports to Canada would improve the British hard-currency position, which in turn would permit a less restrictive attitude toward imports from other hard-currency areas. Correspondingly Canadian ability to obtain a greater proportion of essential imports from sterling sources would have a beneficial effect on the Dominion's exchange position; the end-result should be the removal of all restrictions on imports from this country. It is to be hoped therefore that as a result of the U.K./Canadian trade discussions a further step will have been taken towards the removal of the arbitrarily-imposed restrictions that now prevent the free flow of world trade.

During the week the external section of the bond market was slightly easier with Canadian Nationals in particular supply. There was little change in the internal Dominions at 10¼%-9¾% but there was still evidence of an underlying demand. Free funds following a slight decline to 9½% caused by offerings in connection with the June 15 bond redemption and dividend disbursements, finally strengthened to 9⅝%. The corporate-arbitrage rate on the other hand weakened to 15½%-14¾%. Stocks especially in earlier sessions continued their long sustained advance led by the industrials, and base-metals, which reached their highest level of the year. Canada Cement, Ford "A", B.A. Oil (following news of a discovery of a new field in the Peace River district) C.P.R., Nickel, and Falconbridge were among the more prominently traded issues. Western oils were mixed but sustained strength was displayed by Federated Petroleums, Foothills and Central Leduc. The golds on the other hand continued to follow the lower trend of recent weeks.

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"There Is No Such Thing As Government Money"

manent that which was originated to meet a war and depression emergency, and that instead of reducing expenses or balancing budgets or encouraging a revival of industry, further and greater charges are placed upon industry?

Some things we can do. We can go to our depositors with the facts. We have their names and addresses, many of them we know personally. We can and should give them the whole story. Why don't we and why haven't we told them that the Federal Government has been enabled to indulge in its wild orgy of spending, because the bankers of America have loaned it the money that was placed with us for safety and sound investment by the wage earners, the professional men, the clerks, the widows, the domestics, the farmers, and all others who live within their means and save? Why don't we and why haven't we told them that the Federal Government came direct to us and got the money and got it upon the government's own terms? Why didn't we remind them that it wasn't the bankers' money but the peoples' money? Why didn't we explain to them our reasons for making such loans?

You need not be told that private enterprise cannot compete with tax supported governmental agencies; that the existence of such agencies restricts the field for private enterprise; that you cannot loan money in competition with government.

We know today that only in a balanced budget and the restoration of the Gold Standard lies the possibility of a true recovery. But do our depositors appreciate this? Can we not help them to a correct understanding of this basic truth?

Wrong thinking leads inevitably to harm. The administration is given to pointing with pride to the increase in bank deposits which now total nearly 160 billions of dollars. It is not our simple duty to explain that such increases mean little but bank credit inflation, the effect of which it is difficult to distinguish from paper currency inflation? Both represent merely the credits to government on the purchase of I.O.U.'s of government. Substantially by the amount of such increase of deposits credit has increased over normal business demand, and therefore inflation has occurred.

Does the depositor realize that he represents the creditor class of this country; that in the aggregate the small holdings make the large total; that for all practical purposes the wealthy man may be ignored when we are considering the effects of the policies of government? Does the average depositor realize that when the government reduces its debts by inflation it also reduces our debts to him, and the debts of the insurance company to him, and to that extent destroys the worth of his savings?

With the banks stuffed with the obligations of government, with their operations fortified by the resources of the Federal Reserve Banks, which in turn are likewise loaded with such obligations, with their deposits insured by the FDIC the resources of which consist almost entirely of obligations of the government, is not the situation, one which should be brought to the knowledge of the man who must foot the bill? Can we justify danger, can we even excuse ourselves for delaying in using every faculty and every power at our command to bring these facts to the knowledge of our depositors? To my mind there can be but one answer.

Fundamentally, this country is sound. Our troubles are self-made. We are simply off balance. We are ignoring the balances set up by the Constitution. We are ignoring the balance that comes from free interplay of ideas and independent action in business. We are substituting for all this the ideas of a small group of men to whom are entrusted the powers heretofore exercised by the many.

This is what is called "planned economy," perhaps the oldest thing in government, and the escape from which has been the boast of English-speaking peoples, and particularly of Americans.

Those in authority in government assume today that a part is greater than the whole, that some few men can better direct the affairs of the whole people than can the whole people. They assume that the lessons of history are meaningless or else misleading. They are convinced that initiative is vicious, except when exhibited by an elected officer or an appointed bureaucrat.

They affirm day by day that the very idea of local self-government, whether in public or private affairs was wrong. They affirm that organization should be from the top down and not from the bottom up. They believe that nothing can be too big or too powerful provided it be conceived and controlled by the Federal Government, but that otherwise size is vicious, growth must be prevented. Today they are trying to do two things. They are trying to restore industry, to get business functioning normally and employing the usual percentage of the people, and at the same time they are trying to bring about what they call reforms.

They are demanding that business exhibit confidence in the future, assume further obligations, employ more men, and so "relieve" the Federal Government. At the same time they are adding to the numbers on the public payroll, wrapping more and more red tape about industry, demanding more and more that it be guided not by trained management, but by public officials.

Experience demonstrated that in private life, as in public life, too great a concentration of power was dangerous to individual freedom of action, and consequently there were enacted laws imposing necessary regulations and restrictions upon large aggregations of capital.

So far back as history records, those in control of government credited themselves with a superior wisdom and endeavored to regulate the affairs of the people. The further back you go in history the greater this control, the greater "planned economy." The history of the English-speaking peoples in the story of the fight to escape from this control and to render impossible its recurrence, to permit the individual the fullest possible freedom of action to develop himself. Experience taught our ancestors that you could not have this independence if you had too great a concentration of powers in government. That is what brought about the division of the powers of government between the executive, legislative and judicial. That is what brought about the separation of church and state.

Experience also taught our ancestors that effective organization, organization which served the people and which did not dominate the people, had to come from the bottom up and not from the top down. That is what established our local governments, our state governments, and our Federal Government. The Federal Government did not set up the states, the counties, the cities, the towns; on the contrary, the people established these units, restricting and limiting the powers entrusted to them as they progressed, from the smaller to the largest, and leaving to the latter, or believing that they had left to the latter, only those matters of true national concern.

Now, whatever we may think of all this, we cannot avoid recognizing that it worked better than any planned economy ever worked. It brought about a standard of living higher than had ever been known upon this earth before. It made possible to the common man comforts of life unknown to the rulers of kingdoms of but a few generations ago. If we are to abandon this and to assume that progress is to be found only by discarding the fruits of experience, let us at least do so knowingly, and let us not be fooled in what we are doing; and let us talk it over with our depositors. Do not leave them to hear but one side of the story.

If banking is to become a government monopoly let it be because we have determined that that is best for the country. Do not let it happen because we shut our eyes to the successive steps taken by certain men in the government to bring about this result. Let us clearly recognize that just as state rights are being destroyed by encroachments of the Federal Government, by what amounts to coercion and by unjustifiable gratuities, just so are the foundations of independent banking being sapped by the successive encroachments of government upon the functions of the banker and the increasing control by the Federal Government of the operations of the banks.

Let us not forget that when the borrower dictates the policies of the lender the business of the lender will be conducted in the interests of the borrower and not in the interests of the lender.

We know that it is not too late to act. The power to shape our course, to put an end to the evils that beset us, still lies with the positors of America. They are our finest citizens and constitute the strength and backbone of our country. Give them the facts, and you may trust to the soundness of their heads and hearts.

Opportunity for unusual service comes only in great crises. Leadership at such times calls for both wisdom and courage. Not in our lifetime has there been such opportunity for service by we bankers as now exists. The danger is grave and imminent, yet the people can be trusted to act rightly in their own interests if we give them the facts.

Let us not make it possible for history to record that in this supreme hour the bankers of America, out of silence induced by fear of reprisals failed both their depositors and their country. When the future of the nation and the welfare of its people are involved, mere party politics sink into insignificance. The issue is no longer one of mere partisanship, but of simple honesty and patriotism.

Up until the present hour we have had little else but a demonstration of the application of forces which were determined to sweep people of your type away and to take in their hands the control of government and industry.

A repudiation of the Constitutional guaranties in the operations of government: Attemps to destroy the fine balance of power between the three Constitutional departments of government.

A bureaucracy in full flower, the like and extent and capacity for growth of which has never before been known.

The destruction of the independence of state and local government through what amounts to outright purchase—the extension of elaborate and unprecedented grants from a paternalistic central government.

Expenditures of government exceeding its true income annually by vast amounts, and this even though its true income represents an unfair diversion of the earnings of its people from other and more needed uses.

A highly centralized control, a control daily growing more highly centralized over the daily lives and activities of the people, a constant and growing interference with their ordinary concerns, restricting, impairing and hindering their activities, and this all being done under the benevolent sounding pretext of affording "a more abundant life."

Fear of reprisals, crushing the spirit of independence in our people.

A steady confiscation of property through the staggering burdens of taxation — and through borrowing which means deferred taxation.

Private initiative being swept aside to give place to political manipulation and control.

The steady encroachment of political control upon managerial skill and experience in our financial system.

Recourse by government in order to maintain the market value of its own securities; to practices forbidden to private corporations because believed to be unfair to the investing public.

Can we witness this and remain silent? Is it fair to our depositors, our stockholders, or ourselves, to do so? On the contrary, must we not speak out at whatever immediate sacrifice to ourselves?

For years, now, we have witnessed one of the most extraordinary performances in history. Years of constant so-called "pump priming," combined with years of constant pump smashing.

Did a farmer ever try to get water out of a pump by priming it with one hand and smashing it with the other?

Years of experimentation should have taught us that to get water out of a pump that pump must first be made workable.

No amount of priming will get water out of a broken pump, but fortunately the industrial pump can do what the old well pump never could do—it can cure itself if it is just left practically alone.

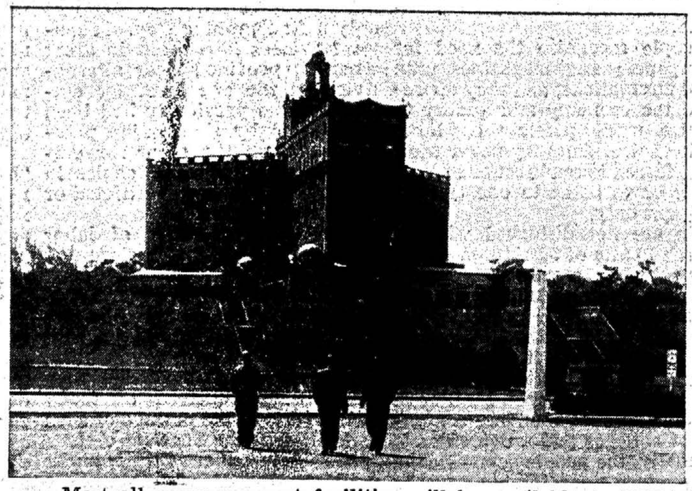
Our most dangerous foe is not to be sought under foreign flags, but here at home! Demon Deficit—America's No. 1 national menace—has already done much of its destructive work. The exigency of the times demands prompt, decisive action.

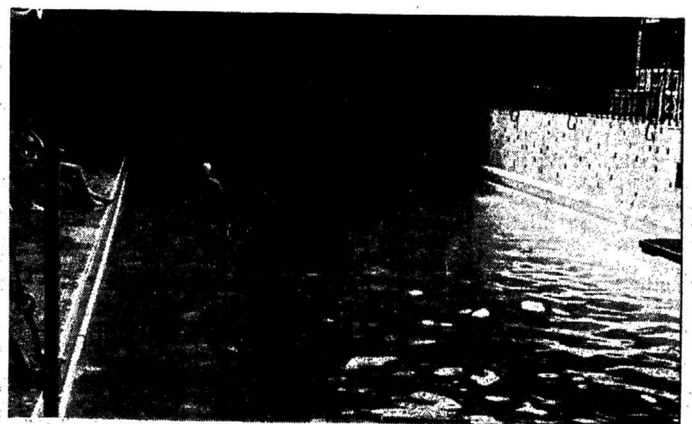
In these days then of world emergency, when the very jaws of dictators are closing down on the citadels of freedom, let us remember that leadership that has vilified competence and glorified incompetence, and by so doing brought on irresponsible government, resulting in the loss of the control of Federal spending, thus weakening the first line of national defense in our free country, is in breach of its trust to the American people. Such leadership, therefore, should not be continued at the helm of the Ship of State sailing as it is into storm-tossed seas.

We sing "God Bless America." He has blessed America more abundantly than any other land. So great are these blessings that our land has been referred to as choice above all other lands. I am suggesting a new theme song, "God Save America." To save her is in the hands of the great middle class of thrifty American savings depositors.

The ballot box is the last best hope of our commonwealth. Use it to save what's left.

NSTA Convention Recreation Facilities





Most all summer resort facilities will be available to NSTA members attending the Convention, headquartering at the Cavalier Hotel. Just off the main lobby will be found a 75-foot crystal clear swimming pool, inviting those who prefer to take their swimming away from the ocean breakers. For those wishing to enjoy the surf, assignment of Beach Club cabanas will be made.

The Beach Club will be open each evening for dancing to the music of a popular name band and in addition, the Convention Committee has planned to use the entire Beach Club for at least two organized dinners.

The Cavalier Hotel grounds provide several tennis courts which are kept in perfect shape and NSTA tennis experts will enjoy their game almost at oceanside. Close by, several archery targets await the bow and arrow enthusiast. Even the croquet addict may have his day and enjoy his lawn game.

There is not doubt that NSTA members will find their convention hotel one of the very finest in the South, serving excellent food and offering complete hospitality. The intimate cocktail lounge will probably be a popular spot for gatherings of old friends and the new convention visitor. A news ticker, a New York Stock Exchange translux and teletype equipment will be ready at the opening of the convention. The hotel management, in close cooperation with the Convention Committee is taking every step to assure NSTA members a comfortable and enjoyable visit.

Securities Salesman's Corner

By JOHN DUTTON

The market is today at a 20-year high. Still there are sound common stocks that are available which represent solid values based upon a careful analysis of all the factors involved. Whether or not a sizable reaction is coming soon, or a recession in general business is in the offing eventually, the future alone can tell us. But from the standpoint of those who are selling securities to individual retail accounts, the problem of preparing clients for an eventual reversal of present-day boom-time conditions is beginning to arise.

Due to the extreme cyclical nature of business conditions and the markets, it is not only important to know how to sell securities, but it is also just as vital to your own future in relationship to your clients, that you not only educate them to expect reversals, but that you assist them in acquiring defensive securities at the top of a boom. Time and again salesmen and retail dealers have spent years building up a clientele only to lose most of it in the short space of a few months, when a prolonged downtrend in business and the markets occurred.

During the explosive phase of a bull market (which we may or may not be entering now) it is easy to open new accounts. It is during these periods when the public desires to speculate. When prices are high investors turn speculators. You can increase your commission earnings substantially by following the lines of least resistance. You can turn over one group of speculative stocks after another, if you can hit the trends in specialty groups fairly right. After a while almost anything that is underpriced in relationship to the rest of the boiling market is picked up and given a whirl. This has happened in the past, and in some measure is beginning to show up again in the recent activity in the television shares and certain low-priced specialties. If you follow this line of least resistance and allow your customers to become too heavily involved in speculative situations, it is possible that for a while you might increase your commission income very much. But eventually such a course can only lead to the loss of accounts.

It is sounder and wiser, in my opinion, to advise your clients to build up their reserves. If they want to speculate, work out a plan with them, where they are only using a portion of their funds for this purpose, and if possible let them see that it is best to lean to the conservative side. Have a good heart-to-heart talk with all your customers now. It is not necessary to alarm them, but you can use the present high range of the market as a mighty good reason to make a call to see them (or have them come to see you). Make a new analysis of their holdings. Go over things with them. Make sure that they see where their best interest will lie in case prices and business some day begin to slip.

In bringing this to the attention of your customers it is also going to build the confidence that they will have in you. You can discuss their list from the standpoint of "grading up" weaker situations into more defensive ones. You can even advise the purchase of short-term bonds, or governments, if their reserves are inadequate. This type of review will also give you opportunities to uncover "switches" that can legitimately lead to profitable business. Not only can you bring this constructive idea before your regular clients, but you can also open up new accounts on the proper basis by offering such a service. There are possibly a number of customers in your files that have bought only once or twice from you. Possibly if you approached them along these lines you would be surprised at the possibilities for doing more business with them than you had originally surmised.

Railroad Securities

Southern Railway

The low ebb of investment interest in railroad securities was dramatically illustrated last week when Southern Railway failed to receive any bids on its proposed issue of a mere $10 million of St. Louis Division 4s, 1975. It was particularly striking in view of the huge amount of public utility bonds financing that has been consummated on a low yield basis in the past month. The rails have not been so pointedly ignored since Delaware & Hudson received no bids for its proposed refunding of the 4s, 1963 about five years ago. Since that time the railroads as a whole have improved their basic standing materially and have proven that high earnings were not entirely a war phenomenon.

Probably a contributing factor to the lack of bids for the Southern Railway bonds (four groups had originally been set up to bid for them) was the poor reception accorded the underwriting of the Seaboard Air Line 1st mortgage bonds a month or so ago. Also, the Rock Island new 1st mortgage bonds, while initially well received, had had a relatively poor secondary market. The major reason for the failure, however, was the restrictions put on the bidding by the company. A maximum coupon of 4% had been set by the management and a minimum bid of 98. The maximum coupon was unavoidable due to indenture provisions. However, had the minimum bid requirement been eliminated, or more realistically set, it is likely that the refunding could have been accomplished.

The proposed $10 million of new bonds were to be sold to provide funds for the payment of part of $12,474,000 of St. Louis Division 4s which mature Jan. 1, 1951. The balance of the bonds now outstanding were to be met from treasury cash. As no bid was received for the new issue, it has now been announced by the management that the entire principal of the impending maturity will be met from treasury cash. The company has adequate resources to do so but had originally planned to husband these resources to aid in meeting the heavy 1956 maturities. In that year a total of $84,647,000 of mortgage bonds matures.

Despite the recent fiasco in its bond refunding plans many railroad analysts still look with considerable favor on the Southern Railway common. It has now absorbed the successive shocks of the lowering of the annual dividend rate from $4.00 to $3.00 and the failure to get a bid on its bonds. Payment of the St. Louis Division bonds at maturity will result in a further reduction in charges coming ahead of the stock. Finally, no danger is seen in the heavy 1956 maturities. Even if it should be necessary to resort to a voluntary extension at that time it is felt that some interest saving could be accomplished—nearly half of the bonds maturing that year carry interest at rates ranging from 5% to 6½%.

Fundamentally one of the strongest features of the Southern picture is its location. It literally "covers the South." It has benefited materially from the industrial expansion in the service area and from the gradual diversification of cash farm crops. The industrial expansion has been continuing even postwar and there is every indication that it has not even yet run its full course. Thus, the long-term traffic outlook continues favorable. At the same time, the company has been spending large sums on the property and on new equipment (including a large fleet of diesels), to the obvious benefit of operating efficiency.

Last year the company reported earnings of $6.87 a share on the common stock despite the fact that the management was rather slow to get costs under control in the early months. This compared with average of earnings of $11.13 for the ten years through 1949. So far this year comparisons with a year ago have been highly favorable. Gross for the first four months was virtually unchanged. Operating expenses, however, were cut by nearly 8%, aided by a drop in the transportation ratio from 39.3% to 36.6%. As a result, common share earnings at $2.98 were more than double those of a year earlier. Estimates of $8.50 to $10.00 for the full year 1950 would not appear overly optimistic.

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Needed: A New Approach To Labor Regulation!

cans would not deny, I think that many employers, and with them the public, have suffered seriously and unjustifiably in recent years from secondary boycotts and jurisdictional strikes. By these and other means, union leaders have attempted to achieve more power.

Another serious difficulty is that many civil and political liberties of union members are in a curious, shadowy No Man's Land under current union practices. The unions hold a power over individual rights and liberties which, to borrow the language of Mr. Justice Cardozo in the Swift case, creates "an opportunity for abuse which is not to be ignored."

Although the Taft-Hartley Act has provided some portection to individual employees, anyone, who reads the newspapers knows that the unions have abused, and continue to abuse, their powers in many cases. Imagine what would happen to a Bar Association which closed its doors to new members or refused to take in any new members except sons of present members (as some of the craft unions do), or which expelled a member and deprived him of a means of livelihood merely because he publicly criticized the President of the organization (as the United Mine Workers has done).

Finally, there are many instances of actions by unions which, if taken by an industrial enterprise, would have subjected it and its officers to prosecution under the antitrust laws. For example, had the coal operators ordained a three-day week, by agreement among themselves or with John L. Lewis, the antitrust division undoubtedly would have sprung into action. But, as you know, the antitrust laws are not applicable generally to labor unions. Any doubt as to the scope of the applicability of such statutes to organized labor was resolved by the Supreme Court in favor of the unions in the Apex[4] and Hutcheson[5] cases. These cases, with the Allen Bradley case[6] have established beyond doubt that labor union activities (unless undertaken in combination with employer interests) are beyond the antitrust pale.

Thus, labor unions now are free (insofar as the antitrust laws are concerned) to use their power to put an employer out of business even where the purpose is solely to secure revenge for an imagined wrongdoing.[7]

Big labor thus seems in turn to have created its own peculiar problem. Powerful unions have emerged as a natural and inevitable result of the industrial revolution, as did big corporations. But the similarity ends there.

Big labor is largely political in character; it deals politically with social and economic problems of its members. The power of this emergent force is well documented by our Federal and state statutes. All that broad category known as "social legislation"—minimum wages, maximum hours, unemployment insurance, to name a few, all testify to the potency of the latter day forces behind big labor.

Unlike the modern corporation management, which in recent years at least has been consistently awkward in political matters, organized labor today is an impressive political force, and the union leaders are skillful in employing their power. As Dr. Sumner Slichter of Harvard recently observed: "During most of the history of the United States, businessmen have been dominant in making public policy. Today the AFL, the CIO or the American Farm Bureau Federation, each has more weight in Washington than the National Association of Manufacturers or the United States Chamber of Commerce."

Thus, though the problem of big labor is still the modern one of bigness in an acute form, it is also one with bizarre aspects. It deserves the attention of all thoughtful men, and particularly lawyers.

This is neither the time nor the place to discuss specific measures for dealing with the problem. I would, however, like to make some observations about what seems to me to be a basic principle on which such measures might be erected — a principle which can be applied to bigness wherever it occurs, in labor, in government, in business or elsewhere.

4 Apex Hosiery Co. v. Leader, 310 U. S. 469 (1940).

5 United States v. Hutcheson, 312 U. S. 219 (1941).

6 Allen Bradley Co. v. Local Union No. 3, 325 U. S. 797 (1945).

7 Hunt & Crumback, 325 U. S. 821 (1945).

Basic Human Rights Threatened

We are forever on guard against any assault upon basic human rights. This is as it should be. But we sometimes forget that even traditional individual rights have gone down when deemed to be in conflict with the vital rights of the community. The "right" to freedom of contract; the "right" to operate an unorganized shop; the "right" to employ child labor; the "right" to free speech in advertising a product for sale; the "right" to the unrestricted use of one's private property — all of these individual claims, once assumed to be rights, and many more, have been lost or substantially curtailed by statute or judicial decision.

History provides clear proof that under our system of government the public good will be protected when in conflict with what had been regarded as basic rights of the individual. The truth is that the phrase "public welfare" represents merely the delicate balance between individual rights and the rights of the group—the rights of society.

A fundamental principle is involved in this constant effort at balance, it seems to me, and one which constitutes a part of the very foundation of democratic government. It has operated as a guiding star in helping us to preserve the essence of our democracy under a variety of conditions. It is the principle which brought about the enactment of the antitrust laws and the other legislation designed to curb the power of big business.

It may be described as the right of each individual in our society always to have freedom of choice between clear and reasonable alternatives in reaching decisions about every kind of human affair.

To me, this right to make an unfettered choice is the foundation of any democratic society. In our nation, in Britain and whereever else free society exists, men have instinctively used this right of free choice as the test of rightness or wrongness.

For example, people recognize the modern need for size in an automobile company, a food distribution chain, an electric appliance manufacturer. But they do not propose to be jockeyed into a position where they must buy one particular automobile or one particular electric iron, or to trade at any one particular grocery store. They insist upon the right to support one and turn away from another.

People recognize the need for newspapers and magazines with huge circulations; and they appreciate the economy and quality of service made possible by large radio chains. But they never want to be forced to read just one newspaper or to listen to one type of program only.

We are not disturbed when a church boasts of 30 million members or when a university registers 40 thousand students. On the contrary, we may point to the fact with pride. But we insist upon the right to select the church which we shall attend; and we insist that our children shall have freedom to choose among a number of colleges and universities.

Finally, the people acknowledge the modern need for big government. But they demand a strong "standby" alternative to any current administration of that government, so that when election time comes around, they can express a purely private and unfettered choice, and select an entirely new government if it seems desirable to do so.

Only where there is a real choice can public opinion police society—rewarding the good and destroying the bad.

This right to reasonable alternatives is basic to a free society. And I think we can say that where such a fundamental right to alternatives is not so recognized and rigidly protected, there free society does not exist.

It is grounded upon the principle that although the majority rules, no group may have a monopoly of the right to rule or destroy the opportunity of a minority by persuasion to become the majority. For strong minorities are the fountainhead of alternatives.

In most respects, this touchstone can easily be applied to the processes through which a sovereign democratic people approaches the new phenomenon of bigness in our social and economic and political order.

Mr. Justice Holmes said in the Hitchman case:[8]

"I have no doubt that when the power of either capital or labor is exerted in such a way as to attack the life of the community, those who seek their private interest at public cost are public enemies and should be dealt with as such."

Power of John L. Lewis Cited

This basic principle of alternatives is causing people to cock a vigilant eye at such practices as industry-wide bargaining and "pattern" negotiations. They show no more patience with the attitude and activities of John L. Lewis than they disclosed toward the creators of the trusts late in the nineteenth century. Both are mistrusted as bigness in a sinister, anti-public welfare form because in both cases the parties appear to be working toward elimination of freedom of choice.

But among our myriad domestic problems one of the most complex is the question of how, to what extent, and under what circumstances our "principle of alternatives" can be made to fit the force of big labor.

In my opinion, the indecisive manner in which we in this country have tackled the problem of dealing with big labor is quite understandable. Any analogy between the earlier approach to big business and the present fumbling with the question of big labor is not precise, because it leaves out the powerful human element in organized labor; and we have been at a loss to know how to deal with the related problems of individual rights. But that does not lessen the transcendant importance of the problem.

8 Hitchman Coal and Co. v. Mitchell, 245 U. S. 229 (1917).

With all its virtues—and it has many—the Taft-Hartley Act was only a first probing step. Its major successes have been in areas where it provided clear alternatives: on the one hand for employers who previously had been handcuffed by rigid union practices; and on the other for employees whose right of choice in many ways had been restricted or completely denied.

The anguished cries of labor spokesmen before and since the Taft-Hartley Act was passed may, in my opinion, be disregarded as special pleading, not unlike the special pleading of the "trusts" toward the turn of the century. They also complained that they were being deprived of many basic rights in the passage of such legislation as the Sherman Act.

In spite of Labor's many attacks upon the Taft-Hartley Act, there is no lack of precedent or public support for such provisions as those prohibiting the right of unrestricted strikes or boycotts against essential activities — the oft-asserted right of an individual to work or not to work as he pleases, to the contrary nothwithstanding. It is no less clear that the people will not permit the leadership of American labor unions, with all their economic and political power, to fall into the hands of communists; and the claim that union members are thus deprived of the right to select their own leaders will not alter the decision. The provisions against jurisdictional strikes and secondary boycotts seem to me to be immune from successful attack. And the people will not countenance strikes by government employees, although their right to organize always will be recognized.

When Sarah Bernhardt was asked what she thought of the Ten Commandments she said that there were too many of them. It is said also that there are too many laws. I think most lawyers would agree.

Laws Must Be Supported by Public Opinion

No law can be expected to provide a permanent cure for a problem of this magnitude unless it is supported not only by public opinion but by the parties most directly affected. Nor can we reasonably expect that any legislation will eliminate all conflict. The matter of devising acceptable and effective legislation is, however, a job for lawyers—lawyers both in and out of Congress. And the legal questions are by no means simple.

It has been well argued, for example, that it is "entirely useless—indeed a mockery of law making—to attempt to revise the antitrust laws in such a way as to impose further restraints upon monopolistic practices of businessmen, if at the same time the law is to leave labor organizations entirely free to create and maintain monopolies by means of uniform trade union agreements, imposed upon an industry in one locality or upon an entire national industry."[9]

There is no room for disagreement with this statement. On the other hand, it may not be wise or practicable to attempt to subject labor organizations to the existing provisions of the antitrust laws. Some of the abuses complained of either do not fall within the traditional meaning of "restraint of trade," or are not directed toward the union's "competitors." Moreover, although the Sherman Act prohibits combinations, the members of labor organizations clearly must be conceded some right lawfully to combine in an effort to attain legitimate objectives. The dangers of subjecting business to the provisions of such vague prohibitions as are contained in the Sherman Act are multiplied manyfold when applied to labor. If the antitrust laws are to be applied to union activities, the language should be clarified so as to eliminate any doubt as to what actions by a union would constitute a violation of law.

9 Statement by Donald R. Richberg before House Committee on the Judiciary, 81st Congress, July 27, 1949 (P. 393).

It has been said that lawyers "habitually look back to authority rather than forward to new and improved methods."[10] Such an approach to the present problem is foredoomed to failure. We cannot depend upon the postulates of the past; nor can we hope to be successful if we go about the task with a feeling of vengeance; with the intention of turning the clock back; with a desire to "cut labor down to size." Here there is need for an enlightened, affirmative approach—one which would have as a basis the provision of reasonable alternatives for employers, employees, and the consuming public in all situations in which organized labor is involved.

Dr. Slichter, who perhaps has given as much thought as anyone to the problem, said recently: "Much careful thought, thorough discussion, and patient experimentation will be needed to enable the community to develop the new body of thought, the new standards of conduct, and the new concepts of fairness required to guide employees, employers, consumers, and the government in the many new situations created by the rise of trade unions."

New Legislation Needed

A time like the present, it seems to me, affords the best opportunity for the kind of experimentation and constructive thinking and action which the problem deserves. Modern labor law has been written too often in a fog of depression or at atmosphere of recrimination and retribution. We are at the moment in the midst of an unusually quiet and stable period — one which offers the chance for safer reflection and careful judgments.

This entire matter is one which, as I have indicated, is peculiarly the product of our own times—that of providing leadership in adjusting this huge and sometimes ungainly new citizen into modern society. But the question is not one of labor law alone—not one which may simply be referred to the appropriate Bar Association Committee. The problem is too fundamental — too productive of explosive possibilities in the national community. Those of us who choose to leave the matter entirely in the hands of the specialists in labor law and labor relations will be shirking an obligation to society. For this is a job that requires the best that every lawyer can bring to it, whatever or wherever his practice may be.

We may not expect to do the job with a few brilliant strokes of the brush. Rather, it needs an awareness to the evils of uncontrolled power in any form. It needs the most painstaking and critical revaluations of the customs and ideas on which our society is built. Finally, it needs the courage, the faith and the devotion to principle which has made this nation great.

Intuitions of public policy, codified into law through the constant action of the democratic process, have brought this country far. As lawyers we have a duty and an opportunity to see it carried ever forward in our own time.

10 Judge Cuthbert W. Pound, New York Court of Appeals.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—A. Julius Weidenkopf has become connected with Paine, Webber, Jackson & Curtis, Union Commerce Bldg. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Hawley, Shepard & Co.

Continued from page 3

Coming Shifts in Fiscal Policy

use of blood plasma, the harnessing of atomic energy, are discoveries and applications of discoveries to which our thinking must adjust, so also changes in the relation of the national government to the money market has created a new, dynamic and perhaps even an explosive situation, with enormous potentialities for good or evil. We cannot wish these things away, nor abolish them by closing our eyes or turning our backs. The world in which they did not exist itself no longer exists. Management and statesmanship and scholarship that does not take the new technology into account is living in a dream world and is talking in the past tense.

Taxation in Relation to Inflation and Deflation

The war taught the government, and the government has taught the people, that Federal taxation has much to do with inflation and deflation, with the prices which have to be paid for the things that are bought and sold. If Federal taxes are insufficient or of the wrong kind, the purchasing power in the hands of the public is likely to be greater than the output of goods and services with which this purchasing demand can be satisfied. If the demand becomes too great, the result will be a rise in prices, and there will be no proportionate increase in the quantity of things for sale. This will mean that the dollar is worth less than it was before—that is inflation. On the other hand, if Federal taxes are too heavy or are of the wrong kind, effective purchasing power in the hands of the public will be insufficient to take from the producers of goods and services all the things these producers would like to make. This will mean widespread unemployment.

Taxes Should Protect Currency

Briefly the idea behind our tax policy should be this: That our taxes should be high enough to do their part in protecting the stability of our currency — and no higher. Putting it another way, our taxes should be as low as they possibly can be without putting the value of our money in danger of inflation. The lower our taxes are, the more purchasing power will be left at home in the hands of the people—money that can be spent by them for the things they want to buy, or that can be saved and invested in whatever manner they choose.

Consistent with this principle our tax rates can and should be set at the point where the Federal budget will be balanced at what we would consider a satisfactory level of high employment. Except for not asking for a surplus under these circumstances, this statement is the policy recommended by the Committee for Economic Development. If we set our tax rates any higher than this, we are reducing unnecessarily the money that private individuals will have to spend and to invest; and therefore, we make it more difficult for ourselves to get to high employment and to stay there.

If tax rates are set to balance the budget at high levels of employment, the two critical factors are (1) the size of the budget and (2) the national income at high levels of employment.

Obviously under such a policy the lower the budget the lower our tax rates could be. This puts a premium on economy and efficiency. Clearly we do not justify spending for its own sake, nor do we want any wasteful expenditure.

Obviously under such a policy the higher our potential national income at high levels of employment, the lower our tax rates could be. In consequence we want employment with high productivity, we want harmonious management-labor relations, we want a world at peace.

Fiscal Policy

The setting of stable tax rates to balance the budget at high employment means that surpluses will automatically arise in times of boom and deficits will likewise occur under conditions of depression. But the surpluses and deficits will only be in proportion to the swing in the production cycle that causes them and their creation will in itself be an important factor in bringing the economy back to accepted levels of high employment.

The suggestion has been made that tax rates should be changed up and down to compensate for ups and downs in business. Although there is something to be said for such a practice on theoretical grounds, I do not favor it, since I have not been able to convince myself that a policy of varying tax rates to compensate for anticipated swings in the business cycle is either politically or administratively workable.

Rejecting the proposal of variable tax rates does not imply that if we should have a major inflation or a major depression nothing should be done about taxes. Taxes should be used as an important aid to correct major economic disturbances, but they should not and need not be varied to meet every little up-swing and downswing in anticipated business activity.

Let me repeat the basic principle for Federal taxes once again: Tax rates should be set to balance the budget at high levels of employment. Under this principle we can move forward as rapidly as budgetary requirements and increasing efficiency permit to a reorganization of our whole Federal tax structure. Never again need we repeat the errors of 1930 and 1931 of increasing tax rates against a declining national income in a futile and disastrous attempt to balance the budget. Under this new principle the budget will be balanced when it should be balanced, when a high level of employment is supported by a balancing demand.

The Budget

We have today a budget of enormous size, amounting to between 15 and 20% of the national income. The mere change in size from pre-war and pre-depression days raises questions that were once academic, but which have now become matters of vital concern. One of these questions is, when we talk about balancing the Federal budget, which budget should we mean?

There are two Federal budgets, both in good standing. One budget, the more familiar, is the administrative control budget; the other is the consolidated cash budget. When Federal budgets were smaller, it made little difference which budget was being referred to, but today it is necessary to distinguish between them and to use them correctly for the purpose to which each is adapted.

The administrative control budget is adapted to purposes of administrative and financial control. It shows transactions between government agencies, it excludes certain transactions between the government and the people where other financial controls are more appropriate, it carries some items on an accrual basis where this is convenient. The administrative budget was created and has been improved as an instrument of administrative control. This is an important purpose and the administrative control budget is an important budget.

The consolidated cash budget is also an important budget and it serves a different but also an important purpose. That purpose, as President Truman points out in his first Economic Report, is to measure the impact of government transactions on the economy. The consolidated cash budget does this because, first it is consolidated, that is, it includes all transactions between the government and the people, and it excludes all transfers between the internal agencies of the Federal government itself; and second, because it is a cash budget, that is, it shows the intake and outgo on a cash basis in the year in which the transaction takes place.

So when we are interested in the impact of government transactions on the economy we shall look to the consolidated cash budget. If our objective is a budget that is balanced in the economic sense, then it is the consolidated cash budget that we want to balance. As a matter of fact, balancing the administrative control budget is meaningless, since being an administrative budget it can be balanced at any time by definition, by inclusions or exclusions.

The consolidated cash budget becomes of special importance since it is the budget which should be used in setting rates of taxation. So far this has never been done, but now, with budgets and taxes at their present levels, Federal fiscal policy should break new ground, and should organize its rate structure to the requirements of the consolidated cash budget.

The National Debt

Just as the high new level of the budget and taxes has raised new and unfamiliar problems, so also the size of the national debt creates a new situation for which we have had little preparation. Much thought and much experience will be needed before we can have a debt policy in which we can have full confidence.

The big new questions associated with a national debt of the size that ours has become are those that relate to policies of debt management. A debt of two hundred and fifty billion dollars has to be managed in one way or another, and decisions have to be made several times a year that are based on more or less clear principles and on more or less explicit objectives.

The national debt consists of at least four distinguishable kinds of debt, that is to say, the national debt is in no sense a homogeneous global aggregate. Through the application of surpluses and through the terms of refunding issues, the retirement of sums from each classification or the transference of debt from one classification to another has consequences on the amount and kind of purchasing power remaining in the hands of the public. Debt management is therefore a corollary of tax policy in the maintenance of high employment at stable price levels.

I have said there are at least four distinguishable kinds of public debt. Let me name them.

First, there is the debt in the hands of private individuals. We could perhaps divide this classification in terms of amount and maturity, and get some significant differences.

Second, there is the debt in the hands of savings banks, insurance companies and other institutional investors.

Third, there is the debt in the hands of the commercial banks.

Fourth, there is the debt held by the Federal Reserve Banks, Federal trust funds and other Federal agencies.

It is apparent that it makes a great deal of difference what kind of debt is retired, what kind increased, what kind dedistributed at times of refunding operations. Accordingly, the simple demand that debt be retired for the mere sake of retirement is meaningless and is no guide whatsoever for policy.

During the war we knew that the sale of war bonds to private individuals, particularly those with small and moderate income, was an alternative to taxation as a means of withdrawing purchasing power from the hands of the people. We knew that sales of bonds to the commercial banks had different effects. But in spite of the fact that we made those distinctions in wartime, we do not seem to have carried a parallel conception over to the long-term problem of managing a 250 billion dollar debt.

I hasten to say that I did not invent the four classifications of debt distinguished above, nor did I create the problems and possibilities, for good and evil, in debt management. The classificiations of debt exist, the problems of management exist; these are not creations of the imagination, they are the stubborn facts of our present fiscal situation.

Let us see what the adoption of these basic principles of Federal fiscal policy would mean in practice at the present time.

One clear example is that the intense struggle for wartime excise tax repeal would have been unnecessary. The wartime excises were designed to check specific kinds of consumption in wartime, with resulting reduction of production and employment. These taxes have no place in time of peace.

Except for the uninformed opposition of the Treasury and the support of the Treasury by the President, the wartime excises would have been repealed long ago. Not only are they punitive and discriminatory: They are harmful to specific industries and communities and weigh heavily on the level of employment. The continuance of the wartime excise taxes is inconsistent with the clear mandate given by Congress to the Administration in the Employment Act of 1946 to use its powers to maintain a high level of production and of employment.

The urgent and specific necessity for wartime excise tax repeal has brought sharply to public attention three reforms in basic fiscal policy that are long overdue and which follow from the principles which I have discussed.

Proposed Reforms

The three reforms to which I refer are the followings:

(1) Let the Federal deficit or surplus be measured by the cash-consolidated budget instead of the administrative control budget.

(2) Let tax rates be set to balance this budget at agreed levels of high productive employment, instead of by guessing what national income is likely to be a year or more away.

(3) Let Federal disbursements for capital items that pay income to the Federal Government be funded instead of causing needless and burdensome tax levies on consumption, investment and employment.

These reforms mean a basic change in Federal fiscal policy. They are a first long step in attaining built-in stabilizing fiscal measures at points where they will do great good. They bring debt management back into the economic picture so that it can be used as in the war as a stabilizing force for high employment. They eliminate the hocus-pocus of impossible business forecasting from the crucial job of setting tax rates. Above all, they make the test of surplus and deficit in terms of the hard realities of cash intake and cash outgo instead of the esoteric and inconsistent definitions of the administrative control budget.

The tools of fiscal policy are powerful instruments that can be used to maintain a high level of productive emloyment in the United States. They can be used to contribute to monetary stability. They can also be used to assist in the establishment of conditions throughout the world that will be conducive to a just and durable peace. True, fiscal policy cannot be looked to as a panacea. But the tools of fiscal policy—taxes, the budget and the debt, are no longer merely the chronic annoyances associated with community responsibility for common activities. On the contrary they have now so developed that they are prime factors in our economic life.

Fiscal Policy

The instruments of fiscal policy give us our best hope that we can preserve our economic freedoms to buy and to sell, to borrow and to invest, to move from place to place, to employ and to be employed, and to receive for our own private use, wages, rents and profits as a reward for skill in the application of our efforts in supplying what others need.

If these tools of fiscal policy are well-managed, they will contribute much to the prevention of government interference in the specific decisions of businesses and private individuals. For the conquences of action at the level of fiscal policy are general, impersonal and appropriate to the development of the economy as a whole. The individual's specific decisions may then be taken within a general frame of reference, a frame of reference established in the public interest and not distorted by private greed nor destroyed by the blind whirlwinds of economic collapse.

Walker Co.

BALTIMORE, Md.—Walker Co. is engaging in a securities business from offices in the Munsey Building.

Calhoun Co. Formed

SPARTANBURG, S. C. — Alan T. Calhoun and Julian Calhoun have formed Calhoun & Co. with offices at 124½ Morgan Square to engage in the securities business.

Reynolds Now Proprietor

Alfred F. Reynolds is now sole proprietor of Stuyvesant F. Morris, Jr. & Co., 40 Exchange Place, New York City.

Geo. R. Miller Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Norman C. De Loss has been added to the staff of Geo. R. Miller & Co., Inc., 81 South Euclid Avenue.

With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Phillip E. Barford has joined the staff of Thomson & McKinnon, Healey Building.

A. G. Davenport

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — Allen G. Davenport is engaging in a securities business from offices at 1263-A South Brand Boulevard.

With Dayton & Gernon

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Harriet Nieland has joined the staff of Dayton & Gernon, Pioneer Bldg. Miss Nieland was formerly with M. F. Leighton & Co.

Continued from page 11

Factors in Favorable Market Outlook

policy favors easy credit (with, however, the "Fed" being more prone to tighten the monetary mechanisms to prevent bust than is the Treasury Department). Some steps toward contraction may occur—but assuredly not before the November elections.

While America's great productive capacity should preclude a French or German type runaway inflation; and while this anti-inflation factor will be furthered by the tendency toward increased worker productivity, it does seem clear that the trend of the past 50 years toward reduction in buying power of the dollar will continue.

(9) International

The foreign situation gives pause even to "an intrepid forecaster." Since the initiative rests with Russia (we being subject to the limitations of a democracy), no one in this country can be dogmatic as to future developments. We hold with the majority view—no shooting war lies just ahead. Russia has been too successful in attaining her objectives without a shooting war. The cold war will continue. Defense expenditures will be heavy.

(10) Labor

This topic perhaps should be considered under the heading "Politics." Wages will continue to rise, stimulated by the General Motors settlement. Labor wage rates are inflexible, but American business has been able to cope with the situation. Wages represent the cost of production, as well as purchasing power. This purchasing power is increased; but so are costs. The next step is to increase *prices.* This is another straw in the wind pointing toward further inflation — and empirically this point already has been proven.

(11) Tax Policy

It perhaps is too much to hope for that some form of incentive taxation (to stimulate risk-taking) will come about. Similarly, the recommendation of the House Ways & Means Committee on reducing maximum tax on long-term gains to 16% and shortening the holding period to three months would be most stimulative if enacted—which is doubtful.

Excise tax reductions will be substantial. Various loopholes will be plugged to provide a minor offset to loss of revenue. Probably the corporate tax may be increased about 2 points to 40%. Changes in the individual rates are unlikely.

On balance we do not envision tax or fiscal policy as being unsettling to business in the period just ahead.

Stock Market Outlook

The stock market outlook frequently does not coincide with the business outlook, as discussed in previous memoranda. However, at present I conclude that the basic factors which have been responsible for the rise since the mid-June, 1949, lows are still operative. They are:

(1) Pressure for income. The yield spread between stocks and bonds is characteristic of the low points in bear markets, rather than bull market peaks. For example, the Dow-Jones industrials are selling to yield almost 5.9% which compares with a yield of only 4.30% in October, 1946, which was the first major low of the recent bear market (163.12 level). In May, 1946, when the industrials hit their previous bull market high of 212.50, yield on industrials was only 3.22%. In August, 1945, the 163.11 level from which the last major leg of the 1942-1946 bear market started, provided a dividend yield of only 4.03%. The yield today on a broad and representative cross section of listed stocks is in the neighborhood of 6¼%, almost 2.4 times the yield obtainable from high grade bonds.

Over a period of many years stocks on average have sold higher in relation to dividends than is currently the case despite the fact that the market is at historically high levels. The foregoing is of more than historic significance. Particularly if taken in conjunction with the probability that 1950 dividend disbursements will be in excess of the favorable 1949 disbursements, which had represented an all-time peak. In 1949 corporate dividend payments totaled $8.4 billion compared with $7.9 billion in 1948, $4.0 billion in 1940 and only $5.8 billion in 1929. Further, 1949 dividend payments were only slightly in excess of 50% of corporate earnings. While this was higher in relation to earning power than was characteristic of the abnormally low payments of the previous two years which averaged well under 40% of earnings, they were still below the historic relationship to earnings.

Based on analysis of the earnings outlook for 1950, the financial position of industry, prospective capital expenditures, etc., it could be concluded that 1950 dividend disbursements will represent an all-time high. For the first quarter of 1950 dividend payments were 8% above the like quarter of 1949.

(2) Desire for hedge against inflation or continued depreciation in the buying power of the dollar. It now is widely recognized that the government's policies point to long-term inflation; and that ownership of cash is riskier (for the long pull) than ownership of equities. The reasons for this conclusion were considered in some detain in the first portion of this report.

(3) Growing confidence in sound quality stocks as being long-term investment. While this is an intangible and thus not subject to quantitative measurement, it is one of the major underlying forces at work. In other words, the prices of stocks, like those of any other commodity or product, are influenced by supply and demand factors. Demand has been increasing importantly, including demand from professional and institutional investors who control huge aggregates of capital. The important and growing sources of demand for stocks include:

(a) Institutional demand, including insurance companies and educational institutions. The latter in particular have been increasing the percentage of investments allocable to equities. Similarly, insurance companies which have been showing rapid growth in recent years have been utilizing stocks in increasing dollar amounts.

(b) Open-end investment trusts which have been selling their shares at a rate of about $600 million per year. This represents a method of channeling funds into stocks. In the absence of such development, the small investors would largely restrict commitments to savings bonds and other types of risk free holdings.

(c) Pension funds. The growth of pension funds has obvious implications for the market. It is recognized that probably only one-fourth or one-fifth of available funds will go into equities. This however, could be a significant factor. Both because it constitutes a source of demand for stocks and also because workers will tend to build up a greater willingness to assume some risk in their own investments, feeling that their old age security problems are being partially met by pension funds.

(d) The change in the New York State Law effective in mid-year to permit trustees to invest up to 35% in common stocks. The effect of this should be stimulative, primarily on utilities, bank stocks and high quality industrials, largely in more stable industries.

(e) Savings Bond redemptions. Series "E" bond purchases received their major impetus in 1941 and 1942. This means that large amounts of maturing bonds will be available for re-investment in the next two years. Assuming that even a small portion of the funds so derived go into stocks, it could be a helpful demand factor.

(4) Stocks are reasonably priced in relation to current and immediately prospective corporate earnings; and in fact appear undervalued when measured in relation to almost every other important economic indicator. This holds good whether the level of stock prices be compared to gross national production, disposable income of individuals, the FRB Index of Industrial Production, commodity prices, real estate prices, or almost any other major series.

Equity prices definitely are conservative in relation to current and immediately prospective corporate earnings. Thus in the last few years earnings have ranged from 400-500% of the 1936-1939 base period average. At the same time stock prices at the current high are only 50% above the *median* figure which obtained in the 1936-1939 base period. They are only 25% above the average annual highs for 1936-1939 base period. Thus this alone would be more than accounted for by the increment in price since that time and by reinvested earnings in excess of dividends paid out.

These factors have been reflected in the low price-earnings ratio which obtains. Stocks are selling at about 8.7 times earnings of the Dow, Jones industrials. This compares with a price-earnings ratio of around 16 times the annual median in the prewar period. It compares with a price-earnings ratio of almost 23 times the mid-1946, high, and with a price-earnings ratio of about 16.3 times at the Oct. 9, 1946, low. As a matter of fact, the April price-earnings ratio is slightly lower than the 9.2 times ratio at the April, 1942, bottom when the industrials were 93, and with the 9.4 times ratio in March, 1938, when the industrials were at the then low of 99. (We do not infer from this that normal price-earnings relationships will return, but it does appear that statistics indicate a good measure of defensive strength in that the market appears to be cognizant of the possibility of at least moderately lower earnings.)

It is believed that in the light of the firmness in commodity prices, and predicated on the demand situation as discussed under the business outlook, corporate earnings in 1950 will be relatively favorable and will show little variation from 1949.

(5) Asset Values—over the short run the markets tend to ignore asset values. Over the long run, asset values have important implications in terms of earnings, financial policies, etc. In the past decade, the 30 Dow-Jones industrials have reinvested in their businesses over $60 of their earnings on a per share basis. American industry earns a return on increased assets. In most cases, industry could not replace these assets at anywhere near their cost value, let alone their depreciated carrying values on their books. Presuming an ability to earn a fair return on assets at present cost structure, it would appear that a high return would result in depreciated carrying value of those assets.

(6) Financial position of business. Studies by the SEC show that at the end of 1949 the net working capital position of United States corporations increased $2.9 billion and reached a total of $67.7 billion, far in excess of the figure for previous years. Most important, however, is the great improvement in quick asset position of American corporations. This, of course, has favorable implications with regard to the ability to expand from within and at the same time pursue a relatively favorable dividend policy. Cash and Government bonds rose substantially to a total of $40 billion, while current liabilities declined. Cash and Governments approximated 72% of current liabilities at the end of 1949, compared with 61% in 1948, and 45% in the year before the war.

(7) Utilization of stocks as a hedge against future dollar depreciation in terms of purchasing power. There now is increasing recognition that while we probably do not face a sharp inflation, that the whole trend of Government is to cheapen the dollar and generate a creeping inflation. Deflation is political suicide.

(8) Increased recognition that we do not face a business and economic debacle. This resurgence of confidence will doubtless mean higher price-earnings ratios.

There are certain negative factors in the picture, but these, in our opinion, constitute only a partial offset to the favorable near-term elements.

(1) On a historical basis, the market is high.

Answer: While the Dow Jones industrials are about 10 points above the 1946 high, the Standard and Poor's more comprehensive stock index is just about at its 1946 high. Studies by the New York Stock Exchange and other agencies indicate that a broad cross-section of stocks are selling well below their 1946 highs. A recent study prepared by one of the larger open-end investment trusts concludes that a majority of individual stocks are selling 25% or more below the 1946 highs.

Further, it should be noted that the long-term trend of the market has been upward. The major upward channel of the market has been broken only on the upside in 1929, and on the downside in 1932. At the 1949 bottom the market just touched the lower trend line. Considering the credit situation and its implications for the dollar, this long-term characteristic of the market is likely to continue in the future.

(2) While the market thus far has been an investment market, it lately is beginning to show more activity in business risk issues.

Answer: This is true, but has not as yet progressed to an extreme. This is assuming that it is a potential threat and should be watched.

(3) The increased supply and sale of new stock issues. This was a major factor in the 1946 break.

Answer: This is one of the most important of the negative arguments. An extreme development of this condition would be disastrous, and must be watched for. For the time being at least, demand appears sufficient to absorb such offerings. The technical action of the market itself will provide the best clue on this point.

(4) Some formula plan selling is occurring.

Answer: This is of minor proportions in relation to the overall picture, particularly the increased source of demand. We feel that conservative investors will continue to buy equities for yield so long as the current bond-stock ratio is so favorable to stocks. A change could come about either through an important increase in bond yields (which does not appear likely, although bond prices may move a little lower); or from an important increase in stock prices; or from a major contraction in dividends. In our opinion dividends are not likely to decline, as discussed above.

In the light of the foregoing there is no major change in basic investment policies which we have advocated these past several months. While we continue to believe sound quality common stocks are reasonably evaluated on a long-term basis, we now point out that the market has enjoyed the benefit of continued good news for some 11 months and an almost uninterrupted rise of substantial proportions. Therefore we would hesitate to advocate additional investment in equities at this particular time, in recognition of the possibilities of a moderate interim decline. We are willing to hold sound quality equities which have been carefully selected on an individual basis. In all cases the determination of the extent of common stock holdings is based on an evaluation of the proper balance between equities and senior securities in relation to the objectives of any individual portfolio.

Goffe & Carkener Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Kincaid Ward is with Goffe & Carkener, Inc., Board of Trade Building, members of the Midwest Stock Exchange.

With J. M. Dain Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Robert F. Keegan has become associated with J. M. Dain & Co., 112 South Sixth Street. He was formerly with Minneapolis Associates, Inc.

J. W. Goldsbury Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John Hollister has been added to the staff of J. W. Goldsbury & Co., Twin City Federal Bldg.

R. W. Pressprich & Co. In New Location

R. W. Pressprich & Co., members of the New York Stock Exchange, announce the removal of their offices to 48 Wall Street, New York City.

Joins R. J. Steichen

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John B. Stommes is with R. J. Steichen & Co., Roanoke Bldg.

Jackson Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Benjamin Grassi is with Jackson & Co., Inc., 31 Milk Street.

Three With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Frank O. Burch, Frank G. Kunkel and Charles A. Floyd have become connected with Westheimer and Co., 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

J. F. Nick to Admit

J. F. Nick & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, will admit James F. Nick, Jr., to partnership on June 29. Mr. Nick will acquire the New York Stock Exchange membership of Harold Hartshorne, Jr.

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As We See It

Nowhere in the world have the socialists succeeded in attaining, or even given evidence of intention to undertake to attain, such a position as have the communists in Russia. Nor have they as yet shown a disposition to adopt worldwide domination by force if necessary as a basic element in their policy. As a matter of fact, such aggressive imperialism is much more Kremlinism than communism.

Socialism vs. Communism

But even though we should definitely not be warranted in any fear that the socialists either in Britain or anywhere else will presently turn upon their non-socialist friends and try to rend them, it is clear enough now that at least the British socialists are inclined to a position not wholly dissimilar from that of the communists—namely that they have found the light in Britain and that in their dealings with other countries they must be very cautious, if not quite aloof until socialism has taken over and nationalized the economies of such other countries. In short, there is here a strong suggestion that the ambitions of the British socialists reach beyond the borders of Britain.

At the same time it is clear that British socialism, like Russian communism, is preeminently national in its concepts, ambitions and plans. It is communism which the Kremlin says—whether it directly admits it or not—must rule the world; what is really meant is that a set of Russian tyrants flying the flag of communism must rule the world. It certainly would not be accurate to say as much about the British socialist, but it is clear that he does not envisage a world in which socialism on an international basis would guarantee "fair shares for all" to the nationals of any but the British State or the British Commonwealth.

It could be, of course, that if the British socialists felt assured that in the future there would be a permanent socialist majority among the nations of Western Europe, and that the economies of such nations had been nationalized and that all of them had developed national "plans" of their own—it could be that if all these conditions had been met the British socialists might be somewhat more inclined to cooperate with the other nations in some such arrangement as the so-called Schuman Plan. However, careful study of the recent socialist pronunciamento leaves room for much doubt as to whether there would be a great deal of difference in the attitude of these British socialists.

Nationalism!

Running through it all is a scarlet thread of pure nationalism, and what we have been calling isolationism. Interest centers first upon the economic status of the people of the British Isles, second upon the Dominions, and finally upon the so-called sterling area. The fact is that the British socialists though they may talk internationalism in some connections and circumstances are as much as any other party in Britain intent upon looking out for number one as the old saying goes. They are, moreover, rather obviously of the opinion that number one can get the best deal for himself not by broad international cooperation—whether it be with socialist governments or any other kind of governments—but by doing what Britain has always done, engaging in shrewd horse trading.

Lest there be misunderstanding, let it be said at once and with perfect frankness, that what we have been saying is not intended in any way as a defense of the Schuman Plan, or as a criticism of the British Labor Government for not surrendering part of the sovereignty of the nation. This is a broad and difficult question about which we at this moment are not undertaking to express any opinion. Certainly we do not mean to give the impression that we find the position of the British Government out of keeping with British tradition and British custom. On the contrary, we suspect that the opposition, although taking full advantage of the situation to embarrass their political foes, in reality find themselves in accord with a good deal of what the Labor Party is saying. And, of course, it is wholly a right of the British to make such decisions concerning their own foreign policy.

Lest We Forget!

Nonetheless, the people of the United States, we hope, are not likely to forget, and the British must not permit themselves to forget, certain facts which perhaps quite naturally do not appear in the recent pronunciamento. The first of these is that we in this country are supplying funds in a large way to finance these policies of Britain, and are being asked to continue these contributions indefinitely into the future. We are being told by the British and by our own authorities that such a course as this on our part is essential to the defense of Britain in any future invasion of Western Europe, and that such defense is essential to our own welfare and safety. What then are we to think of indifference on the part of Britain toward a plan or program which is designed to stiffen the advance line of defense upon the Continent of Europe—not only, apparently, to this particular plan of M. Schuman, but to any program which might interfere with socialist plans for building a Utopia in Britain upon economic sands with our money?

It seems to us that the time has come for both the British and the people of the United States to give further and realistic thought to all these matters.

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The Federal Threat to Chartered Banking

gress and referred to the Senate and House Banking and Currency Committees. We have had a great deal of experience in the field of credit. I believe that we as bankers are qualified to express some views on this legislation. In recent years, we have from time to time undertaken appropriate steps to stimulate or to dampen down the volume of credit, as the forces of inflation and the swings of the business cycles indicated the need for it.

You will recall that immediately after the war ended, we entered into a very broad program for making ample credit readily available to business, and particularly to small business enterprises, to help them achieve readjustment and growth in the postwar period. A few years later, when the forces of inflation were flowing strong, we entered into a nationwide voluntary campaign to eliminate unnecessary loans and restrict bank credit to loans that were productive and in the best interests of a sound economy. We undertook this program with the helpful interest and support of Secretary of the Treasury Snyder and other government officials. Throughout the program, we received the cooperation of the Comptroller of the Currency, the FDIC and the supervisors of banks in every state.

In Minneapolis this week, at the Annual Convention of the American Institute of Banking, I was privileged to hear a splendid address by Secretary of the Treasury Snyder. He expressed confidence in the general condition of business, and he also added that every one has a responsibility to help maintain a strong, sound economy. The comments that I shall offer today with respect to the credit proposals recently introduced in Congress are intended to help do this. The bankers of this country want to do everything they can to help keep the nation's economic life sound and strong. We know that lasting economic growth and expansion cannot come about unless the economy is sound.

What the New Bill Proposes

The legislation I should like to discuss today was introduced in Congress on May 5. As you know, it contains five major provisions. These are: first a proposal to provide 90% government-sponsored insurance bank loans up to $25,000; second, to create a maximum of 36 "national investment companies," to make direct or indirect loans, and to provide equity financing for small business; third, to expand the powers of the Reconstruction Finance Corporation to lend to small business, and extend the present ten-year maximum limitation on its loans to 15 years; fourth, to authorize the Department of Commerce to begin an extensive program to provide small business with technological and management aids and advice, and fifth, to transfer control of the RFC to the Department of Commerce.

Three principal reasons have been advanced for the enactment of this legislation. First, it is said that there is a gap between savings and the investment of equity capital in small business that is now being filled by private investors or financial institutions.

Second, it has been asserted that most commercial banks grant loans to smaller concerns only if the security is ample, and then only for relatively short periods. Presumably this is meant to imply that there is a shortage of credit for the small business concerns.

Third, this legislative program is visualized as a means for providing capital and credit for small business to bring about a constantly expanding economy, rising productive capacity, and new employment opportunities.

I am sure that every banker in the country, and every businessman and citizen, is in thorough accord with the idea of building the nation into a stronger, more productive land, with an even higher standard of living and economic activity. Although we are in complete agreement with this end and aim, we differ sharply with these proposals to achieve it.

When hearings are held on this legislation, spokesmen for the ABA will testify before the Banking and Currency Committees. On behalf of American banking, they will express our opposition to many of the provisions it contains. I think it would be helpful here this morning to discuss this bill item by item and section by section, because it is intricate and detailed. Generalizations about it are apt to be confusing. It is a very long and complicated piece of legislation. Its 42 pages of technical language, and amendments to existing law, are difficult to visualize in terms of just exactly what the whole bill means.

Bill Would Establish New Banking System

Now this statement may alarm you, but it is true. A good many highly qualified authorities and commentators have pointed out that the effect of this bill would be to establish a new banking system in this country. It would be a third banking system, under the domination of the government and the Federal Reserve System, operating in direct competition with the state and nationally chartered commercial banks. The bill would also place the Federal Reserve System in the investment banking business. It would grant the Federal Reserve tax exemptions and freedom from some of the regulations and restrictions of the Securities and Exchange laws.

The bill presented to Congress to do all this is divided into six major sections. The most important provisions are in the first three titles of the bill. Title I grants to the Secretary of Commerce authority to set up and administer the small business loan insurance system to which I have already referred.

Title II creates the national investment companies, to operate under the authority of the Board of Governors of the Federal Reserve, to make direct or indirect loans to, and investments in, small and medium sized business concerns.

Title III amends the Reconstruction Finance Corporation Act to enable the Corporation to make direct small business loans, or to participate with other lenders up to 80% in loans, regardless of collateral. There are virtually no really significant restrictions on the security and quality of the loans.

Titles IV, V and VI of the bill repeal Section 13V of the Federal Reserve Act. They establish within the Commerce Department a small business research and advisory organization. They create an additional Assistant Secretaryship in that Department, and provide general authority under which the Commerce Secretary is to administer the loan insurance provisions of the bill and to delegate his authority to others.

Now that you are familiar with the major sections of the bill, I should like to discuss the more important features in detail. I should like also to convey to you our thoughts with respect to each of them. On several occasions since the bill was introduced a few weeks ago, I have been called upon, as a member of the ABA's official family, to comment particularly on the business loan insurance provisions of the bill. Perhaps some of you are already familiar with the Association's general position on this. We regard loan insurance, and the provision authorizing the national investment companies to make loans to business, as the two most dangerous features of the bill. They are dangerous not only to the nation's banking and credit structure, but also to the whole economy.

Government-Sponsored Insurance of Business Loans

The concept of government guaranteed loans is an old one. But the idea of government-sponsored insurance for business loans is new. It has never before been promoted, not even in the dark days of the Great Depression of the 1930's. An effort has been made by proponents of the bill to draw a parallel, or to find some similarity, between government-sponsored insurance of business loans and insurance of home modernization loans under Title I of the Federal Housing Act. Here at the start, let me dispel the fog that surrounds this effort to justify insurance of business loans merely on grounds that the insurance of home repair loans works well.

There is no real identity whatever between the two, other than the use of the word "insurance." In the case of home modernization loans, the loans are secured by mortgages on the physical, semi-permanent property against which the loan is made. If some of the loans prove to be bad, the improved property still exists and the property alone, in the last resort, can easily liquidate the unpaid part of the loan. Moreover, the borrower must in actual lending practice be able to provide reasonable assurance of a steady income, based on his proved earning power, out of which regular, amortized installment payments can be made. Finally, the home itself usually is the most cherished possession of the owner-borrower. His own personal security and that of his

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The Federal Threat to Chartered Banking

family are vested in the property. He will usually exert every effort to pay off his indebtedness and retain his home.

Contrast these facts with the usual circumstances surrounding a business loan. Once the loan is made, the proceeds go into inventories, labor, rent, business promotion expense, and other outlays which quickly dissipate the funds. Usually, only a very small part of the proceeds go into stable, fixed assets. The tangible security behind the loan is practically negligible, in contrast to a home loan. Second, the business borrower ordinarily has no assurance, other than his cash withdrawals from the business itself, of an income out of which he can repay the loan. He has no steady weekly or semi-monthly pay check from an outside source to help him meet his loan payments. If his business improves or prospers, he usually withdraws more funds to meet increased family and living expenses. This simply means that an insured loan to a submarginal business concern is a long-shot loan. It is apt to become a fixed investment which cannot be liquidated without wrecking the business. There is no way of limiting the borrower's personal withdrawals from the business until the loan is repaid. Finally, the owner of an insolvent business is usually prompt to abandon it and find a job, or he leaves the assets and liabilities to his creditors and tries to start another small business in a new location. He is a sadder, but not necessarily a wiser, man.

When those who argue for this legislative program to provide small business loan insurance speak of it as "insurance," they are using an inaccurate, if appealing, term. Every one appreciates the need for and the basic soundness of insurance in all its forms. But this program does not provide true insurance. It has no actuarial basis. It actually is our old familiar acquaintance—government guaranty of private credit, with all its credit-dissipating features, wearing a "prosperity suntan" and interesting new hat and necktie. We still can recognize it, however, because it is surrounded by its usual friends. These are the welfare exponents, who would use the funds of the taxpayers to take care of the losses by government appropriations, over and above whatever losses may be covered by the far-too-low premium of 1½% of the principal of the loan.

One clause in the bill authorizes initial appropriation of $10 million of the taxpayers' money into a revolving fund to start the loan insurance program. Then it goes on to say, and I quote the language of the bill, that Congress is authorized to appropriate "such further sums, if any, as may become necessary for the adequacy of the revolving fund." Whoever inserted the words, "if any," into that clause was certainly optimistic. Further appropriations to cover losses are a certainty, if a century of banking experience means anything.

Only Poor Risks Would Be Insured

During the past 20 years, losses by national banks on their commercial, agricultural and industrial loans have averaged only a little less than three-quarters of 1%. But during the depression years, their losses were more than 3½% annually. What is of far more significance, the loans that would be insured under this program would be the very doubtful, weak or submarginal loans—the very loans that provide nearly all loan losses. If they were average or above average loans, they would not be insured by the banks which make them, in the first place.

Under the law, the Secretary of Commerce would be empowered to fix interest rates on the loans. This would undoubtedly be set at a low figure to help make the loan insurance program "sell." This places still another powerful instruments of credit control in the hands of an administrative agency of government. The fixed policy of the President's Council of Economic Advisors, who have played an important role in the development of this program, is one of perpetually low interest rates and cheap money, even if the rate is maintained by artificial means. Artificially low rates, induced by law, for high-risk loans, can deteriorate the whole interest rate structure. It would place still another powerful weapon in the hands of those who try to control a large part of the nation's economic life. It is a weapon that is almost indispensable to the kind of economic planning that shuts its eyes to the distinction between a perpetually expanding economy and perpetually growing inflation.

Of equal importance, the loan insurance feature of the bill drives still another wedge into the incentive of risk-taking. Risk-taking, of course, is the real justification for the existence of chartered banking. Government-sponsored insurance, like government guaranty of loans made by private lenders, transfers most of the risk from the lenders to the government. This transfer of risk is not to just the taxpayers alone, who must eventually pay for it, but upon all people and all segments of the population. Even those whose incomes are low help pay for it, because they, too, must work and live in an economy that operates less efficiently, which subsidizes submarginal producers, and provides apparent plenty—but at a high price.

In effect, its cost is also paid by the efficient small business competitors of concerns that receive government-subsidized credit, who must do business without government aid. This is an indirect tax upon them, but they also pay direct taxes to help support credit subsidies. For several years, we have advocated tax relief for small business, rather than government-sponsored credit, as the most effective way of stimulating business expansion. It would allow small businessmen to accumulate, through tax savings, the additional working and fixed capital they may need to expand their production and sales. We shall again advocate this in testifying before Congress on this new credit measure. We are supported in this view by many trade and industrial organizations representing small business.

The Creation of National Investment Companies

Now we come to Title II of the bill which would create the national investment companies to provide both loans and capital for business. For many years much has been said and elaborate statistics have been prepared to prove that it is impossible for a businessman who has an idea, but no money, to get capital to enable him to produce. The only certain thing that can be said is that there is a wide difference of opinion. Even the experts have confused themselves although many of them feel they know the real facts. That the availability of capital varies with the swings of the business cycle, no one would deny. But for more than a century of this country's economic history, small businessmen who have the will, the efficiency and the productiveness to survive and grow have always managed to get capital without government aid. Many small businesses have stood the real test of the economic facts of life. They have become the large industries of today.

There are more small businesses in this country today—per capita—than ever before in the nation's history. Small business is getting capital. It is neither dying out, nor is it being crowded out by big business. I should like to quote Secretary of Commerce Sawyer—a very able government administrator—on this. He has recently pointed out that there were 21 business enterprises per 1,000 people in this country in 1900. Today, the Secretary points out, there are 26 business firms for each 1,000 people.

But if, for the sake of argument, we accept the statement that raising small business capital is difficult today, we need only to refer to the explanations already advanced by those who support this legislation. It is asserted that the bulk of savings, from which investment capital comes, is now in the hands of people of moderate means. It is said that these people prefer, for the most part, to put their money in the banks, or some other highly liquid form. I might add that this includes some $54 billion of U. S. Savings Bonds. Now the reasons why they prefer liquidity are reasons which stem from the government's own actions. These reasons are: The low returns after heavy taxes do not justify the risk of investment in small business. Personal income taxes deplete a large part of whatever earnings may be paid out. Increasing government controls and regulation of business do not encourage long-term investment in new enterprises. The guaranties the government offers for other forms of investment lure savings because of the low risk they carry.

But we shall not labor the point as to whether there may or may not be justification for the national investment companies as avenues for capital investment, although we believe there is little justification for government action in this field. What we particularly object to is the fact that these companies could make direct and indirect loans, as distinct from investments, in business enterprises. First of all, the average small businessman does not want any one to invest in his business after he has once gotten it started. He does not want to give up a part of the ownership of the business, because it represents something which he himself has created, and he feels he is entitled to all the profits.

What he wants is a loan, not an investment. Although sponsors of the bill imply that there is a shortage of credit for small business today, the facts bespeak otherwise. In 1946, a survey by the Federal Reserve Board convincingly demonstrated that adequate credit was then available for all business, including retail trade and service concerns with assets of less than $50,000 that needed loans of less than $5,000.

A survey in recent months conducted by the ABA among 3,800 large and small banks—about one-fourth of all the commercial banks in the country—shows that these banks have outstanding more than 7,200,000 loans which average less than $2,400 each. How a shortage of small business credit can be envisioned, in the light of these figures, is more than we can see. There is no justification whatever for empowering these proposed national investment companies to make loans as well as capital investments. The loan provisions, at least, should certainly be stricken from the bill.

Another interesting paragraph in the bill authorizes the Secretary of Commerce to use the national investment companies as his agents in administering the loan insurance provisions of the bill. This, together with the lending and investing functions of the national investment companies, means that, in effect, we would have an additional, entirely new banking system in this country. This new banking system would be able to do almost anything in the field of business and industrial loans and investments. It could make direct loans, take over loans previously made by private lenders, and guarantee loans by "insuring" them. It could invest in business enterprises and buy and sell securities on privileged terms.

New Competition for Chartered Banking

All this would be done on capital provided by the Federal Reserve Banks. It could compete with chartered banking. It could create interest rates. It could prescribe the terms and conditions under which a businessman may or may not be granted credit. It is proposed for a term of 30 years; and this, of course, means permanently. The only banking service it could not perform would be the acceptance of deposits. This would be left to the commercial banks. In this role, they would tend more and more to become mere fund-gathering and paper-handling agents for the new banking system in the communities where they are located. I grant that this is a challenging statement. But the history of every such movement usually develops into such an expansion of direct or indirect government power and influence unless those who are affected have the will and determination to resist it.

Part of the small business program to which I have already referred calls for transfer of the RFC to the Commerce Department, broadening its powers to make loans to small business, and extending the maturity of its loans to 15 years. Just what the ultimate fate of the RFC actually would be, no one at this moment can do more than guess. It might be used as one barrel of a double-barreled shotgun, to make sure that whatever loans to business might be rejected or passed over by the national investment companies would be picked up by the RFC. The limits on the investment company loan maturities would be a little over five years. The 15-year limit on RFC loans would make it possible for the RFC to take over the sour or improbable loans of the investment companies, and extend their maturities another 10 years. This is long enough for most people to have forgotten them, in spite of such publicity as that which has been given to the RFC's Lustron and Waltham loans, or its rattlesnake farm and cactus plantation loans. Or finally, by administrative process, the Secretary of Commerce might allow the RFC to die a more or less natural death, or fall into a state of suspended animation.

In recent years, the ABA has testified before Congress several times on legislation affecting the RFC. We have repeatedly recommended that it should be maintained as a standby credit agency, to make disaster loans or to lend in the event of a national emergency, such as war or economic catastrophe. We shall adhere to and repeat these recommendations now. We believe it should be maintained as an effective, useful, independent agency, responsible only to Congress and not to a cabinet officer of the government.

Lest you feel that we are opposed to this bill in toto, let me hasten to point out that there is at least one provision in it which we wholeheartedly favor. It is a good provision. It provides for the repeal of Section 13B of the Federal Reserve Act, for liquidation of loans made under it and return of the funds to the Treasury. There may have been some reason for its enactment back in the dark days of the depression. The Federal Reserve was trying to fill what it felt were gaps in the supply of credit, but its lending record shows that the gaps did not exist. Only a handful of loans aggregating a few millions of dollars were made under this law, and most of these were made because of a special promotion effort by a single Federal Reserve Bank. The lending record under 13B is a powerful and convincing argument that the loan powers of the proposed national investment companies are really needless. Statutory authority to make these loans has existed ever since the Great Depression, but the demand for 13B loans has been almost negligible. This, too, is proof that the banks are taking care of commercial and industrial credit needs adequately.

We can also look with some favor on the proposal for the Commerce Department to provide technical and managerial aid and advice for small business, except for the fact that since its inception long years ago, the Department has been performing this task in some degree. There is nothing particularly new in it, in principle. However, if the present proposal means the creation of huge new bureaus within the Department that would add nothing to its present services, other than increased government literature so voluminous, technical and detailed that it would be of little aid to small business, then the program may prove valueless.

Position of ABA

Perhaps we ought now to look at this small business credit and capital program in broad perspective. We in the banking industry certainly favor any program that would genuinely benefit small business in any significant way. An overwhelming majority of our customers are small businessmen. Whatever can help them grow and prosper indirectly helps us and the communities in which our banks operate. What is more, we favor any practical and useful means of enhancing the long-term prospects for economic growth and expansion of the United States. We know that it can mean a higher standard of living for more millions of people. We know that it is the only effective argument against communism and socialism. We know that our huge national debt and the integrity of the government's credit depend upon tax revenues that must be collected by the government from a healthy and growing economy.

So we are in complete agreement with the objectives of any business program that can provide real and needed aid for business, without weakening the spirit and incentives of enterprise, without undermining banking and conditioning business and industrial success upon the bounty and benevolence of government, and without inflicting a new and even more serious risk of nationalized credit.

The small business credit and capital bill does not meet the real test of any of these objectives or criticisms. We in the banking industry have an obligation to voice objections to credit measures we believe are unsound. A vast majority of the loans and other business transactions of the

15,000 banks throughout the country deal with the credit needs of the millions of small businessmen who compose the major part of our national economy. Most of our loans are small loans to small business. So it is natural that the banking industry is keenly interested in any legislation that threatens the soundness of business credit.

We are particularly concerned by any legislation that would tend to hurt small business far more than it would help it. We believe these proposals would make it possible for people who have little business ability or managerial competence to get government-sponsored loans, and then compete unfairly with existing small business concerns. It would harm the business opportunities of the millions of capable small businessmen who work hard and make progress on their own, without government assistance.

We have an obligation to help small business by protecting it against threats which arise in the area of credit. Our success in doing this, and in fulfilling our role as risk-takers in this country's enterprise economy, is the measure of our real ability as bankers.

Morgan Stanley Group Offers Dayton Power & Light Preferred Stock

Morgan Stanley & Co. and W. E. Hutton & Co. and associated underwriters offered to the public yesterday (June 21) an issue of 75,000 shares of new cumulative preferred stock, 3.90% series C, $100 par value, of The Dayton Power & Light Co. at $100 per share and accrued dividends.

The sale of the new preferred stock will provide funds to finance a portion of the company's 1950 construction costs, the balance having been in part provided by the proceeds of the company's recent sale of 283,333 additional shares of common stock to common stockholders. The estimated cost of the construction program, started in 1946, including the acquisition of additional properties in 1948, will aggregate approximately $94,300,000, of which $61,516,400 had been expended up to March 31, 1950. An estimated $16,285,100 will be spent during the remainder of 1950 and an estimated $16,498,500 during 1951 and 1952.

The new preferred stock is redeemable at the option of the company, in whole or in part, at any time on 30 days' notice at $103 per share on or before June 1, 1955; at $102 per share thereafter and on or before June 1, 1960, and thereafter at 101 per share.

S. B. Cantor Co. Offers Mont.-Canadian Oil Stk.

S. B. Cantor Co., New York, are publicly offering 98,000 shares of common stock (par 10 cents) at $3 per share.

The net proceeds are to be used to pay for expenses in connection with the completion and drilling of oil wells on property in Blaine County, Mont., and for working capital.

With Paul C. Rudolph

(Special to The Financial Chronicle)

SAN JOSE, Cal.—Victor L. Sommerin has been added to the staff of Paul C. Rudolph & Co., 40-D South First Street.

With Richey, Baikie

(Special to The Financial Chronicle)

SANTA CRUZ, Cal.—Francis M. Harris is with Richey, Baikie and Alcantara, 1517 Pacific Ave.

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The State of Trade and Industry

and failure to agree could lead to a strike 60 days later. About this time last year steel users were reducing their inventories. By the time they decided to rebuild them they felt the impact of the steel strike, followed by further shut-downs due to unrest in the coal fields. They have been trying frantically ever since to maintain production and rebuild their inventories, this trade paper notes.

This week, pressure for delivery of carbon steel items is as strong as ever. Consumers are still faced with a shortage of flat-rolled products, with mill deliveries on these items about six weeks behind. But the real surprise in the market is stainless steel. Stainless sales have increased an estimated 20 to 25% during the past three months. One Midwestern producer is quoting a delivery time to eight to 10 weeks for flat-rolled stainless steel. Other producers shipping into that area are quoting 12 to 14-week deliveries on stainless steel sheets. Strip is quoted for delivery in October and November, declares "The Iron Age."

The mills have finally succeeded in checking runaway scrap prices—at least for the time being. They did this by (1) staying out of the market whenever possible, and (2) resorting to purchases of substantial tonnages of foreign scrap. This week "The Iron Age" steel scrap composite price fell 58c a ton to $39 a gross ton.

Foreign scrap has been seeping into eastern mills right along. But while domestic prices were kicking up their heels during April and May some Midwestern mills started buying European scrap in significant tonnages, "The Iron Age" learned. This material will be loaded this month and will reach this country sometime during July.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 101.2% of capacity for the week beginning June 19, 1950. This is 0.1 point above last week's rate of 101.1%.

This will be the 10th straight week for the steel industry's cycle of greatest production in which output will exceed 1,900,000 tons, according to the Institute. The present cycle began on April 17, last.

This week's operating rate is equivalent to 1,929,100 tons of steel ingots and castings for the entire industry, or 1,900 tons higher than one week ago. A month ago the rate was 101.8% and production amounted to 1,940,600 tons; a year ago it stood at 84.4% and 1,555,900 tons.

Electric Output Highest Since Week Ended March 18, Last

The amount of electrical energy distributed by the electric light and power industry for the week ended June 17 was estimated at 6,011,674,000 kwh., according to the Edison Electric Institute.

It was 90,847,000 kwh. higher than the figure reported for the previous week, 639,074,000 kwh., or 11.9%, above the total output for the week ended June 18, 1949, and 852,419,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise 12.2% Above Preceding Week

Loading of revenue freight for the week ended June 10, 1950, totaled 795,852 cars, according to the Association of American Railroads. This was on an increase of 86,265 cars, or 12.2% above the preceding week, which included the Memorial Day.

The week's total represented a decrease of 12,304 cars, or 1.5% below the corresponding week in 1949, and a decrease of 110,811 cars, or 12.2%, below the comparable period in 1948.

Auto Output Sets Another Peak Level

According to "Ward's Automotive Reports" for the week ended June 10, motor vehicle production in the United States and Canada advanced to an estimated total of 203,689 units, compared with the previous week's total of 200,515 (revised) units.

Total output for the current week was made up of 164,426 cars and 30,213 trucks built in the United States and a total of 6,677 cars and 2,373 trucks built in Canada.

The week's total compares with 139,005 units produced in the United States and 7,051 units for Canada in the like 1949 week.

Business Failures Turn Upward

Commercial and industrial failures rose to 178 in the week ended June 15 from 164 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this increase, casualties were less numerous than a year ago when 196 occurred; they remained above the 100 in the similar 1948 week. Failures were 29% below the 249 reported in the corresponding week of prewar 1939.

Casualties involving liabilities of $5,000 or more increased to 139 from 128, but failures of this size were lower than last year when 155 occurred. Small failures, those with liabilities under $5,000, rose slightly to 39 from 36 in the preceding week and compared with the 41 of a year ago.

All industry and trade groups except manufacturing reported a mild weekly increase. Failures in most groups were below the 1949 level. The exceptions were retail trade where casualties exceeded the previous year's total, 94 to 90, and commercial service where failures at 18 were equal to those of last year.

Nearly all regions reported a slight weekly increase in failures. In seven of the nine regions, declines from 1949 prevailed, while in the other two areas, the New England and East North Central States, failures increased mildly from last year.

Food Price Index Off Sharply in Latest Week

Halting a seven-week upward trend, the Dun & Bradstreet wholesale food price index fell 6 cents last week in the sharpest decline so far this year. The index dropped to $5.94 on June 13, from the 17-month peak of $6.00 recorded the week before. The current figure compares with $5.68 a year ago, or a rise of 4.6%.

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 Recedes Following New Peak

After setting a new 17-month peak of 267.77 on June 7, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned downward to close at 265.46 on June 13. This compared with 266.08 a week earlier and with 242.50 on the like date last year.

Prices of leading grains fluctuated irregularly over a comparatively narrow range during the past week.

Oats futures rose to new seasonal highs at mid-week as did cash oats which sold above $1 a bushel for the first time in almost two years.

Advances were more than wiped out in closing sessions, however, on publication of the first government forecast indicating a total oats crop this year substantially above general trade expectations. Wheat was steady most of the week but developed an easier tone at the close.

There was some selling in anticipation of expanded marketings as harvesting operations spread out over a wider area. Some export buying of corn was noted last week. Activity in cash corn was only fair with prices moderately lower at the close. Weather conditions have been favorable for germination and early planted corn is reported up to excellent stands.

Activity in the domestic flour market was largely confined to limited bookings of hard wheat bakery varieties for immediate or nearby shipment. Export trade in flour remained slow. Cocoa prices moved downward in active trading during the latter part of the week. Cocoa arrivals have been heavy over the past month with manufacturers showing only limited interest.

There was considerable liquidation and selling in lard and prices worked lower in sympathy with weakness in fats and oils and a declining trend in hog values.

Wholesale pork prices closed substantially lower following a strong opening. Light-weight hogs were in good demand and sold at the highest levels since September, 1949, but increased supplies of heavier weight hogs met with slow demand and final quotations were down about 70 cents a hundredweight from a week ago. Trading in cattle tended to lag as expanding receipts exerted a downward pressure on prices. Spring lambs declined in late trading in sympathy with an easier trend in the dressed lamb market.

Domestic cotton prices continued their upward trend to reach new highs for the season last week. Strengthening influences included unfavorable crop news and a growing tightness of the supply situation. Buying was also stimulated by indications that domestic mill consumption of cotton was being maintained at a good rate.

The New York Cotton Exchange Service Bureau estimated the daily rate of consumption in the May period at 36,300 bales, as against 36,100 the preceding month and 26,700 in May last year.

Repossessions of 1949 loan cotton reached a new high for the season during the week ending June 1. Withdrawals during that week totaled approximately 120,000 bales, bringing the aggregate for the season to 1,529,000 bales, and leaving a net stock still in the hands of the CCC of 1,661,000 bales.

Retail and Wholesale Trade Moderately Above 1949 Week

With Summer shopping in full stride, consumers throughout the nation spent a moderately increased amount of money in the period ended on Wednesday a week ago. Aggregate retail dollar volume was slightly above the level for the corresponding period in 1949. Large-scale promotions were responsible for some of the increased buying, states Dun & Bradstreet, Inc., in its latest summary of trade.

The proximity of Father's Day was a large feature in the rising volume of men's furnishings and apparel; of the latter, Summer suits and sportswear were especially sought.

Retail food buying was largely unchanged during the week. Housewives were slightly more likely to request prepared fresh foods, luncheon meats, and other delicatessen products than formerly, as picnics became seasonally popular. Although there were price drops in certain fresh vegetables, over-all dollar volume for fresh produce was virtually steady. Dairy products were in increased demand, while the interest in eggs dipped in scattered communities.

A slight increase in the dollar sales of house-furnishings continued the past week. There was a noticeable rise in demand for outdoor and garden furniture. Dining room sets were also being sold at an accelerated pace. The interest in gardeners' tools and other hardware increased seasonally, but there was little change in the demand for paint.

Demand for television sets and some appliances remained nearly even at a high level.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 4% above to unchanged from that of a year ago. Regional estimates varied from last year's levels by these percentages:

New England, Midwest, Northwest and Pacific Coast, 0 to +4; East +2 to —2; South +3 to —1; and Southwest +5 to +1.

The rise in total order volume continued during the week as the interest of buyers was spurred by further Fall openings. Wholesale dollar volume was slightly above that for the comparable week in 1949. There was a sizable increase in the number of buyers attending wholesale markets last week; the number was slightly above that of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 10, 1950, rose 5% from the like period of last year. An increase of 1% was recorded in the previous week from that of a year ago. For the four weeks ended June 10, 1950, sales showed a rise of 2% from the corresponding period a year ago, but for the year to date a drop of 2%.

Retail trade in New York the past week was stimulated by Father's Day promotions, but unfavorable weather offset to some degree department store sales, which were estimated at about 1% under those for the like week a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 10, 1950, show a rise of 3% from the like period of last year. In the preceding week no change was registered from the similar week of 1949. For the four weeks ended June 10, 1950, a decrease of 2% was reported from the like week of last year. For the year to date volume decreased by 5%.

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Today's Costs of Tomorrow's Pensions

an amount of money which, with the interest it should earn, is calculated to be sufficient to pay his pension over his remaining life. From the employee point of view this is slightly better than the cash disbursement method because, once the money is paid into a fund, the employee is assured of receiving the payments to which he has become entitled. From the company point of view this plan in its early years requires heavier payments than the cash disbursement plan. But over the life of the plan the required company payments are less, by reason of the interest earnings of the fund, which earnings cover part of the payments to pensioners.

Like the cash disbursement method, however, this second method fails to recognize the cost of the pension during the period of active service. From the company's standpoint it also has the added and serious disadvantage of obligating the company to provide large lump sum payments at the very times it may prove difficult to do so. This results from the natural and historical fact that in times of good business and labor shortage, retirements for age or for disability both tend to be deferred. But when business subsequently declines and losses may replace profits, the accumulated deferred retirements are added to normal retirements to impose a sometimes embarrassingly heavy drain on the company's finances.

Methods Recognizing Costs Currently

A third method of providing for the cost of pensions is that which meets the minimum funding requirements under the U. S. Treasury Department tax regulations. This minimum requirement is that the past service cost at the effective date of the plan must not be permitted to increase. Stated another way, the annual future service cost must be met full, and an amount at least equal to the interest on the past service cost, at the rate assumed in actuarial estimates, must also be met. The terms, *future service cost* and *past service cost*, present something of a mystery to many people. However, their meaning can readily be developed.

Thus this third method of providing for the cost of pensions starts out by recognizing that the current cost of an employee's service is greater than the amount currently paid to him as wages because, as he works, he concurrently establishes a possible claim to a pension. In a sense, this is a claim to more pay for the same work; it is therefore deemed to be a part of the cost of that work and hence a part of the cost of the product currently resulting from that work. Under this method, the actuary computes for the employees as a group the probable pensions that will be paid to surviving members of the group. He next determines an amount which, if paid into a fund currently, will, with the interest earned by the fund, provide the amounts necessary to pay the pensions to the survivors of the group based on their service rendered subsequent to the installation of the plan. This annual amount is the item which is given the name, *normal or future service cost.*

Note carefully that this normal or future service cost does not provide for the cost of any pension payments based on service rendered *prior* to the installation of the plan for which employees may be retroactively entitled to credit for pension purposes. As its name implies, the future service cost looks to the future—that is, to pensions based on service rendered subsequent to the date the plan goes into effect.

This leads us to a consideration of the means of providing for pensions based on service previously rendered, and to their cost. This is the part of the cost of a pension plan which has provided the greatest confusion and greatest controversy. These are the more intensified because there is something of a moral question involved. Thus a claim made today for a pension based on service rendered in the yesterdays is tantamount to a retroactive claim to greater compensation. But since the greater compensation was not a part of the employment arrangement in the past it was neither recognized nor provided for. If it is now retroactively to be granted, its cost must be borne by someone in the future. In business life this means that prices today and in the future must be higher in order to pay for the retroactively higher wage costs of products produced and used up in the past.

The retroactivity of the claim to pensions based on prior service finds no ready counterpart in financial legerdemain. If the clock could really be turned backwards, and the company state its costs all over again, it would have provided in the past for the same normal cost of that prior period as it now begins to provide for the future. On the date the plan is installed the company would then have already provided sufficient funds which, together with interest already earned and to be earned thereon, would meet that part of the cost of future pensions based on service rendered prior to the start of the plan. The amount of this hypothetical fund at the date the plan is installed is the item to which is given the name, *past service cost.*

Since that fund is a "what might have been" fund and does not in fact exist, the immediate question is what to do about it. Because the fund does not exist it obviously cannot earn interest. Unless some provision is made to cover the interest amount, the unfunded past service cost will rise each year. Meeting this interest, in addition to providing what I have described as the normal or future service cost, is the Treasury's minimum requirement for funding pensions. This minimum funding, however, leaves the actual financing of the principal of the past service cost to be covered in some other way. So long, however, as the amounts being paid into the fund are greater than the money paid out to those qualifying for benefits the plan may be expected to operate without getting into financial difficulties.

A fourth method of providing for the cost of pensions is to pay the future service cost, the interest on the past service cost and, in addition, to fund the past service cost. Under Treasury regulations the maximum amount of funding, including interest on the past service cost, that is permissible in any one year for tax deduction purposes is 10% of the past service cost at installation date. This means that, at a maximum permissible funding rate, it would take about 11½ years to complete the funding. Under this method, after the past service cost is completely funded, the company has only the future service cost to pay.

Effects of Cost Recognition

From the employee point of view it is to be noted that methods three and four, which have just been described as recognizing the cost of an employee's pension during the period of his active employment, provide much greater certainty that when the employee retires the funds will be available to provide for his pension than do the first two methods. Methods three and four are thus obviously more desirable from the employee point of view, since they afford him more protection. Indeed, this is well recognized by union negotiators who in recent negotiations have demanded that pensions be funded in accordance with methods three or four.

From the management and the accounting points of view, methods three and four have the virtue of more nearly stating the true cost of pensions when the work on which they are based is being performed. Under these methods the future service cost can be expressed as a level percentage of payroll. Absolute dollar costs will then fluctuate directly with payroll rather than sometimes oppositely, with possibly embarrassing consequences, as in methods one and two. In other words, methods three and four, by preventing the expansion of any unrecorded pension cost, protectively put management on notice of the true costliness of any pension proposal.

Remember that I said at the outset that I thought that part of the accountant's opportunity and obligation, with respect to pensions, arose before any names were signed to any pension agreement. The accountant's responsibility is to point out to management the extent of the true cost of any proposed pension plan over a long period of time. The preceding discussion of the four basic methods of costing and paying for pensions shows that the accountant and actuary—with one reservation I will mention in a moment — can determine with reasonable accuracy that portion of cost which would be recognized annually over a period of years under each method. Only with this information is management in a position to measure the consequences of adopting a proposed pension plan—the effect upon the company in relation to its competitors both in and outside of its own industry and upon the economy generally. Only with the consequences measured is management able with intelligence to illuminate pension negotiations and to adopt or reject a particular pension proposal.

Yield on Investment

Once the benefits have been decided upon and the method under which the costs will be recognized has been determined, the reflection of these pension costs in the income accounts follows the pattern of other cost reflections in accordance with company accounting policy. Needless to say, good financial management will provide that any recognized pension cost not immediately payable to pensioners will be represented in funds with an insurance company or trusteed for the purpose of paying pensions when they come due. From there on the treatment of the funds becomes primarily an investment rather than an accounting problem. However, the two are by no means in separable because the investment policy as reflected in the yield on the funds has a major bearing upon the amounts the accountant must enter as cost. The bigger the yield on the invested funds the less are the accruing costs of the benefits under the plan. For example, if the future service costs have been estimated on the basis of a 2½% yield, each one-half percentage point increase in the yield will reduce those estimated costs by about 15%. If the past service cost is to be funded over a specified period this cost also would be reduced although not so greatly. If, however, it is intended merely to pay the interest on this past service cost, the higher rate which must be paid will more than offset any gain through reduction in the principal of the past service cost. I only mention these matters to indicate that, although the actual investment of pension funds is not the function of the accountant, the results of that investment nevertheless must enter into the accountant's cost calculations.

Recording Past Service Cost

Having considered the income account treatment of pension costs there then remains the problem of how to treat the unfunded past service amount. It has been proposed by some that the past service cost should be reflected as a liability in the body of the balance sheet, the offset being a reduction of net worth or some sort of deferred asset. Others would be satisfied to have it shown merely in a footnote as some sort of contingent liability. Still others believe—and I am one of them—that, since we are in what may be termed a "new era" as concerns such an item, it is preferable to move slowly and not reach hard and fast procedures until we have had an opportunity to live with the problem for a while. These latter hold that we are in a period of change as regards old age benefits under both Federal and company plans. Any amount which might be set forth in the accounts would thereby achieve an appearance of finality that might prove to be unwarranted. For example, the benefits under most company plans are tied in with Federal old age benefits, and any increase in the latter will result in a corresponding decrease in the company's pension obligation. Up to this time the accounting profession and the Securities and Exchange Commission have reached no conclusion as to a suggested disposition of this problem.

I do not wish to leave any false impression about the cost consequences of changes in the amounts of Federal old age benefits. While an increase in these benefits will cause a decrease in company paid benefits under many plans and so reduce the company's pension costs as much, it does not necessarily mean that there will be a reduction in the company's total costs. Taxes will have to be increased to support the increased public pensions or else a deficit will accumulate in the social security fund.

Employee Insurance Plans

So much then for what might be thought of as the accountant's particularized responsibilities to his company and to his profession in the matter of pensions. May I next say a few words about the problems involved in employee insurance plans? These problems, for the most part, are quite similar to those involved in pension plans. An estimate of the cost of any proposed insurance benefits is just as important as is the estimate of pension costs. In such cost determination the same factors must be considered even though the problem of past service cost is less in the case of insurance since the benefits, except for life insurance, usually carry no retroactivity. The problem of administration of insurance plans, however, is usually more complicated because of the multitude of Federal and state laws which apply to any company having employees in a number of states. It is also complicated for a company dealing with more than one union. Achievement of reasonably uniform and fair treatment of all employees requires, therefore, seemingly different plans and different administration in different localities. Then, too, when a company is dealing with several unions, each union progressively wants "a better deal" than that to which other unions have agreed. This rivalry seems more intense in the case of insurance than in the case of pensions, presumably because the benefits could apply immediately to anyone on the current payroll, whereas pensions are more remote in time and will be paid only to those who survive in the service. Most people, I guess, place higher value on immediate gain than upon ultimate benefit.

Another difficulty is that of controlling the benefits to be paid. For example, it is not difficult to determine when a man retires and to make, for all time, the one calculation needed to determine the amount of his pension; but it may be difficult to determine when and for how long a man may be actually prevented from working because of covered illness. It is for that reason that many companies have provided in their agreements with employees that the company portion of the cost of insurance benefits shall be fixed at, say, so many cents per man-hour worked. This provides a limit on its cost.

A Certain Moral Responsibility

Thus far I have adhered rather closely to the accounting aspects of pensions and insurance, concerning which I believe the accountant has a particular responsibility. There are certain other aspects of pensions, the responsibility for which the accountant shares with management and, indeed, with all thoughtful citizens.

There is no doubt that large numbers of Americans in the past 20 years have renounced in considerable measure their independent responsibility to take care of their own individual needs, each in his own way. Instead they have turned to their government and to their pressure groups in efforts to get something for nothing from each other. They have sought—and with some success—to use the power of government directly or by delegation to take from the more productive and thrifty for the benefit of the less productive and less thrifty. As Kipling put it succinctly:

In the Carboniferous Epoch,
We were promised abundance for all,
By robbing selected Peter,
To pay for collective Paul;
But, though we had plenty of money,
There was nothing our money would buy;
And the Gods of the Copybook Headings said:
"If you don't work, you die."

These matters are pertinent to one's contemplation of certain possible long-term consequences of mass pensions established under the direct or indirect compulsion of government. Can you think of a handier and more popular device for power-hungry people to employ in obtaining support than promises to take good care of people when they get old—that is, later on? The "later on" is very important to the promiser; he gets the popularity he seeks *today;* and as for paying up tomorrow—well, tomorrow is another day, and, if necessary, the currency can be debased. It has been in other times and places. In this country it already has been debased by nearly one-half since social security was first promised to numerous voters.

This brings me back to my opening comment on deficit financing, and to one reservation I made a moment ago. The accountant's calculations of pension costs and his provisions for meeting them are meaningless except on the hypothesis of "honest money"

—money whose buying power does not change very much over the years. Thus if there is a continuing debasement of the money, with resulting price and wage inflation, then the dollar amounts of pensions based, as in many company plans, upon the wage level of the last ten years of service will be greater than were provided for during the earlier years of service at lower levels of dollar wages. The dollars set aside during these earlier periods therefore may prove insufficient and have to be made up as higher costs than were previously calculated. If no money is set aside in anticipation of pensions to be paid later, then the burden of paying the pensions when they come due will be still further aggravated.

In addition to this, as we have already seen in the recent history of both company and Federal old age benefit plans, the diminishing buying power of the dollar becomes a springboard for demanding still greater dollar pensions. The greater pensions that might be granted would naturally result, as I have already explained, in retroactively creating a new and bigger past service cost.

I suppose that nearly every one, at least somewhere in the back of his mind, realizes that the maintenance of honest money is important to a country and to its welfare. What I am here pointing out is that, in the matter of pensions, the accountant has an especial reason for realizing and endorsing the need for honest money. The pension contracts, as I noted at the outset, deal with the whole life-spans of men and women.

Pension plans are arrangements announced in terms of dollars to be paid in the far future and to be provided for in the interim. Misery, unhappiness, and failure to provide the expected pension benefit in terms of the real things implicitly involved can be the results if money is not enduringly kept honest. Here then is an intangible but terribly important moral obligation that falls upon the accounting and management professions when they undertake to take care of people as they grow old and are no longer able to take care of themselves. It is an obligation to exert their utmost to make and to keep the dollar honest. I commend this last thought to your especial consideration.

Continued from first page

Will We Have Another Postwar Slump?

of the building boom of over 20 years ago; practically all the heavy industries and transportation equipment manufacturers are reporting improved business.

About the only important segment of the economy that is showing any evidences of readjustment is agriculture where prices are down about 20% from their postwar peak of 1948. In nearly every important category, however, farm crops are selling above support levels in the open market. Farm prosperity in recent years has been such that at the present time farm debt is extremely low, by any past standards. Furthermore, the number of farmers today who have liquid reserves in government bonds and bank deposits is probably higher than ever before. This continuance of extremely active and near boomtime conditions in business in the postwar period, without a serious setback, has been puzzling to many conservative and thoughtful businessmen. In fact, business is so good and prospects are so good that it is hard to believe. Business people are asking themselves how long can it last, and they are wondering if it is possible that this time there will be no postwar slump. Well, of course, I cannot answer these questions but I believe I can give you a satisfactory reason why a major slump has not yet occurred.

The reason we have not as yet had a severe deflation after World War II is because of three basic underlying factors. The first of these basic influences is that World War II has not yet really ended economically. The second is the increasing intervention by government in the economic field in one way or another in all important countries. The third is the revolutionary effect of modern technology and its influence in creating new and complicated domestic and international economic problems. The extent to which these factors are influencing and modifying our lives is not fully appreciated because they become a more or less generally accepted background to the scene we are daily viewing. Accordingly, it might be well to appraise the significance of these three factors and how they are modifying the business world of today.

Peace Has Not Been Reestablished

The first of these basic influences, namely, the fact that peace has not been reestablished five years after the shooting stopped, is of major significance and is probably more responsible than any of the other factors for the unusual trend of economic events in this so-called "postwar" world. More than anything else, it accounts for the fact that the usual readjustments following a major war have not occurred. While we ordinarily view our present day-to-day operations in terms of a peacetime economy, we are actually continuing to live under only a slightly modified war economy. Our government is spending during the present year as much as it did during any of the years of World War I and almost one-half as much as it did at the peak of spending during World War II. The billions of dollars being spent for war materials and gifts in aid to other countries increases purchasing power at home without making available comparable goods for purchase. The longer this situation continues, the more difficult will be our problem when real peace is reestablished. Currently, and for almost a decade now, we have been producing goods and services at a record-breaking pace. Because so much of this production was either for war or gift, we continue to have shortages in relation to available purchasing power, and hence creeping inflation. This situation of a country with enormous industrial productive power and accumulated food surpluses experiencing inflation has no precedent in financial history.

Politics and Economics Have Been Fused

The second of these basic influences, the current ideological approach to political and economic problems, is one that has developed gradually. Politics and economics during the past two decades have become fused in a manner never contemplated by any but a few idealists and doctrinaires 40 or 50 years ago. This mixing together of politics and economics, which manifests itself in the Welfare or Service State, is bringing about fundamental changes of a most far-reaching character. Gradually but persistently within the past few decades, the basic philosophy and character of our government has been changing. We began the great American experiment in the belief that in the economic field the market should be free from restraint and governmental control so that the demand of consumers as it manifested itself in the marketplace should be the deciding influence as to how the factors of production should be applied. The underlying idea in this respect was the Jeffersonian dictum that that government is the best which governs the least. Under the impetus of this privately controlled economy responsive to the demand of consumers, we have led the world in per capita productive capacity, and our people have achieved the world's highest standard of living. Because under this system there were periods of business recession, price declines, and unemployment, it was inevitable that strenuous efforts should be made to improve the economy so as to eliminate as much as possible these recessions which were accompanied by misery and hunger amid plenty. Increasingly, there developed the idea that the major oscillations in the business cycle with their serious social and economic consequences could be reduced or eliminated by means of public control and regulation.

Accordingly, the development from a relatively free to a controlled economy has been taking place the world over. In Europe and most other countries the proposed new system is labeled either Socialism, State Socialism, Planned Economy, or Communism. Regardless of what label it bears, the ultimate objective is State control and ownership of the instruments of production. In the United States the development in this regard has been only slightly different from the frankly socialistic or communistic approach to the problem in other countries. Instead of emphasizing public ownership, we stress public control and regulation. A benevolent government of unlimited powers promises us full employment, the abolition of poverty and depressions, and an ever-increasing national income that will be fairly distributed. Instead of minimum government, we are to have maximum government that will intervene in our everyday business transactions wherever it considers it necessary in order to accomplish its benevolent purposes. In addition, it will look after our health, education, recreation, and housing, and will supply lunches for our children while they are being educated.

The governmentally managed economy and society towards which we are now heading may not meet the scientific definition of Socialism insofar as the right to private ownership of property is concerned, but the end result so far as the traditional American concept of liberty and freedom for the individual is concerned promises to differ little from that of a totalitarian State. Already we have traveled far down this path.

We Have Managed-Money Economy

Since 1934 we have been living under what might be termed a managed-money economy. The average businessman may not be fully aware of this fact, but it is crystal-clear to every banker. There was a time when the interest rate, that is, the cost of money, was determined by its supply and demand in the market. This is no longer true. Instead, the interest rate is now fixed within limits set by our money managers—the Federal Reserve Board working in conjunction with the Treasury Department. Offhand, low interest rates may seem very desirable, until we come to realize that they are not obtained without paying a high price.

One of the concealed costs of artificially low interest rates and an abundant supply of money is the creeping price inflation which is steadily reducing the purchasing power of our past savings and of all life insurance now in force. So long as inflation takes place gradually and without explosive effects, it produces a spurious sense of prosperity and well-being. A higher price tag on your old house or automobile may make you feel good, but it is still the same old house or automobile. You cannot exchange it for a better one because the price tag on the new article has gone up even higher.

The price of most basic foodstuffs is now determined by a parity formula administered by the Department of Agriculture. No longer are the forces of the market permitted to determine these prices. The people pay for this subsidy in two ways: (1) Higher taxes, and (2) higher food costs. The full control of wages by government has already been more than 50% achieved through the enactment of the Minimum Wage Law. From a floor under wages to a ceiling above which they cannot go is but a short step. Accordingly, with money, credit, minimum wages, and basic food prices determined by political fiat, the old economic rules by which we formerly operated have been supplanted by governmental controls and intervention.

Role of Government

The new political approach to our social and economic problems, while not spelled out in any particular statute, has, nevertheless, been accepted as a responsibility by our political leaders. The government promises us full employment and prosperity. The general welfare and standard of living of the average man is to be raised. From the economic standpoint, an ever-expanding purchasing power placed in the hands of the people through governmental intervention is now an accepted political dogma of both parties. The difference between the parties is one of administrative method and incentive, rather than basic principle. When to the burden of our vast international obligations and heavy defense expenditures we add the cost of subsidies and special benefits to certain groups, sound fiscal policy receives too scant consideration. This fact coupled with already huge national debt of over $256 billion makes a continued inflationary policy not only the easiest but, politically, also the most expedient for the Administration in power, regardless of its ultimate consequences to the country.

In all past booms or periods of price inflation there has been an over-extension of credit in one or several important fields. We have had high prices and credit abuses, either in the case of farm lands, railroads, the real estate business, inventories, or in the stock market. Private credit in the present situation has given little evidence of undue expansion in any of those lines which in the past have proved most troublesome following boom periods. This time, except for instalment credit, it is government credit which shows the greatest expansion. Steady and continuous growth of instalment credit recently, in the face of full employment and high wages, is causing concern, and not without justification. The rapid growth of instalment credit, together with the evidence that accumulated war savings of the lower income groups have been largely dissipated, is significant, particularly in view of the action of prices and the full utilization of our huge productive capacity. This phenomenon obviously is directly related to causes inherent in the cold war. The most important influences which have prevented a postwar deflation, therefore, are (1) the fact that peace has not yet been established and (2) the effect of government intervention in the economic field.

Modern Technology

The revolutionary influence of modern technology is the third basic factor to be considered. The economic, political and technological world into which we were born has been revolutionized during our lifetime more than most of us fully realize. A changed world has evolved so rapidly that it is difficult for the mind to adjust and reorient itself fully to all that has occurred in the past thirty or forty years. Technological developments and advances have set such a stiff pace that it is difficult for even highly trained specialists in science to keep up with the significance of all the modern changes taking place. New products, methods, and new industries are continually appearing upon the business scene.

A statement recently made by Mr. Crawford G. Greenewalt, President, E. I. du Pont de Nemours & Co., aptly illustrates developments in the chemical field: "Sixty per cent of du Pont's sales in 1948 consisted of products that did not exist or were not in large scale commercial production in 1928, just two decades ago." This same sort of thing has been happening in one industry after another. With the development of the airplane, truck and automobile, new means of transportation have been developed. Labor-saving devices from farm to factory have freed millions of people from drudgery and have added tremendously to our ability to produce more, thus making possible an improvement in the general standard of living. Developments in the field of atomic energy now give promise of new and yet more bewildering changes in the not distant future that may be even more revolutionary than anything yet imagined. Scientific and technological progress has given impetus to challenging accepted methods and procedures in every field. Precedent-shattering developments in one sphere invariably produce repercussions over a wide expanse. New forces have become particularly potent in the field of business and government and are of major significance to businessmen.

Through interaction of these three basic forces our present economic and political situation is becoming highly complicated. As purchasing agents and those responsible for important decisions, your task now and for the future is no light one. You must now study and observe not only the supply and demand factors in the market affecting the goods required to be purchased, so as not to get caught in a squeeze play, but also keep a weather eye on national and international politics and weigh their full implications as they may affect our whole economy.

Decisive Factors in International Situation

The really decisive factors affecting business and finance in the immediate future will probably occur in the field of international politics. The very situation for which all of us are hoping and praying, namely, real peace in the world, may, when and if it is achieved, bring with it dislocations of unforeseen magnitude. We are spending for defense and aid to Europe in one form or another a combined total of more than $20 billion annually. Have you ever stopped to think what would be the effect upon American industry if international

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Will We Have Another Postwar Slump

tensions could be eased so that these expenditures could be reduced to the extent of even 50%, or $10 billion? When we remember that the total value of all passenger cars and trucks produced by the automotive industry last year was just a little over $8 billion, it requires little imagination to appreciate the tremendous impact upon American business which would result from a reduction in Federal expenditures of $10 billion.

At the moment we are riding the crest of a boom which is supported largely by (1) government spending for defense and aid to Marshall Plan countries, and (2) the automobile industry, and (3) the construction industry. It seems probable that the government spending for defense and foreign aid will last for several years, at least. But the automobile and construction industries are going to catch up with the demand for new cars and housing before long, the former probably sooner than the latter. When that time comes we may look out for an economic readjustment which may affect all industries in this country. If I were a purchasing agent I would not care to be long on inventories when either the automobile or the construction industry has caught up with demand.

When to Look for Depression

When we finally arrive at peace again we will in all probability experience a major economic readjustment just as we have after all other wars. No amount of governmental intervention or technological advancement can prevent it. These forces may serve to level off, to some extent, the peaks and valleys of the business cycle but the cycle will continue to exist and operate.

This is not the popular thing to say. It is easier to fall in line with those who tell us that depressions, or even recessions, are old-fashioned—that in this bright new world of enlightentd government it is unnecessary to have setbacks in production and employment. I am confident that down through the coming generations the people of this country, with their genius for invention and production will achieve an ever-rising standard of living. But, the chart of our progress will not be a continuous, uninterrupted upward line. There will be setbacks from time to time. Booms will be followed by recessions. No government can repeal the law of supply and demand and, despite all the Utopian schemes of men, the tides of business will continue to ebb and flow.

Now, that is not to be deplored. It is only in this way that we get rid of the wastes and inefficiencies, and the loose management practices that creep into business during boom periods when it is easy to make a profit. It is only in this way that we cleanse the economy and keep it healthy and growing and dynamic.

New York Stock Exchange Weekly Firm Changes

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

Miles J. Cruickshank will retire from Goldman, Sachs & Co. as of June 30.

Sidney T. Bailey will withdraw from partnership in Hawkes & Co. June 30.

Winfield H. Perdun retires from Laurence M. Marks & Co. as of June 30.

Transfer of the Exchange membership of the late Edward J. Reeves to Herbert B. Stranahan will be considered by the Exchange on June 29.

Public Utility Securities

By OWEN ELY

Carolina Power & Light Co.

Carolina Power & Light recently sold down to 31 and is currently around 32, making it one of the lowest-priced of the large electric utilities in the $2 dividend class. It compares with other $2 stocks as follows:

Southern California Edison	36
Consumers Power	35
Pacific Gas & Electric	35
Ohio Edison	34
Dayton Power & Light	33

The last offering of common stock was 200,000 shares on March 14 of this year, at $33.50 a share, by a syndicate headed by Merrill Lynch. The prospectus indicated that the offering would take care of 1950 construction needs, and that "the next permanent financing, probably in 1951, will be largely through the sale of bonds."

Carolina Power & Light serves portions of the coastal plain and lower Piedmont sections of the Carolinas, as well as an area in western North Carolina. The service area of the eastern territory extends from the Virginia state line on the north to within a few miles of Columbia, South Carolina on the south, a distance of approximately 250 miles, and that of the Western territory is in and adjacent to Asheville, North Carolina. Service is rendered at retail in 271 communities, including Asheville (51,000), Raleigh (47,000) and Goldsboro (17,000) in North Carolina, and Florence (16,000) and Sumter (15,874) in South Carolina, while wholesale service is rendered to 24 communities. The population figures are taken from the 1940 Federal Census. The present population in the territory now served is estimated to approximate 1,000,000, a gain of 37% since 1940.

Revenues in 1949 were 98% electric and 2% from bus operations in the city of Raleigh, but in February 1950, the bus property was sold so that the company is now on an all-electric basis.

The company's growth has been rapid; revenues increased from $12 million in 1939 to $29 million in 1949, and share earnings on the common stock grew from $1.19 to $3.37 in the same period. The territory has of course benefited by the gradual migration of the textile and furniture industries to the Carolinas, which was still in progress last year. DuPont has been building a big factory at Camden, South Carolina, to manufacture Orlon, its important new synthetic fibre which may compete heavily with wool. The Cranston Print Works Company at Fletcher, North Carolina, has been erecting a finishing plant to handle a wide variety of textile finishing work. J. P. Stephens & Company are also building a modern finishing plant at Cheraw, South Carolina. Saco-Lowell, makers of textile machinery, have built shops at Sanford, North Carolina, and United Manufacturers (makers of fine lingerie) are locating a plant at Mount Gilead, North Carolina. Colonial Stores Warehouse at Raleigh, North Carolina, built one of the largest and most modern plants of its kind in the South.

Carolina Power & Light's electric output last year was 44% hydro, 19% steam and 37% purchased (power is bought from several neighboring utilities, TVA, and the South Carolina Public Service Authority). The company is installing nearly 200,000 additional steam capacity in 1950-52 which should reduce purchased power and make the company less dependent on water conditions. Electric sales are well balanced with about 39% domestic and rural, 17% commercial and 28% industrial and 16% miscellaneous.

The benefits of cheap hydro power are passed on to residential consumers, who pay only 2.34 cents per KWH compared with the U. S. average of about 2.95 cents. Residential use approximates 2,500 KWH per annum or about 50% above the national average. Electrical dealers in the company's area last year reported appliance sales of over $23 million, an increase of 22% over 1948. Farm use of electricity, at 1,553 KWH, seems on the low side, however.

The company's equity ratio is about 25% after intangibles. Maintainence and depreciation expenses are 13% of gross, probably reasonable considering the proportion of long-lived hydro property.

In the 12 months ended April 30 the company earned $4.2 million balance for common vs. $3.4 million last year, a gain of 24%, but due to the increase in common shares from 1 million to 1.4 million, share earnings were $3.02 vs. $3.43 (if both years were figured on the present shares, earnings would be $3.02 vs. $2.45). Net income in the month of April 1950 showed a gain of only 7% over last year, which "slowing up" may be due to less favorable water conditions.

A recent psychological factor marketwise may have been the public power fight in the Carolinas, which was highlighted by a recent full-page advertisement in the New York "Times" by South Carolina Electric & Gas. Actually this is of little importance thus far, so far as earnings are concerned.

Halsey, Stuart Group Offers Miss. P. & L. Bds.

A group headed by Halsey, Stuart & Co. Inc. is offering $7,500,000 Mississippi Power & Light Co. first mortgage bonds, 2⅞% series due 1980, at 101.924%, plus accrued interest. The group won award of the issue at competitive sale Monday on a bid of 101.524% and accrued interest.

The net proceeds to be received by the company from the sale of these bonds will be used to finance in part the company's construction program and for other corporate purposes.

The bonds are redeemable at the option of the company at prices ranging from 104.93% to 100% plus accrued interest. For the sinking fund, the replacement fund, use of certain deposited cash and the proceeds of released property the bonds are redeemable at prices decreasing from 101.93% initially to 100%, plus accrued interest.

The company is one of four operating subsidiaries of Middle South Utilities, Inc., which make up a coordinated and inter-connected public utility system in parts of Arkansas, Louisiana and Mississippi. In its territory Mississippi Power & Light Co. is engaged principally in the generation, transmission and sale of electricity and in the purchase, distribution and sale of natural gas.

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Business Indexes, Stock Prices

earnings and dividends can now be matched to the stocks to which they apply. Consequently, it has seemed desirable to start the analysis afresh.

A New Index of Stock Prices

Column (1) of the accompanying table shows Standard & Poor's index of prices of 365 industrial stocks 1935-39=100, chained to the comparable Cowles Commission index in 1926. This index, I should warn you, differs considerably over the long run from your familiar Dow-Jones averages as has been pointed out by the Cowles Commission. Today, in particular, let us notice that whereas the Dow-Jones averages reached 386 in 1929, and is now only 223, the Standard & Poor's index reached 198 in 1929, and is currently near 160. Thus, another 25% rise would put the Standard and Poor's index at its 1929 high, whereas nearly a 75% rise would be needed to put the Dow-Jones average at its 1929 high. Such long-term differences are due in part to the fact that the larger index includes aggressive companies that have done better than the old stodgy ones, but also importantly to the choice of weights. For example, in the Dow-Jones average, General Motors with a market value of about $4 billion and selling at about $90 per share is averaged without weighting with Loew's, having a market value of about $80 million and selling at $16. In both the Cowles Commission and the Standard & Poor's indexes the weights are proportional to the shares outstanding.

Column (2) shows earnings on industrial stocks on a 1935-1939=100 base comparable to the base of the price index. You will see that there is a rough correlation or agreement between this earnings index and stock prices. Notice, however, that in 1921, and in 1932 when earnings were negative, stock prices of course had residual values. In 1919, 1923 to 1928, 1940 to 1943 and 1946 to date, earnings have been well above the levels of stocks. Notice, in particular, that the large industrial corporations turned in good earnings records in 1949 despite our business recession and, shall I say, our mild market panic. The correlation with bond yields, if any, must be chiefly a matter of long-term trend because both have primarily moved in such a trend; that is, over the short run bond yields have had little influence on stock prices.

Capitalized Earnings and Stock Prices

Column (5) shows the earnings index divided by bond yields and the ratio, of course, placed on a 1935-1939=100 base. This correlation is somewhat better than the previous one with earnings alone. John Maynard Keynes thus may have been wrong in referring to the stock market as a game of musical chairs. In particular, the 1919 period is brought into line. Interestingly enough, the capitalized earnings index leads the way down in the great depression of 1929-1933. For the entire prewar period the relationship is relatively close until 1940. Then for six years capitalized earnings were well above the stock prices. The two indexes came in line for a while in 1945-46, only later to diverge substantially. Notice that if capitalized current earnings were the sole key to stock prices, the market today as measured by the Standard & Poor's index would be selling at more than twice its current value. The fact that the spread is so large currently, of course, leads one to look for reasons. One possibility is that the corporation's have not paid out dividends in the same proportion to earnings as in prewar days.

Columns (3) and (4) show dividends and bond yields on a 1935-1939=100 base. You will notice again that there is a reasonably close relationship between dividends and stock prices, although dividends tend to lag prices. In short, the stock market has had no trouble anticipating what dividends will be. This, of course, is understandable since earnings are known and directors tend to be guided in their dividend policies by past earnings.

You will notice from column (3) that the dividend index is sometimes ahead and sometimes behind the stock price index. For example, one using this index of dividends from 1920-1927 would have caught the whole bull market of that period. He might have been tempted to sell in stocks in 1928 or 1929 because prices were well above the dividend index, but he would probably have missed the entire bear market from 1933-1939 because dividends lagged stock prices. In this period stock prices always seemed cheap relative to dividends. He would have also missed a good part of the subsequent bull market of 1933-1936. In short, it would seem that dividends alone are not the answer.

Column (6) shows dividends divided by bond yields, the ratio put on a 1935-1939=100 basis. Curiously enough the relationship is only fair and not quite as good as the one using dividends alone. However, for some periods, the index gives better results than earnings divided by bond yields. This fact naturally suggests an average of earnings and dividends, and, of course, such averaging would not conflict with common sense.

Column (7) shows a simple average of earnings and dividends divided by AAA corporate bond yields placed on a 1935-1939=100 base. The ratio line is somewhat smoother than earnings divided by AAA bond yields and gives a reasonably good measure of the market trend and level. It is currently at a lower level (than earnings alone divided by bond yields). The Standard & Poor's index on this basis alone would be worth more than twice what it is selling at today.

Present Market Level Explanation

In short, there is no way to explain current low market levels on the basis of past relation of earnings, dividends and interest rates. At such a point one can always introduce subjective factors as (a) lack of confidence in the permanence of earnings, (b) the growing importance of savings in forms not suitable for stock market participation, and (c) the trend toward socialism. Under the first, one can include the threats of war and higher corporate taxes, and fear of deflation by the monetary authorities as it developed in 1920, 1929, 1937 and 1949. The second is probably a factor which has not yet been given sufficient attention. If this hypothesis is correct, the action of New York State in legalizing common stocks for investment of part of trust funds is an important step in the right direction. Perhaps life insurance companies ought also be allowed to make capital stock investments, although enterprising companies like Equitable seem to be able to find risk outlets for their savings.

As to the question of socialism I shall not venture an opinion. It has seemed to me as an amateur political scientist that the world has been moving away from socialism for well over a year. What we need to do to assure the capitalistic future of this country is to cut down government spending on all fronts.

A few more hypotheses of the effects of business on stock prices should perhaps be tested. One of these is the possible relationship of the market to the FRB index of industrial production. I am always annoyed when an analyst compares a unit volume index, like the Federal Reserve Board of Industrial Production with a dollar index like the Stock Market. A better relationship from a theoretical point alone would be the value of manufacturing production, that is, the FRB production index times prices of, say, manufactured products.

Column (8) shows production tracing the broad outline of the market but failing to go high enough at the top or low enough at the bottom. The reason for the correlation is that commodity prices more or less keep pace with production except at the top and bottom. All of you know that as production approaches capacity prices step upward. You also know that at the bottom of business cycles it is customary for business to give away its product. Consequently, we have a stock market well above the level indicated by production when production is near capacity as in 1929-1937 and well below when there is much idle capacity as in 1921 and 1932-1934.

All during the war the market was low relative to production. One answer is that the OPA held prices down.

The period 1946-1949 is particularly interesting since in those years of inflation the percentage of earnings paid out as dividends dropped. This was a period of extremely high capital expenditures in the face of an unfavorable new capital market. Moreover, it was a period for which the quality of earnings was not good. For the average company about 15% of taxable earnings represented appreciation of inventory. These earnings actually cost the stockholder money for the government demanded that the tax on inventory appreciation be paid in cash. In this same period, under-depreciation of capital assets, a result of the inflation and our way of keeping books, contributed to the higher level of paper profits. This form of profit was also a liability to the stockholder. In 1949 the inflation was checked and at least one of these forms of paper profits was eliminated. Once again corporations showed what they could earn without inflation.

During the war the excess profits tax, of course, had a great deal to do with putting stock prices below the level indicated by production alone. The high corporate tax in the postwar today also provides a reason for the market selling low relative to production. But as I have just said I really do not like the idea of comparing production, a unit index, with stock prices, a dollar index. It is too much like saying the volume of a body is determined by its area alone.

New Order Index

I show you another such a mugwump which compares combined new order with stock prices. You will notice that this new order index turns earlier than production. It has, in fact, led some important stock price movements. An index of this kind and its behavior through 1939 led John Burr Williams of Harvard University, in 1939, in his book, "The Theory of Investment Value," to write:

"Unless it can be proved that stock prices turn up or down before any other business index, it cannot be maintained that the stock market foresees the future of business with the help of nothing, but its own supernatural intuition; while if something else can be found that moves as soon as stocks, or even sooner, then this soothsayer will stand convicted of quackery, and the trick of its prophecies will be seen to be simple enough for anyone to use. This last is in fact the case; there does exist a business series, to be described below, that moves as soon as, or even sooner than, stocks, and one which any novice can follow if he can only get access to it. Hence we must conclude that the speculative fraternity as a class has no greater ability to foresee business conditions than have well-informed traders as individuals.

"The business series referred to above, which moves even sooner than stocks, and which displays even longer forecasting power, is called 'Orders Received,' or 'Bookings.' It leads all other series in the business cycle. Why should it not? Orders must be booked by the salesmen before goods can be made in the factories, or receivables financed by the banks. Naturally, orders move first, business volumes next, and interest rates last. Stock prices only do their best to keep up with orders."

Some years ago we discovered that there seemed to be some relationship between the stock market and the speculative non-durable goods markets, such as textiles, clothing, and manufactured food. A little investigation showed that many of the manufacturers in this field were active stock market operators, and that the average small merchant or public investor around the country was apt to appraise the business outlook in terms of his outlook for these goods. Consequently, we were led to compare the direction of an index of consumers' non-durable goods new orders with the direction of the stock market. An index of new orders for consumers' non-durable goods is shown in Column (10). If this index does have any significance, for stock prices, it is probably an indirect one. It is, for example, conceivable that the index is a good measure of what the small businessman as a part of the investing public thinks business will be. Whether he is right or not in this appraisal of the business outlook is a matter to be determined by later developments. He acts today on his belief, right or wrong though it may be. We do know that frequently he is wrong. This supposition fits the observed facts about stock market movements, for all of you know that the market frequently moves contrary to the true business outlook.

Those of you who lean to price charting will be interested to know that in June, 1929, new orders for consumers' non-durable goods broke through the bottom trend for the preceding 18 months on the down-side. The new orders did not break through the upper trend of similar length until June of 1931. Since by August of the same year this movement was arrested, only a short-lived stock market rally developed. The next breakout on the up-side occurred about September, 1932, which of course, was a good time to begin making long-term commitments. From time to time I have amused myself by applying the techniques of chart reading to the index of new orders for consumers' non-durable goods as a forerunner of stock price movements. Interestingly enough the index gave a signal on the down-side in July, 1946, which I was too willing to disregard. It indicated an oscillating market throughout 1947 and the first half of 1948. It broke a two-year bottom trend on the down-side in August of 1948, whereas it broke a three-year top trend on the upside late in July, 1949.

Now that I have told you about this index, I should at least tell you what has happened during the past year and what the outlook is. On June 10, 1949, a year ago, our Institute reported that non-durable goods new orders had turned up the week before. The week saw the low of the 1946 market. Non-durable goods new orders rose sharply in June, July, August and September, 1949, as did the stock market. In December new orders for non-durable goods dropped about 7% and early in January, 1950, the stock market experienced a mild set-back. These new orders were steady from January through March, a period when new orders for capital goods which are fundamentally of more value in determining the true business picture were rising sharply. The market went up and the street gossip is that long-term investors were buyers on balance while the public were sellers. In April, 1950, new orders for non-durable goods dropped, the public was a seller of stocks, but new orders for capital goods rose sharply and the long-term investor took the offerings. For about six weeks both new orders series have been rising and further rises are indicated for 1950 and 1951.

STOCK PRICES, EARNINGS, DIVIDENDS, BOND YIELDS, PRODUCTION AND NEW ORDERS, 1935-1939=100

Year	(1) Standard & Poor's 365-Stock Industrial Price Index	(2) Earnings on Industrial Index	(3) Dividends on Industrial Index	(4) Moody's AAA Bond Yield	(5) Earnings ÷ AAA Bond Yield	(6) Dividends ÷ AAA Bond Yield	(7) Average of Columns (5) and (6)	(8) Federal Reserve Index of Industrial Production	(9) Combined New Orders	(10) New Orders For Consumers' Non-Durable Goods	(11) New Orders For Capital Goods
1919	65.6	121.6	78.0	168.3	71.7	45.9	58.8	72	70.9	69.1	102.5
1920	59.8	118.3	75.9	187.6	62.6	40.1	51.4	75	67.0	60.5	82.5
1921	46.7	—4.6	62.6	183.0	—2.5	33.9	15.7	58	61.9	61.2	40.9
1922	58.4	69.6	72.0	156.3	44.1	45.6	44.8	73	78.2	70.8	88.1
1923	60.1	105.5	74.5	156.9	66.7	47.0	56.8	88	82.5	72.6	110.9
1924	62.9	96.6	75.7	153.2	62.6	48.9	55.8	82	82.6	72.5	96.4
1925	79.9	147.0	87.2	149.6	97.5	57.7	77.6	90	92.1	78.6	111.3
1926	90.3	141.6	108.5	145.0	96.9	74.1	85.5	96	94.3	79.5	118.2
1927	107.0	126.3	115.8	140.1	89.5	81.9	85.7	95	96.8	83.0	112.5
1928	139.4	160.6	122.2	139.5	114.3	86.8	100.6	99	102.8	89.9	132.3
1929	171.1	177.2	143.3	145.0	121.2	97.9	109.6	110	108.7	94.0	142.5
1930	127.0	93.8	129.6	139.5	66.8	92.0	79.4	91	94.3	83.2	92.2
1931	78.5	27.7	104.8	140.4	19.6	73.9	46.8	75	80.1	76.0	60.3
1932	41.8	—3.9	63.1	153.6	—2.5	40.7	19.1	58	64.2	63.1	33.8
1933	59.9	31.5	48.9	137.6	22.7	35.1	28.9	69	68.8	84.0	42.0
1934	73.4	50.9	58.0	122.6	41.2	46.8	44.0	75	73.2	81.4	65.4
1935	82.2	76.0	66.3	110.3	68.3	59.5	63.9	87	84.8	91.1	83.4
1936	115.2	116.5	112.8	99.3	116.4	112.5	114.4	103	100.8	100.9	112.0
1937	118.1	127.8	133.0	99.9	126.5	131.4	129.0	113	106.9	104.6	132.3
1938	90.1	73.0	82.3	97.8	74.1	83.3	78.7	89	99.2	97.8	82.2
1939	94.8	106.8	105.5	92.3	114.9	113.2	114.0	109	113.4	113.2	133.7
1940	87.9	136.8	119.3	87.0	156.0	135.6	145.8	125	142.5	112.0	176.7
1941	80.4	150.6	129.4	84.9	176.0	150.8	163.4	162	185.8	133.8	292.7
1942	71.3	108.6	103.0	86.7	124.2	117.6	120.9	199	256.9	113.8	413.9
1943	94.1	108.3	108.0	83.7	128.4	127.8	128.1	239	234.9	109.4	388.5
1944	101.7	109.7	114.0	83.4	130.6	135.4	133.0	235	209.9	105.6	308.0
1945	123.3	116.6	117.9	80.3	144.1	145.4	144.8	203	145.3	116.0	189.1
1946	143.4	151.4	131.7	77.5	193.7	168.1	180.9	171	184.5	150.1	297.7
1947	128.0	240.0	161.7	80.0	297.7	200.1	248.9	187	187.1	148.8	259.3
1948	130.6	327.4	177.5	86.4	375.9	203.4	289.6	192	188.3	148.4	255.6
1949	127.6	335.8	223.6	81.5	408.7	271.5	340.1	176	173.3	149.7	193.8

$65,000,000 General State Authority of Pennsylvania Bonds Publicly Offered

An underwriting group headed by Halsey, Stuart & Co. Inc. is making public offering today (Thursday) of $65,000,000 principal amount of The General State Authority of the Commonwealth of Pennsylvania Second Series, Serial Bonds, priced to yield from 1.05% to 2%, according to maturity. The bonds mature July 15, 1953 through 1977. The group won award of the bonds at competitive sale yesterday by naming a net interest cost of 1.8414237% for a combination of 1⅛s, 1¼s, 1⅜s, 1½s, 1⅝s, 1¾s and 2s.

Proceeds from the sale will be deposited in the Authority's Project Fund which will be applied to the construction of various projects to meet the need for adequate hospital facilities for the indigent, psychiatric and tuberculosis patients, for improvements in certain penal institutions and for additional State police barracks, for desilting and purifying the Schuylkill River, for expanding the State's parks and recreational facilities, and for improving State teachers' colleges and Pennsylvania State College.

The bonds are redeemable on or after July 15, 1952, upon payment of principal amount and accrued interest plus a premium of ¼ of 1% of principal amount for each year or fraction of a year from the date fixed for redemption to the date of maturity, but not in any case to exceed 3%.

In the opinion of counsel, interest on the bonds will be exempt from present Federal income taxation under existing statutes and decisions. The General State Authority Act of 1949 provides that the bonds, their transfer, and the income therefrom including any profits made on the sale thereof, will be exempt from taxation (other than inheritance and estate taxes) within the Commonwealth of Pennsylvania.

Under the General State Authority Act of 1949 a total of not to exceed $175,000,000 of bonds was authorized to be issued. There have been issued and are now outstanding $30,000,000 First Series, Serial Bonds, dated July 15, 1949, maturing serially on July 15 of each year, commencing on July 15, 1952, and ending July 15, 1974.

With Wm. R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Frank G. Plaisted has become affiliated with William R. Staats Co., 111 Sutter Street. He was formerly Salinas manager for Mitchum, Tully & Co.

Portland Traders Visit Plant

In the photograph from left to right are: Thomas W. Delzell, Chairman of the Board of Portland General Electric; Richard Langton, Secretary-Treasurer of Security Traders Association of Portland; Russell McJury, Vice-President STAP; E. T. Parry, President STAP, and James H. Polhemus, President of PGE.

PORTLAND, Ore.—For the past several years the Securities Traders Association of Portland has undertaken a program consisting of a series of tours through many of the local corporations. The result has been that the men in the Securities field, including many who have entered this business since the war, have become more familiar with the policies and management of the concerns in whose securities they are actively dealing.

Most recent of these trips was through the interesting facilities of the Portland General Electric Company with approximately 100 men attending. The trip concluded with a dinner at which time the top management of the company discussed their operations and policies and answered the questions of the securities people present.

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 25	101.2	101.1	101.8	84.4
Equivalent to—					
Steel ingots and castings (net tons)	June 25	1,929,100	1,927,200	1,940,600	1,555,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	June 10	5,305,450	5,204,500	5,118,150	4,930,750
Crude runs to stills — daily average (bbls.)	June 10	¶5,524,000	5,683,000	5,427,000	5,153,000
Gasoline output (bbls.)	June 10	19,029,000	19,055,000	18,264,000	17,641,000
Kerosene output (bbls.)	June 10	1,916,000	2,221,000	2,047,000	1,617,000
Gas, oil, and distillate fuel oil output (bbls.)	June 10	6,961,000	7,187,000	7,177,000	5,711,000
Residual fuel oil output (bbls.)	June 10	7,307,000	7,517,000	7,707,000	8,305,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 10	119,249,000	121,087,000	125,851,000	117,434,000
Kerosene (bbls.) at	June 10	18,499,000	17,369,000	13,916,000	22,006,000
Gas, oil, and distillate fuel oil (bbls.) at	June 10	45,230,000	42,449,000	38,139,000	60,402,000
Residual fuel oil (bbls.) at	June 10	39,192,000	38,991,000	39,255,000	65,901,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 10	795,852	703,537	*711,819	808,156
Revenue freight received from connections (number of cars)	June 10	637,154	614,700	*603,854	607,960
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 15	$277,411,000	$226,729,000	$206,029,000	$150,842,000
Private construction	June 15	180,447,000	128,391,000	101,956,000	71,415,000
Public construction	June 15	96,964,000	98,338,000	104,073,000	79,427,000
State and municipal	June 15	75,547,000	71,760,000	91,963,000	62,029,000
Federal	June 15	21,417,000	26,578,000	12,110,000	17,398,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 10	10,790,000	9,291,000	9,970,000	13,069,000
Pennsylvania anthracite (tons)	June 10	863,000	695,000	999,000	1,326,000
Beehive coke (tons)	June 10	122,300	156,100	84,900	102,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 10	302	*261	303	233
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 17	6,011,674	5,920,827	5,344,561	5,372,600
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 15	178	164	199	196
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 13	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	June 13	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	June 13	$39.58	$40.92	$32.42	$20.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 14	22.200c	22.200c	19.200c	16.200c
Export refinery at	June 14	22.425c	22.425c	19.425c	16.425c
Straits tin (New York) at	June 14	78.000c	78.500c	76.750c	103.000c
Lead (New York) at	June 14	12.000c	12.000c	11.250c	12.000c
Lead (St. Louis) at	June 14	11.800c	11.800c	11.050c	11.850c
Zinc (East St. Louis) at	June 14	15.000c	14.500c	11.500c	9.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 20	102.13	102.42	102.58	101.66
Average corporate	June 20	115.63	115.63	115.82	113.12
Aaa	June 20	120.84	120.43	120.84	118.80
Aa	June 20	119.20	119.20	119.20	117.40
A	June 20	115.24	115.24	115.43	112.37
Baa	June 20	107.98	108.16	108.52	104.66
Railroad Group	June 20	110.52	110.52	110.83	107.80
Public Utilities Group	June 20	116.61	116.61	116.80	114.46
Industrials Group	June 20	120.02	119.82	120.02	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 20	2.34	2.32	2.31	2.38
Average corporate	June 20	2.87	2.87	2.86	3.00
Aaa	June 20	2.61	2.63	2.61	2.71
Aa	June 20	2.69	2.69	2.69	2.78
A	June 20	2.89	2.89	2.88	3.04
Baa	June 20	3.28	3.27	3.25	3.47
Railroad Group	June 20	3.14	3.14	3.12	3.29
Public Utilities Group	June 20	2.82	2.82	2.81	2.93
Industrials Group	June 20	2.65	2.66	2.65	2.78
MOODY'S COMMODITY INDEX	June 20	395.2	393.6	387.9	338.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 10	220,543	254,251	186,417	153,108
Production (tons)	June 10	214,497	193,563	211,915	165,729
Percentage of activity	June 10	94	83	93	79
Unfilled orders (tons) at	June 10	400,731	395,433	377,831	272,243
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 16	120.3	120.7	120.5	123.3
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	June 3	19,784	28,213	33,804	16,730
Number of shares—Customers' total sales	June 3	606,152	871,861	1,057,132	454,131
Dollar value	June 3	$26,356,196	$37,572,054	$42,327,446	$16,766,078
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 3	22,044	32,303	37,284	15,119
Customers' short sales	June 3	203	153	258	215
Customers' other sales	June 3	21,841	32,456	37,026	14,904
Number of shares—Customers' total sales	June 3	611,770	891,602	1,079,127	421,104
Customers' short sales	June 3	7,730	5,738	9,989	7,808
Customers' other sales	June 3	604,040	885,864	1,069,138	413,296
Dollar value	June 3	$24,267,510	$35,608,478	$39,598,777	$14,350,763
Round-lot sales by dealers—					
Number of shares—Total sales	June 3	175,300	301,690	343,520	146,480
Short sales	June 3	------	------	------	------
Other sales	June 3	175,300	301,690	343,520	146,480
Round-lot purchases by dealers—					
Number of shares	June 3	190,010	260,930	332,130	154,820
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 13	156.7	157.4	155.9	154.9
Farm products	June 13	164.5	166.4	164.7	169.7
Grains	June 13	168.7	171.1	172.8	157.2
Livestock	June 13	222.5	225.7	220.3	213.1
Foods	June 13	161.0	163.2	160.5	163.1
Meats	June 13	239.2	243.9	235.6	231.5
All commodities other than farm and foods	June 13	148.3	148.2	147.5	145.7
Textile products	June 13	135.8	135.7	135.4	139.4
Fuel and lighting materials	June 13	133.0	132.8	132.6	129.8
Metals and metal products	June 13	173.2	*172.9	170.3	167.6
Building materials	June 13	200.7	*199.8	198.0	192.0
Chemicals and allied products	June 13	114.1	114.9	116.5	116.6

*Revised figure. ¶Includes 439,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of May:			
New England	$34,576,531	$19,627,615	$15,743,360
Middle Atlantic	136,585,976	98,742,832	71,679,066
South Atlantic	45,712,850	41,605,035	36,416,666
East Central	111,838,224	96,407,895	66,694,490
South Central	80,891,868	69,215,152	43,937,872
West Central	47,637,287	39,652,123	18,772,574
Mountain	14,781,900	13,188,647	11,488,857
Pacific	96,879,403	67,539,252	65,848,188
Total United States	$568,904,044	$445,978,656	$330,581,073
New York City	86,101,764	57,723,455	38,898,663
Outside of New York City	482,802,280	388,255,201	291,682,405
COAL OUTPUT (BUREAU OF MINES)—Month of May:			
Bituminous coal and ignite (net tons)	†45,158,000	†45,698,000	*47,795,000
Pennsylvania anthracite (net tons)	†4,356,000	*3,355,000	4,403,000
Beehive coke (net tons)	†449,000	*413,400	534,100
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of May 31 (000's omitted)	$250,000	$257,000	$219,000
COPPER INSTITUTE—For month of April:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	83,023	*83,782	81,258
Refined (tons of 2,000 lbs.)	112,383	103,293	98,139
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	113,637	101,729	32,566
Refined copper stocks at end of period (tons of 2,000 lbs.)	51,020	57,028	128,441
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of May	723,827	711,511	580,476
In consuming establishments as of May 27	1,629,239	1,759,305	1,276,475
In public storage as of May 27	6,378,721	7,369,343	5,080,004
Linters—Consumed month of May	133,595	131,056	126,503
In consuming establishments as of May 27	303,956	353,931	290,311
In public storage as of May 27	143,235	119,100	93,601
Cotton spindles active as of May 27	20,229,000	20,043,000	19,856,000
FAIRCHILD PUBLICATION RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED AS OF JUNE 1):			
Composite index	137.3	137.1	138.9
Piece goods	127.3	127.2	133.0
Men's apparel	138.7	138.7	139.5
Women's apparel	130.1	129.9	132.5
Infants' and children's wear	129.3	129.3	130.4
Home furnishings	146.5	146.2	147.3
Piece goods—			
Rayons and silks	112.8	112.9	120.6
Woolens	138.2	138.2	140.3
Cotton wash goods	146.6	146.0	151.0
Domestics—			
Sheets	167.3	167.0	170.3
Blankets and comfortables	142.8	142.8	141.9
Women's apparel—			
Hosiery	102.1	102.2	105.5
Aprons and housedresses	141.9	141.9	142.4
Corsets and brassieres	130.8	130.8	132.4
Furs	133.8	133.4	142.4
Underwear	133.0	133.0	136.5
Shoes	140.3	140.4	140.7
Men's apparel—			
Hosiery	139.8	139.7	139.7
Underwear	151.9	151.9	154.3
Shirts and neckwear	129.5	129.5	129.8
Hats and caps	127.2	127.2	127.9
Clothing, including overalls	131.3	131.3	132.0
Shoes	167.7	168.2	168.5
Infants' and children's wear—			
Socks	130.4	130.4	131.5
Underwear	118.9	118.9	120.1
Shoes	143.5	143.7	144.6
Furniture	146.8	146.8	148.5
Floor coverings	161.5	159.4	156.6
Radios	117.9	117.9	118.9
Luggage	128.3	128.3	130.1
Electrical household appliances	138.4	138.4	141.3
China	132.9	132.8	135.7
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of May:			
Deliveries (number of cars)	2,193	971	9,525
Backlog of orders at end of month (number of cars)	42,300	32,857	52,281
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of April (1935-39 average=100)	†111.7	†118.3	121.7
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of May	£160,476,000	£6,669,000	£15,683,000
NEW YORK STOCK EXCHANGE—As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debt balances	$1,175,076	$1,084,257	$559,748
Credit extended to customers	64,044	50,581	67,012
Cash on hand and in banks in U. S.	302,949	210,958	283,274
Total of customers' free credit balances	657,163	678,232	534,753
Market value of listed shares	85,624,659	82,415,209	64,146,599
Market value of listed bonds	125,352,730	125,497,127	132,028,543
Member borrowings on U. S. Govt. issues	140,820	125,975	164,115
Member borrowings on other collateral	771,346	680,214	330,809
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of April (000's omitted):			
Savings and Loan associations	$393,677	$402,592	$286,587
Insurance companies	107,966	108,954	79,882
Banks and Trust companies	235,403	245,970	191,424
Mutual Savings banks	66,945	60,738	52,972
Individuals	173,926	184,411	168,694
Miscellaneous lending institutions	193,231	218,979	142,464
Total	$1,171,148	$1,221,644	$922,023
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May:			
Net sales	$1,925,750	------	$54,659,950
Net purchases	------	$1,123,500	------
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of June 1, 1950:			
Winter wheat—Production	710,156,000	689,595,000	901,668,000
Rye—Production	22,446,000	20,904,000	18,697,000
ZINC OXIDE (BUREAU OF MINES)—Month of April:			
Production (short tons)	18,351	20,680	Not avail.
Shipment (short tons)	17,213	16,608	Not avail.
Stocks at end of month (short tons)	15,644	14,506	Not avail.

*Revised. †Preliminary figures.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• **Alabama Gas Corp.**
June 12 (letter of notification) 1,479 shares of ($2 par) common stock, at $8.30 per share, to be offered pro rata to stockholders. No underwriter. Proceeds to construct improvements. **Office**—1918 First Ave., North, Birmingham 3, Ala.

Allied Electric Products, Inc. (6/28-30)
May 24 filed 160,000 shares of 45 cent cumulative convertible 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**—To repay bank loans and accounts payable, for machinery, equipment and other corporate purposes.

American Cladmetals Co. (6/22-23)
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 this week.**

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.

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.
May 23 filed 155,000 shares of cumulative preferred stock (par $100). **Proceeds**—To be applitd 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; and (b) the carrying forward of the company's construction program. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of $100.003 per share, with a $4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12.

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.

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.

• **Botany Mills, Inc.**
June 19 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At approximate market ($8 per share). **Underwriter**—Lamont & Co., Boston, Mass. **Proceeds**—To selling stockholder.

• **Cameron (Wm.) Co. (7/12)**
June 14 filed 179,833 shares of capital stock (par $7), of which 120,833 will be sold to the public and 59,000 offered to employees. Of the total offering, 91,333 shares will be sold by the company and 29,500 by three stockholders. **Underwriter**—Reynolds & Co., New York. **Price**—To be filed by amendment on offering to public; $16.95 per share for stock to employees. **Proceeds**—To reduce a loan and for general corporate purposes. **Business**—Distributor of building materials.

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.

• **Caspers Tin Plate Co., Chicago, Ill. (7/3-7)**
June 16 filed 150,000 shares of common stock (par $1), of which 50,000 shares are to be sold by company and 100,000 shares by three stockholders. **Price**—To be filed by amendment. **Underwriters**—F. Eberstadt & Co. Inc. and Shillinglaw, Bolger & Co. **Proceeds**—Proceeds to company, together with term loan of $1,000,000 from insurance firm, will be used to pay existing long-term obligations and the balance to be used as working capital.

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 Credit Corp., Washington, D. C.
June 2 (letter of notification) 3,000 shares of class A common stock (par $12.50) and 1,000 shares of class B common stock (par 25 cents), to be sold in units of three shares of class A stock and one share of class B stock. **Price**—$44.50 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—For general funds. **Office**—1707 Eye St., N. W., Washington, D. C.

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.

• **Claussner Hosiery Co., Paducah, Ky.**
June 11 (letter of notification) 15,948 shares of common stock. **Price**—$12 per share. **Underwriters**—Stein Bros. & Boyce, Louisville, Ky. **Purpose**—For general business purposes.

Coca-Cola Bottling Co. of St. Louis
June 5 (letter of notification) 2,800 shares of common stock (par $1) to be sold at $30 per share by Willard R. Cox, President. **Underwriters**—G. H. Walker & Co. and Wm. F. Dowdall & Co., St. Louis.

• **Combined Wheels Corp., Denver, Colo.**
June 14 (letter of notification) 50,000 shares of common stock (no par) and 50,000 shares of common stock (par $1). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For plant equipment, leases and operating capital. **Office**—2686 Newland St., Denver 14, Colo.

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 201,300 shares of common stock (par $5) of which 38,700 shares are first to be offered to common stockholders on a share-for-share basis. **Underwriters**—Scott & Stringfellow and Anderson & Strudwick, Richmond, Va. **Price**—To stockholders $8.87½ per share and to public $10 per share. **Proceeds**—To build a pipeline, to cover financing costs and provide working capital. Statement effective June 15.

(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.

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.

• **Duplan Corp.**
June 19 (letter of notification) 3,000 shares of common stock (no par). **Price**—At market on New York Stock Exchange ($12.75 per share on June 8, 1950). **Underwriter**—Dominick & Dominick to act as brokers. **Proceeds**—To selling stockholder.

Eastern Stainless Steel Corp. (6/27)
June 7 filed 100,000 shares of capital stock (par $5) to be offered to stockholders of record June 27 at the rate of five new shares for each 16 held; rights to expire about July 12. **Underwriter**—Allen & Co., New York. **Price** — To be filed by amendment. **Proceeds**—To pay bank loans and for working capital. **Business**—Stainless steel plates and sheets.

Equitable Gas Co. (6/26-30)
June 14 (by post effective amendment) filed $11,000,000 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.; Lehman Brothers; 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 late this month.

• **Even-Air Corp., New York City**
June 16 (letter of notification) 85,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—To promote sales, pay expenses and for working capital. **Office**—464 11th Avenue, New York 18, N. Y.

• **Fedders-Quigan Corp., Maspeth, L. I., N. Y.**
June 21 filed 103,402 shares of cumulative preferred stock (par $50) convertible into common stock prior to July 1, 1960, to be offered to common stockholders on basis of one share for each 12 common shares held. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York, **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital. Expected in mid-July.

• **Fifty Grand Co., Chicago, Ill.**
June 13 (letter of notification) up to $150,000 of interests in a limited partnership. No underwriter. Proceeds to produce "Fifty Grand," a musical production.

• **First Security Corp. of Nevada, Reno, Nev.**
June 14 (letter of notification) 50,000 shares of common capital stock (par 10 cents). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To buy instalment sales contracts and for investment in selected common stocks of other corporations. **Office**—511 W. 3rd St., Reno, Nev.

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) 79,050 shares of common stock (par 50 cents) to be offered first to common stockholders. **Price**—$1 per share to stockholders and $1.25 to public. **Underwriter**—None. **Proceeds**—For working capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave., Wilkes-Barre, Pa.

Front Range Mines, Inc. (6/26-30)
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
May 26 filed 600,000 shares of no-par common stock, being offered by International Hydro-Electric System, first in exchange for International's matured and partially retired 6% debentures (offer to expire June 26) 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**—$18.38½ per share. **Proceeds**—To be applied to retirement of all 6% debentures not exchanged. No proceeds to Gatineau. Statement effective June 14.

• **General Computing Machines Corp.**
June 14 (letter of notification) 50,000 shares of common stock (par 1c) and an option to purchase between June 16, 1951 and June 15, 1953, a maximum of 10,000 shares. **Price**—$3.75 per share and $50 for option. **Underwriter**—Suplee, Yeatman & Co., Inc., Philadelphia, Pa. **Proceeds**—For working capital, including the purchase of completed machines from Air Associates, Inc.

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 Glaze Corp., Baltimore, Md.**
June 2 (letter of notification) 25,000 shares of 5% preferred stock (par $5) and 50,000 shares of common stock (par 20 cents). **Price**—Of preferred, $5.60 per share and common at par. **Underwriter**—John C. Legg & Co., Baltimore, Md. **Proceeds**—To purchase machinery and equipment and for working capital. This item corrects one appearing in our June 15 issue. Placed semi-privately on June 9.

General Radiant Heater Co., Inc.
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. Expected this month.

General Telephone Corp. (6/27)
June 12 filed 199,350 shares of common stock (par $20) to be offered to common stockholders of record June 27 next, 199,350 additional common shares in the ratio of one new share for each six shares held. Rights will expire July 12. The offering will include an oversubscription privilege. **Price**—To be filed by amnedment. **Underwriters** — Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Mitchum, Tully & Co. **Proceeds** — To purchase additional common stock of operating subsidiaries, and to make advances to these companies pending the permanent financing of new construction.

• **Geneva Telephone Co., Geneva, Ohio**
June 13 (letter of notification) $25,000 of 15-year 3¼% series A first mortgage bonds, due 1964. **Underwriter**—The Ohio Co., Columbus. **Proceeds**—To purchase equipment.

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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.

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.

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.

● **Grayson-Robinson Stores, Inc.**
June 14 (letter of notification) 6,748 shares of common stock (par $1), of which 1,900 shares sold in February and March on the New York Stock Exchange are the subject of a recission offer, and the balance to be sold through members of such exchange. **Price**—For 1,900 shares, $16.27 average per share, and for 4,848 shares $14.25 per share (approximate market). **Proceeds**—To selling stockholder.

● **Growth Companies, Inc., Philadelphia, Pa.**
June 20 filed 300,000 shares of common capital stock. **Underwriter**—Growth Companies Management Corp., Philadelphia, Pa. **Business**—An investment company.

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.

● **Haloid Co., Rochester, N. Y. (7/7)**
June 16 filed 47,183 shares of common stock (par $5) to be offered common stockholders of record July 6 on basis of one share for each three shares held. Rights will expire July 24. **Underwriter**—The First Boston Corp. **Price**—To be filed by amendment. **Proceeds**—For general corporate purposes. **Business**—Sensitizing photographic and photocopy papers and manufacturing photocopy cameras, papers and other photographic supplies.

● **Hammond Standish & Co., Detroit, Mich.**
June 14 (letter of notification) 40,000 shares of 6% non-cumulative convertible preferred stock (par $5) to be offered at $5 per share, and 40,000 shares of common stock (par $5) to be reserved for the conversion on a share-for-share basis. No underwriter. Proceeds for working capital. **Office**—2102 20th St., Detroit 16, Mich.

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.

● **I-T-E Circuit Breaker Co. (6/23)**
June 9 (by post-effective amendment) filed 17,060 shares of common stock. **Underwriters**—Smith, Barney & Co. and C. C. Collings & Co., Inc. **Proceeds**—To selling stockholders.

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. Expected in July.

● **Interstate Finance Corp., Dubuque, Iowa**
June 14 (letter of notification) 4,000 shares of common stock (par $5) and 2,000 shares of B common stock (par $5). **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To increase working capital. **Office** — 1157 Central Ave., Dubuque, Ia.

Kansas-Nebraska Natural Gas Co., Inc. (6/30)
June 5 (letter of notification) 2,850 shares of $5 cumulative preferred stock (no par). **Price**—At not more than $105 per share. **Underwriters**—Cruttenden & Co., Chicago, and The First Trust Co. of Lincoln, Neb. **Proceeds**—To pay indebtedness and for improvements.

Kaye-Halbert Corp.
June 5 (letter of notification) 24,419 shares of capital stock at $4.25 per share. No underwriter. Proceeds for working capital. **Office**—3555 Hayden Ave., Culver City, Calif.

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. Expected in July.

NEW ISSUE CALENDAR

June 22, 1950	
American Cladmetals Co.	Common
Prophet (Fred B.) Co.	Common
June 23, 1950	
I-T-E Circuit Breaker Co.	Common
June 26, 1950	
Equitable Gas Co.	Debentures
Front Range Mines, Inc.	Common
Spencer Chemical Co.	Preferred
June 27, 1950	
Eastern Stainless Steel Corp.	Common
General Telephone Corp.	Common
Safeway Stores, Inc.	Preferred & Com.
June 28, 1950	
Allied Electric Products, Inc.	Preferred & Com.
June 30, 1950	
Kansas-Nebraska Natural Gas Co., Inc.	Preferred
July 3, 1950	
Caspers Tin Plate Co.	Common
July 7, 1950	
Haloid Co.	Common
July 10, 1950	
National Automotive Fibres, Inc.	Common
July 12, 1950	
Cameron (Wm.) Co.	Common
Erie RR.	Equip. Trust Ctfs.
Panhandle Eastern Pipe Line Co.	Debentures
July 17, 1950	
United States Plywood Corp.	Preferred
July 25, 1950	
Southern Co.	Common

● **Keystone Custodian Funds, Boston, Mass.**
June 16 filed 500,000 certificates of participation, series 81. **Underwriter**—The Keystone Co. of Boston, Boston, Mass.

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.

Louisiana Power & Light Co.
May 23 filed 90,000 shares of preferred stock (par $100). **Proceeds**—To be used to redeem, at $110 per shart plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., $100.40 per share with a $4.65 dividend; Blyth & Co., Inc., and Equitable Securities Corp. (jointly), $100.10 with a $4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.80 dividend. Statement effective June 12.

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.

● **Lumber Re-Milling Corp.**
June 12 (letter of notification) 38,200 shares of common stock at par ($1 per share). No underwriter. Proceeds to pay balance on new equipment, for additional machinery and working capital. **Office**—c/o Cannon & Callister, 650 So. Spring St., Los Angeles, 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.

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.

● **Meinshausen & Co., Inc., Rochelle Park, N. J.**
June 16 (letter of notification) 992 shares and up to 6,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—To start mail order and department store business. **Underwriter**—None. **Office**—43 Thien Avenue, Rochelle Park, N. J.

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-States 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**—Equitable Securities Corp will serve as "dealer-manager." **Deposits** — May be accepted between June 26 and July 14. (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

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.
May 23 filed 35,000 shares of cumulative preferred stock (par 100). **Proceeds**—To be used to redeem at $110 per share plus dividends, the outstanding 44,476 shares of $6 preferred stock and for construction and other corporate purposes. **Bids**—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., $100.10 per share with a $4.80 dividend; Lehman Brothers, $100.551 with a $4.85 div.; W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.90 dividend; and Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), $100.19 with a $4.90 dividend. Statement effective June 12.

Mutual Credit of Cincinnati, Inc., Cincinnati, O.
June 7 (letter of notification) 1,200 shares of common stock (no par) and 1,000 shares of preferred stock (par $100). **Price**—$25 per share for common and $100 for preferred. **Underwriter**—None. **Proceeds**—To increase available capital for loan business. **Office**—123 E. 6th St., Cincinnati, O.

● **National Automotive Fibres, Inc. (7/10)**
June 19 filed 140,000 shares of capital stock (par $1). **Price**—To be related to the current market price at the time of sale. **Underwriter**—Reynolds & Co., New York. **Proceeds**—To purchase assets of Federal Leather Co. (An additional 10,000 shares are to be sold to Louis M. Plansoen, President of Federal, at the same price.)

National Paint Co., Seattle, Wash.
June 2 (letter of notification) 1,000,000 shares of capital stock, to be offered at 10 cents per share. No underwriter. Proceeds to acquire new plant, machinery and for working capital. **Office**—7315 Eighth Ave. South, Seattle, Wash.

Niagara Mohawk Power Corp.
May 23 filed 189,263 shares of $1.20 cum. conv. 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. Statement effective June 12.

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.

Norris Oil Co., Ventura, Calif.
June 9 (letter of notification) 5,000 shares of common stock (par $1), to be sold at the market price (of from $5 to $5.50 per share) through First California Co., Holton, Hull & Co., Dempsey-Tegeler & Co. and Morgan

& Co., Los Angeles; and James Ebert Co., Bakersfield, Calif. Proceeds go to Eva M. Halliburton, Fresno, Calif., the selling stockholder. **Office**—182 W. Ramona St., Ventura, Calif.

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 Insurance Co., N. Y. City
June 1 filed 80,000 shares of capital stock (par $12.50) first offered to stockholders of record June 20 on a share-for-share basis with rights to expire on July 11. **Price** — $37.50 per share. **Underwriters** — First Boston Corp and Wood, Struthers & Co. **Proceeds**—To increase capital and surplus.

Northwestern Public Service Co., Huron, S. D.
June 9 filed 49,200 shares of common stock (par $3) to be offered to stockholders of record June 23 at rate of one share for each 10 held. **Underwriter**—A. C. Allyn and Co., Inc., New York. **Price**—To be filed by amendment. **Proceeds** — For construction expenditures. **Business**—Utility.

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.

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.

● **Panhandle Eastern Pipe Line Co. (7/12)**
June 19 filed $20,000,000 of debentures, due 1975, and $15,000,000 of serial debentures, due $1,500,000 each year from 1953 through 1962. **Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, and Halsey, Stuart & Co. **Price**—To be filed by amendment, along with interest rates on both issues. **Proceeds**—To pay promissory notes, for general funds and for construction. **Business**—Production and transmission of natural gas.

Pendleton (Ore.) Grain Growers, Inc.
June 1 (letter of notification) $282,000 of 4% debentures and 500 shares of class A $30 par value common stock, at par value. No underwriter. Proceeds for operating capital and to construct a new building.

Pennzoil Co.
June 9 (letter of notification) 21,145 shares of common stock (par $10). **Price**—$14 per share. **Underwriter**—None. **Proceeds**—To modernize Rouseville refinery and for expansion of marketing facilities. **Offering**—To be offered minority common stockholders of record June 16 on basis of one new share for each eight shares held; rights will expire July 7. In addition, 58,171 additional shares are being offered to South Penn Oil Co., owner of 73.34% of Pennzoil common stock at the same price.

Peoples Gas Light & Coke Co.
May 8 filed 116,962 shares of capital stock being 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.

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.

● **Pittsburgh Brewing Co.**
June 15 (letter of notification) 60,000 shares of common stock (par $2.50), to be offered to employees. **Proceeds**—For general corporate purposes. **Price**—At not more than $4 per share or less than $2.50 per share.

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. (6/22-23)
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. Expected this week.

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.

Rainbow Onyx Co., Phoenix, Ariz.
June 8 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—For machinery, equipment and operating capital. **Address**—P. O. Box 6112, 3210 South 19th Ave., Phoenix, Ariz.

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. Letter withdrawn.

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.

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.

Roberts-Gordon Appliance Corp.
June 12 (letter of notification) 23,000 shares of common stock (par $1). **Price**—$6 per share. **Underwriters**—Doolittle & Co. and Vietor, Common, Dann & Co., Buffalo, N. Y. **Proceeds**—From 13,250 shares to be added to working capital and from 9,750 shares to reimburse treasury for $51,187.50 used to purchase 9,750 shares of outstanding stock at $5.25 per share.

● **Roby (Sidney B.) Co.**
June 16 (letter of notification) 231 shares of capital stock, to be offered stockholders of record June 7, 1950, at rate of one share for each eight shares held; rights to expire July 12, 1950. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—245 Culver Road, Rochester, N. Y.

● **Roel Kryston Inc., Staten Island, N. Y.**
June 16 (letter of notification) 15,000 shares of common stock. **Price**—At par. **Underwriter**—Stock offered by officers of company. **Proceeds**—To establish production facilities.

Rome Cable Corp., Rome, N. Y.
June 6 (letter of notification) 25,675 shares of common stock offered by company to cetrain officers and key employees on June 13 pursuant to a Stock Purchase Plan. **Price**—$9.50 per share. **Proceeds**—To be added to working capital.

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.

Safeway Stores, Inc. (6/27)
June 8 filed 321,000 shares of cumulative preferred stock (par $100) and 257,064 shares of common stock (par $5). The common will be offered to stockholders of record June 27 at the rate of one new share for each 10 held; rights to expire July 13. Of the preferred, 205,661 shares will be offered in exchange for 186,965 shares of outstanding 5% preferred stock, along with an unspecified cash payment about July 1 to July 13. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will offer the unsubscribed common shares as well as 85,114 shares of preferred not needed for the exchange and 30,225 shares which will be created by converting that many of the old 5% shares brought in under the exchange into new preferred stock. Any old preferred not exchanged will be redeemed on Oct. 1. **Price**—To be filed by amendment, along with the dividend rate on the new preferred. **Proceeds**—To redeem the unexchanged 5% stock, make cash payments on exchange, and toward the prepayment of $20,000,000 in bank loans.

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.

Spencer Chemical Co., Kansas City, Mo. (6/26)
June 1 filed 85,000 shares of cumulative preferred stock (par $100) to be offered for subscription by common stockholders of record about June 26 at rate of .085 shares of preferred for each share of common held; rights expected to expire July 3. **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 preferred stock, par $10. 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.

● **Standard Television Film Co., Mesa, Ariz.**
June 12 (letter of notification) 300,000 shares of common stock at par ($1 per share). No underwriter. Proceeds for capital to begin producing television and motion picture films. **Address**—P. O. Box 915, Mesa, Ariz.

Suburban Propane Gas Corp.
June 9 (letter of notification) a sufficient number of common shares (par $1), so that aggregate offering price of shares offered shall not exceed $100,000. **Price**—At close of June 5, $15 per share. **Underwriters**—Anticipated that Eastman, Dillon & Co., New York, will sell shares in over-the-counter market. **Proceeds**—To SBN Gas Co., West Orange, N. J.

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.

Transvision, Inc., New Rochelle, N. Y.
June 13 filed 300,000 shares of common stock (par $1). **Price**—2.75 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—To increase working capital and repay loans from RFC and Croydon Syndicate, Inc.

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.

● **United States Plywood Corp. (7/17)**
June 19 filed 60,000 shares of series B cumulative convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co., New York. **Price**—To be filed by amendment along with dividend rate. **Proceeds**—To increase working capital and for other corporate purposes, including the erection of a new plant at Anderson, Calif.

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 non-assessable 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.

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.

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
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 at rate of one share for each eight shares held. **Price**—To be filed by amendment. **Underwriters**—

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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.

O Associated Natural Gas Co.
June 14 it was announced company plans issuance of $234,000 common stock and $450,000 of 18-year 4½% first mortgage bonds, plus a 5-year bank loan of $250,000, to finance construction of a new pipe line project in southeastern Missouri, authorized by FPC, to cost $934,000.

Atlantic City Electric Co.
June 6 it was announced that financing of new construction, amounting to $4,800,000 in 1950, plus cost of acquisition of generating plant from Deepwater Power & Light Co. for $7,000,000, will be effected through issuance of about 20,000 shares of preferred stock and approximately $4,600,000 in loans. It is also planned to issue additional common stock within two years.

O Big Bear Markets of Michigan, Inc.
June 9 it was announced company plans registration of additional capital stock about July 1, with offering toward the end of that month. **Underwriter**—J. G. White & Co., New York.

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 Ohio Light & Power Co.
April 26 stockholders approved increase in authorized preferred stock (par $100) from 25,000 to 50,000 shares and in authorized common stock (par $10) from 175,000 to 350,000 shares.

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.
After the sale of $110,000,000 of debentures, there will remain approximately $9,000,000 to be provided by some form of financing later in the year.

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.

Consumers Power Co.
June 12 the Michigan P. U. Commission authorized company to issue up to but not exceeding 499,903 additional shs. of its common stock to common stockholders for not less than $33 per share on basis of one share for each ten shares held. Stockholders will have oversubscription privilege. Underwriters to be named through negotiation. Four months ago an offering of 454,457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. The proceeds are to be used for plant additions. Registration with SEC expected soon.

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.

• Erie RR. (7/12)
June 19 company was reported to be planning the issuance of $8,100,000 equipment trust certificates due semi-annually over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); and Harris, Hall & Co. (Inc.)

Finch Telecommunications, Inc.
June 12 it was reported company expects to register with SEC some time in August $1,000,000 of convertible class A stock, with public offering shortly after Sept. 4. **Underwriter**—Graham & Co.

Florida Power & Light Co.
June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are soon expected to be offered to finance part of construction program which is expected to require approximately $25,000,000 new capital through 1952.

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.

La Crosse Telephone Co.
June 6, company announced that it has advised the Wisconsin P. S. Commission that it expects to sell $1,000,000 of long-term bonds and not less than $600,000 additional common stock. Proceeds will be used to repay $1,300,000 bank loans, due in September, 1951, and the remaining $300,000 will go to Central Telephone Co., parent, to repay temporary advances for construction. Probable underwriter: Paine, Webber Jackson & Curtis.

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.

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 by the new uint of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp.

Mountain States Power Co.
May 17 the stockholders voted to increase the authorized preferred stock (par $50) from 75,000 to 150,000 shares. There are presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

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 (about 225,000 shares) 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.

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.

Panama (Republic of)
June 5 it was reported that Frank & Co. has been authorized to work out a plan to refund the outstanding dollar bonds, of which there are outstanding approximately $15,000,000, through the issuance of about $10,500,000 of new 3% bonds, the remaining $4,500,000 to be retired. The new bonds would be secured by the $430,000 annuity annually paid by the United States to the Republic.

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.

• Piedmont Natural Gas Co., Inc.
June 12 it was announced company plans to issue and sell $900,000 of 3½% first mortgage 20-year bonds and $300,000 of preferred and common stock to finance construction of a proposed new pipe line project in North and South Carolina. Application is before FPC.

Public Service Co. of Colorado
June 9 it was reported that this company late in July may sell $7,000,000 of convertible debentures and 100,000 shares of new preferred stock, through competitive bidding. 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.; Harris, Hall & Co., Inc. Proceeds will be used to pay for new construction.

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.

Reynolds Metals Co.
June 7 company announced stockholders will vote Aug. 9 on increasing authorized common stock from 1,500,000

shares to 2,500,000 shares. The increase is being sought to make additional shares available for any future need. Probable underwriter: Reynolds & Co.

Rockland Light & Power Co.
June 7 company announced it is expected that additional permanent or long-term financing and bank borrowings will be made in 1951 and 1952 to provide funds to complete its present program.

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.

• **South Carolina Electric & Gas Co.**
May 11 it was announced company plans to spend in the next four years $34,000,000, of which $11,600,000 will be spent in 1950. It is estimated that $6,000,000 of new money will be required in this year, to be raised by the sale of $3,000,000 of bonds and 60,000 shares of preferred stock (par $50). Probable bidders include Lehman Brothers.

• **South Jersey Gas Co.**
June 15 United Corp. proposed, under its amended plan filed with SEC, to sell its holdings of 154,231.8 shares of South Jersey Gas Co. common stock as to which an exemption from competitive bidding is requested.

• **Southeastern Michigan Gas Co., Chicago, Ill.**
June 12 it was announced company plans issuance and sale of first mortgage bonds, debentures, preferred stock and common stock in connection with its proposed new pipe line in Michigan to cost approximately $1,400,000.

Southern California Edison Co.
March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

Southern Co. (7/25)
June 13 company requested SEC authorization to issue 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders are: 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. **Proceeds**—To purchase shares of subsidiaries in order to assist them in financing new construction. **Bids**—To be received at office of the company, 20 Pine St., New York, N. Y., up to 11:30 a.m. (EDT) on July 25. Registration statement expected to be filed June 23.

• **Southern Utah Power Co.**
June 8 SEC authorized trustee of Washington Gas & Electric Co. to undertake negotiations with "all interested parties" for the sale of its common stock interest (62,910 shares) in Southern Utah Power Co. for not less than a $550,000 base price, plus adjustments.

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.

Tele-Tone Radio Corp.
June 10 it was reported certain stockholders would sell 135,000 shares of common stock. **Underwriters**—Sills, Fairman & Harris; Straus & Blosser.

Tele-Tone Radio Corp.
June 10 company was said to be planning the sale of 100,000 shares of 6½% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds**—For working capital.

• **Texas Illinois Natural Gas Pipeline Co.**
June 14 the FPC authorized company to issue 90,000,000 of first mortgage 3¼% bonds due 1970, $12,000,000 of 5% interim notes due Jan. 1, 1952, and convertible into 5% preferred stock; and $18,000,000 common stock. **Underwriters**—For notes, White, Weld & Co. and Glore, Forgan & Co. Bonds are expected to be placed privately, and common stock (1,750,000 shares) will be sold 50% to Peoples Gas Light & Coke Co. and remainder to other stockholders, with Peoples' taking up all shares not subscribed for.

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. It was understood that 125,000 shares may be sold. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

• **Transcontinental Bus System, Inc., Dallas, Tex.**
June 8 company applied to ICC for authority to issue $5,000,000 of 3¼% to 4¼% collateral notes to be due serially 1951 to 1965. Proceeds to refund debt incurred in acquiring subsidiary lines for the system.

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).

Warner (William R.) & Co., Inc.
June 12 Elmer H. Bobst, President, announced that corporation proposes recapitalization and change in name to Warner-Hudnut, Inc.; also to file a registration statement with the SEC covering the sale of approximately 325,000 shares of new common stock (par $1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc. Expected after July 4.

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.

• **Western Pacific RR. Co.**
June 14 it was reported company plans issuance and sale of about $20,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

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.

Eastman, Dillon Group Offers Sunray Oil Stock

Public offering of 750,000 shares of Sunray Oil Corp. common stock, $1 par value, was made on June 21 by a group of investment firms headed by Eastman, Dillon & Co. The stock was priced at $12.625 per share.

Proceeds of the sale will be used, together with the proceeds from $80,000,000 of privately placed long-term promissory notes, to retire certain outstanding capital obligations of the company and Barnsdall Oil Co. pursuant to the plan of merger of the two companies. The obligations to be retired include $33,500,000 of Sunray's 3% collateral debentures, due May 1, 1951; a $6,500,000 Sunray 1⅞% promissory note; $13,500,000 of Barnsdall's 2¾% promissory notes; $25,000,000 of Barnsdall's 3⅜% promissory notes and such new convertible second preferred stock of Sunray as may be tendered under the merger plan.

Sunray and Barnsdall and subsidiaries have extensive oil and gas interests in most of the principal producing states and in Canada. The companies had a combined production of 22,584,091 barrels of crude oil and a combined production of 39,993,679,000 cubic feet of natural gas in 1949. Sunray owns and operates three refineries with a combined daily capacity of 45,000 barrels of crude oil together with a pipe line system. On a pro forma basis, combined gross operating income in 1949 was $95,919,002 and net income $20,568,777.

Our Reporter's Report

Underwriters who toiled and sweated for days to set up their bids and spreads for preferred stocks offered by three subsidiaries of Middle South Utilities Inc., are not particularly happy about the outcome.

They had urged company officials against attempting to market all three the same day. Two of the issuers, incidentally, called for bids on small bond issues simultaneously.

But the company, as the story goes, argued it wanted to assure similar treatment for all three issues. In the wind-up the parent firm decided to reject bids for all three stocks, but it accepted those made for the two bond issues.

Men of long experience in the corporate underwriting field, terming the whole procedure "a comedy of errors," were openly chagrined, and contended that had their advice been heeded, and the offerings stretched out, acceptable bids probably would have been forthcoming.

One of their number, with more than 30 years in the business, declared he had never before experienced such a situation as prevailed from Friday until the final price meetings on Monday morning.

And then, after the tedious task of working up the business to a point where bids were arrived at, to have the latter thrown out proved more than a little trying on the nerves and patience.

Another Suggestion

The stocks involved included 155,000 shares for Arkansas Power & Light Co.; 90,000 shares for Louisiana Power & Light Co., and 85,000 shares for Mississippi Power & Light Co., all of $100 par value.

The first drew only a single bid, of 100.003 a share for a $4.95 dividend. Louisiana Power & Light got three bids, the highest 100.40 for a $4.65 dividend; 100.10 for the same dividend; and 100.30 for a $4.80 dividend. Mississippi Power had four bids, the top 100.10 for a $4.80 dividend; 100.551 for a $4.85 basis; and 100.30 and 100.19 for a $4.90 dividend.

One banker suggested that the three issues could have been put up for sale as a "package." That is banking groups would place their bids for the bundle and then reprice the issues separately for public offering. In this way, he argued, they could allow for the varying size and ratings of the stocks.

Indicated Success

Columbia Gas System Inc. received a top bid of 101.808 for its $110,000,000 of 25-year debentures with a 3% coupon. A second bid fixed a price of 100.9099 for the same interest rate.

The successful group repriced the issue of 102.488 for public offering, to yield 2.86% and preliminary inquiry was regarded as indicated a successful operation.

Reports indicated that the group members took down 50% as their participations while the syndicate account, keeping the balance, was said to have quickly received subscriptions more than sufficient to absorb that total.

Indiana & Michigan

Indiana & Michigan Electric Co. drew four bids for $20,000,000 first mortgage, 30-year bonds, the highest being 100.77333 for a 2.75% coupon. The runner-up bid 100.6899, while the lowest was 100.6199, only about $1.53 a bid under the best.

Reoffered at 101.023, to yield a 2.70% return, this issue found ready reception and moved out quickly to investors.

Backlog Is Rising

Current indications are that underwriters and dealers are carrying a backlog of between $75,000,000 and $80,000,000 in corporate issues, excluding rail equipments.

This is about $25,000,000 up from last week, but the shelf-stocks consist very largely of high-grades which are expected to move out with a bit of selling activity.

It appears that Arkansas Power & Light's $6,000,000 of bonds reoffered by bankers as 2⅞s priced at 101¾ to yield 2.79%; and Mississippi River Power's $7,500,000 of bonds reoffered at 101.924 to yield 2.78%, were a bit slow in moving out and may have added slightly to the foregoing total.

With Greene & Brock

(Special to The Financial Chronicle)

DAYTON, Ohio—Clarence J. Wertz, Jr., is with Greene & Brock, Third National Bldg., members of the New York Stock Exchange.

Joins Garrett-Bromfield

(Special to The Financial Chronicle)

DENVER, Col.—William P. Parella has been added to the staff of Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange. He was formerly with Investment Service Corp.

$110 Million Columbia Gas Debentures Offered By Halsey, Stuart Group

Halsey, Stuart & Co. Inc. on June 21 headed a nationwide group of investment bankers who publicly offered an issue of $110,000,000 3% debentures, series A, due June 1, 1975, of The Columbia Gas System, Inc., at 102.488% and accrued interest.

These debentures will be subject to redemption, on at least 30 days' published notice, (1) for the sinking fund, in 1952 and thereafter, at the sinking fund redemption prices or (2) otherwise than for the sinking fund, as a whole at any time or in part from time to time, at the regular redemption prices.

From the net proceeds realized from the sale of the new debentures, the corporation will redeem, on or about July 29, 1950, $77,500,000 of 3⅛ debentures due 1971 and $14,000,000 of 1⅞% serial debentures. In connection with this redemption, the corporation will pay redemption premiums of $2,250,000.

The balance of the net proceeds will be added to the general funds of the corporation. Such general funds will be used in connection with the 1950 construction and gas storage program of Columbia Gas System which will involve net expenditures presently estimated at $43,431,000.

Joins Harris, Upham

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Thomas J. White has become associated with Harris, Upham & Co., 232 Montgomery Street. He was formerly with Stewart, Scanlon & Co. and First California Company.

COMING EVENTS

In Investment Field

June 21-23, 1950 (Boston, Mass.)
Municipal Bond Club of Boston parties at Hotel Statler and outing at Concord Country Club.

June 23, 1950 (Cleveland, Ohio)
Cleveland Security Traders Association Annual Summer Party at Kirtland 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).

First Boston Group Offers Utility Bonds

The First Boston Corp. on June 15 headed an investment banking group which publicly offered a new issue of $24,500,000 Dallas Power & Light Co. 2¾% first mortgage bonds, due June 1, 1980, at 101.33, to yield 2.685%.

The company will use the proceeds from the sale of new bonds and from the recent sale to stockholders of additional shares of common stock, together with other company funds, to redeem on or about July 21, 1950, at 104½, all of its outstanding 3½% first mortgage bonds, due 1967, aggregating $16,000,000; to repay short-term borrowings totaling $1,300,000 and for new construction and other corporate purposes.

Morrey Efron in N. Y. C.

Morrey Efron is engaging in a securities business from offices at 109 West 42nd Street, N. Y. City.

With J. B. Hanauer Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John W. Newman has joined the staff of J. B. Hanauer & Co., 639 South Spring Street.

Continued from page 5

Observations . . .

ours in France and Germany, they might have been among the best media, that is, oil below the ground such as Humble, Amerada or Argo. As in the event of an atomic war, as we would undoubtedly try to blow up the Russian oil fields as a number one requisite, would not the Russians try to do the same, and then would the oils be a protection, unless one had a vastly diversified groups? Any ideas on that one?

Fifth Question: ***Utilities?***

Re the utilities: A quick inference would be that the rate structure prevents quick adjustment to an inflationary dollar. But there are a number of cross-currents. In Germany the utilities were a rather good inflation protection as rates were tied rather early to a commodity international index or gold. In France, they did not respond to the shrinking franc for some five years but then went way up, as then the rates became adjusted to the higher commodity prices and they ended up eventually higher than most groups, higher than industrials. Then there is the question that during such a period the excess earnings of the industrials would be shaven off sharply, thus causing their price shrinkage whereas the utilities need no shaving off from excess earnings, and marketwise would be better protected. In case of monetary inflation, considering the 70% or so senior fixed bond and preferred structure, would the equity benefit from the leverage principle; or would it be offset by the slowness of rate structure adjustment to inflationary commodity prices? Due to three shifts a day in maximum working industrial plants, the load would of course be at a maximum.

Sixth Question: ***Income Property?***

Regarding rentable housing, that is, income property, would you say that the frozen rents—assuming now currency debasement—would be the guiding factors, or the replacement value in new dollars? What was the actual outcome in that regard in such countries as Austria or Hungary after World War One, when rents were frozen there? We of course all know that farms are the best protection from any standpoint, but then some of the Park Avenue boys don't know how to milk cows.

* * *

Seventh Question: ***Gold vs. Oil Stocks?***

Will gold stocks be advantageous in the event of war-caused monetary inflation? Can you see any catch there, such as labor costs so high that they could neutralize the protective quality? Would oil below the ground, having a minimum of the labor factor, perhaps constitute a better vehicle?

* * *

I am, of course, somewhat reluctant to ask all these questions, but since I convinced myself already at the age of 20 that the world, in the diplomatic field, was slightly below the level of the average Eskimo—and everything that happened since has confirmed that—I must think in these days of all contingencies. You have to be either a Napoleon to make circumstances; and if you can't make them, then you at least must try to anticipate them.

Trusting that this is not too big and difficult an order, I remain,

H. MURRAY-JACOBY.

P. S.—I did not inquire as to the industrials, as the prices of the finished product would largely be neutralized through the price rise in raw materials and labor in terms of a diluting dollar.

Casa Rosada
5 N. E. 4th Street
Delray Beach, Fla.

* * *

While it is not the intention of this column to give our opinions in answer to either of our contributors, we tentatively offer a few brief comments on the above communication. As to war damage and fire insurance: damage from bombing or other wartime weapons, atomic or otherwise, will no doubt be covered by a government organization via something like Britain's and our own technique in World War II. Regarding the prospects for the fire insurance company portfolios, it must be remembered that the unearned premium reserve is largely invested in government bonds, and that appreciation would be reflected in surplus. This has been the workout in France and Germany.

The second observation we would make is that the overall legal setting in which investors and the entire economy would operate is unpredictable, and makes advance detailed calculation fruitless. Investment-wise, the basic prescription remains in war as it does in peace, to diversify.

We would remind the many investors worrying over the effects of World War III that since it will probably mean the corporeal extinction of all of us, our concern should rather be concentrated on policies to be pursued during the course of the Cold War.

Thru the Cellar

The diametrically opposite approach to the price structure is quite sensationally written and pictured in Mr. Baxter's book, "Lower Prices Coming." While his convictions are exceptionally drastic, his presentation demonstrates the forecaster's typical defect, like a lawyer's brief, of confining the supporting reasoning to those arguments which support his conclusion.

In support of his allegation of present consumer bankruptcy, Mr. Baxter states that according to government statistics nearly 30% of all American families had no liquid assets whatever in 1949, and that there is $19 billion of consumer credit outstanding.

There follow direct quotations from Mr. Baxter's thesis, the first countering the above-cited war-inflation scariness.

As you go about your daily work, I would like you to ponder over these three simple statements that I have made. First, that Europe blew up in the air $250,000,000,000 of its productive wealth, which had cost centuries to create; second, that it cost $55,000 to kill a man in what is called "Western civilization"; and, third, that as a result of two wars that settled nothing, we are now the "policeman of the world," with each family working one hundred and twenty days for the government. In simple terms, I have often said that each family's position resembles that of a new-home buyer who is told after buying his house and moving in, that the neighborhood is so dangerous that he must employ a "cop" to stand in front of the house while he sleeps and also one to stand in the back of the house as well. Obviously, such an unhappy owner is going to have a very difficult time to maintain his former standard of living with no money left to buy the nice things of life. We are in that unhappy position now and will be for many years to come. Money that was formerly spent for luxuries and semi-luxuries now must be spent for war planes, ammunition, air bases, and so forth, all over the world. And do not forget we are not an "inexpensive cop." Actually, we are the most expensive policeman in the world. According to recent budgets, it costs $9,000 to support and equip a single soldier for a year's time.

* * *

Later Than You Think

"Some day just ask the inflationist (and that means almost anyone within a yard's length of you) just what would happen if the government would stop buying commodities of all types, particularly farm commodities. I have tried this game before. These inflationists will immediately shudder and say 'please don't bring up such unpleasant things.' If you wish to carry the game a little further ask them why the government buys apples at, say, 5c each and obviously they will reply 'because the public won't buy them.' And then in the next breath they will tell you that 'inflation' is coming and apples are going to maybe 50c or $1.00 each. Under this theory, apples that will not sell at 5c readily will be consumed by the treeful at the 50c or $1.00 price.

"And so, when all the 'onion choppers' started warning the business and investment world that American money was just like the money of China and all the other countries of the world, it was my view that this was all plain bunk and that the American economy was as different from any other economy in the world as night is from day."

* * *

How Science Is Burning the Candle at Both Ends

"Very few people realize that while new production techniques are working ceaselessly to increase supplies of commodities without any foreseeable limit, at the same time technology and high production costs are combining to reduce the demand for practically every commodity."

* * *

Don't Look Now—It's the New Margin Clerk Coming

"In 1929, the nightmare of the 'forgotten man' was the margin clerk who wanted him to pay back overnight the several billions he had borrowed on securities. But the margin clerk in brokerage offices today has a soft job thanks to the policeman, SEC. The new villain in the piece will be the instalment companies, the department store, the butcher, the FHA, and the dispossess agents of sundry and all who have sold everything from houses to groceries on the cuff. This adds up to a small man's depression.

"In the last new era there were huge inventories of securities. Today there are huge inventories of goods. For example, manufacturers' inventories at the end of 1949 were a little under $31,000,000,000, and wholesalers' inventories were over $9,000,000,000. This adds up to $40,000,000,000 of manufactured goods which industry has produced but not yet sold, or approximately $1,000 worth of goods piled up in factories and warehouses for every family in the United States. Of course, this does not include retail inventories which the Department of Commerce estimated at a little under $14,000,000,000 after the Christmas rush was over."

* * *

Disease in the Business World

"The 1920 depression was almost entirely in the business part, with no disease either in the bank, brokerage or financial part. The 1929 collapse was 100% in reverse, with the disease concentrated in the financial and brokerage part and ending up with the closing of all the banks in this country. As you know, during that terrific four-year period, there was not a single nationally-known large business receivership as compared to hundreds of them in the 1920 period. However, in 1929, one of our greatest troubles was the low farm and other primary prices which prevented the country population from buying the products of the city factories. Today it is definitely established that the basic trouble is just the other way round, with the city population unable to buy in volume the high-priced products of the rural populations. Our disease today is not in the banks, for they on the whole are in excellent shape. Nor is our disease in the brokerage world, for the brokers have never before been in such an excellent state of liquidity due to the low amount of margin trading. The disease rather is in the business world, which is not affected in the slightest degree by any medicine offered to the financial world. The Federal Reserve Board in fact, then, is treating the rear of the horse while the disease is actually in the front of the horse."

* * *

The Battle in Rubber Is Still Ahead

"Malaya's dependence on rubber and tin has frequently resulted in severe depressions. The worst was in 1932 when the price of rubber fell to 3c a pound. Back in 1926 the price was as high as $1.25 a pound, but competition from synthetics has kept it from going beyond 25c a pound since the war. The real test will come when both natural and synthetic rubbers have to compete for a sharply contracting market. It is estimated by rubber experts that natural rubber could be produced profitably by the large plantations at 11c a pound."

* * *

It Can Happen to Gasoline Too

"Present trends toward the use of high-octane gasoline and higher compression ratios in automobile engines are going to make it possible to get a lot more car mileage out of a gallon of

gasoline. The American Petroleum Institute tells us that for years they have been using a figure of 15 miles per gallon in making their estimates. But Studebaker claims it is possible to get 28 miles per gallon with a small car."

* * *

And this climactic paragraph:

How to Provide Security for Your Family

"We must reconcile ourselves to the fact that the waltz-time age has passed and that taxes will be with us for many years. But at the other end of the squeeze I hope that in this book I have given the heads of our families sufficient reasons to reassure them that high costs are not going to remain with us. This is a nation of tremendous producers, and the know-how in this country is going to give relief to all of those who have savings and insurance by providing an era of much lower prices than that which has been in existence for the past several years. In other words, we have been led to believe that this artificial high price level will be with us for years, when in every-day practice every man, woman and child is working for a longer period of lower prices. I am confident that higher interest rates will once again encourage thrift and that many opportunities will abound for those who have had enough faith in our dollar and in our banking and insurance institutions so that they may go on to assume risks for their families when real values arrive to provide their dependents with the means to build their estates and increase their incomes."

* * *

Noted by your columnist—

Small wonder that the investor follows the siren song of the market "systems"!!

NSTA Notes

AD LIBBING

Lex Jolley of Johnson, Lane, Space & Co., Inc., Atlanta, Ga., President of the Georgia Dealers Association, is a member of the NSTA Advertising Committee.

Lex Jolley

Clair S. Hall

Lex is active naturally and has appeared on our "Ad" Committee before. Only last year he produced corporate contracts and we hope he can duplicate his efforts for 1950. Sorry Lex to have missed your Savannah outing, but June weddings seem to be so popular. Many thanks for your invitation.

Clair S. Hall, Clair S. Hall & Company, Cincinnati, Ohio, needs no introduction to our members having served as a National officer. At conventions Clair will always initiate constructive ideas.

He has also done work for the "Ad" Committees and with the Cincinnati Stock & Bond Club, one of four of our affiliates to receive a participation in last year's convention year book advertising income. We believe Cincinnati will rank with the first five for 1950 due to Clair's efforts.

Our complete membership will receive a letter with contracts within next few days, from this Committee. Please recognize its work by doing a small bit yourself.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Company,
120 Broadway, New York City

Hear! Hear!

"A critical examination of the present level of Government expenditures is imperative. In years of such booming business as currently is causing prices to boil up in inflationary manner throughout the economy, this Government should not be incurring deficits.

"It should put its house in order.

"Inability to vote against appropriations or vote for increased taxes needed to foot the bills this Government now incurs is a sign of weakness that enemies of free enterprise are gleefully exploiting throughout the world. It represents the greatest single danger to freedom and national security."—Joint Committee on the Economic Report (majority views).

We must not gild the lily!

Halsey, Stuart Group Offers $20,000,000 Ind. & Mich. El. Bonds

An underwriting group headed by Halsey, Stuart & Co. Inc. yesterday (June 21) publicly offered $20,000,000 Indiana & Michigan Electric Co. first mortgage bonds, 2¾% series due 1980, at 101.023%, plus accrued interest. The group won award of the issue at competitive sale Monday on a bid of 100.77333%, and accrued interest. The bonds are dated June 1, 1950, and are due June 1, 1980.

Proceeds from the financing together with $7,000,000 to be received by the company from the issuance of 45,000 additional shares of its common stock to American Gas and Electric Company, the parent, will be applied to prepayment of $8,000,000 notes payable to banks, and to pay for the cost of extensions, additions and improvements under the company's construction program.

The bonds are redeemable at the option of the company at prices ranging from 104⅝% to 100%, plus accrued interest. Under maintenance and improvement provisions of the mortgage the bonds are redeemable at prices decreasing from 101⅛% to 100%, plus accrued interest.

The company, part of the system of American Gas & Electric Co., is engaged principally in the generation, distribution and sale of electricity to the public and in the supplying of electric energy to other electric companies and municipalities in northern Indiana and southwestern Michigan.

Ark. P. & L. Bds. Offered By Halsey, Stuart Group

Halsey, Stuart & Co. Inc. heads a group which is offering today $6,000,000 Arkansas Power & Light Co. first mortgage bonds, 2⅞% series due 1980, at 101¾% and accrued interest. The group won award of the issue at competitive sale Monday on a bid of 101.333%, plus accrued interest.

The net proceeds to be received by the company from the issuance and sale of these bonds will be used for the construction by the company of new facilities and the extension and improvement of its present facilities, for the reimbursement of the company's treasury for expenditures heretofore made for such purposes or for the acquisition of property and for other corporate purposes.

The bonds are redeemable at the option of the company at prices ranging from 104.75% to 100%, plus accrued interest. For the maintenance and replacement fund and the sinking fund the bonds are redeemable at prices ranging from 101.75% to 100%, plus accrued interest.

The company is a public utility operating in Arkansas and engaged principally in the generation, distribution and sale of electricity and the purchase, distribution and sale of natural gas. It is a subsidiary of Middle South Utilities, Inc., which is a coordinated and inter-connected public utility system serving parts of Arkansas, Louisiana and Mississippi.

Raymond Weisner Opens

JACKSON HEIGHTS, N. Y.—Raymond A. Weisner is engaging in a securities business from offices at 34-28 Seventy-sixth Street.

Two With Waddell, Reed

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Henry B. Geers and Fred W. Sueltman are with Waddell & Reed, Inc. of Kansas City, Mo.

Business Man's Bookshelf

Canada's Oil—An outline of basic Government Regulations of interest to all oil men—compiled by The Royal Bank of Canada, Montreal, Que., Canada—paper.

Farm Price and Income Supports — O. B. Jesness — American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢.

Rating Employee and Supervisory Performance: A Manual of Merit-Rating Techniques—M. Joseph Dooher and Vivienne Marquis—American Management Association, 330 West 42nd Street, New York 18, N. Y.—paper—$3.75.

E. M. Shields, Jr., Opens

(Special to THE FINANCIAL CHRONICLE)

CANTON, Ohio—E. M. Shields, Jr., is engaging in a securities business from offices at 2418 Eighth Street, N. W.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Developing slowly, step by step, and unspectacularly there has occurred an enhancement in the legislative powers of the Presidency especially since Mr. Truman was elected in 1948, which is all but sensational in its total effect.

This has been accompanied by a remarkable complaisance of the Supreme Court toward the objectives of the White House where there has been controversy with the Congress. These two developments, particularly the former, actually raises the question in this capital whether a majority, even a substantial majority of Congress, can ever translate its will into law where it is in dispute with the White House.

The most spectacular illustration cited of these developments is the case of ownership of the oil beneath the off-shore and tidal waters of the states.

There appears to be ample evidence that the overwhelming majority of Congress favored the dominance of the states over the Federal Government in the administration of the tidelands oil. In 1946 the House voted 108 to 11 to quit-claim the Federal Government's interest in the tidelands oil. The Senate adopted a similar proposal by a vote of 44 to 34.

This large Congressional majority was overturned by the veto of the President. During the 80th Congress the House passed a similar bill by the overwhelming vote of 257 to 29, but it was decided quietly to delay action in the Senate in the then expectation that Mr. Truman would not be President after 1948 and another President was not expected to view the proposition the same way as Mr. Truman. It was too late during the 79th Congress, in the fall, to attempt to override the veto which came at that time.

Now the Supreme Court has come along and asserted in a binding opinion the "paramount right" of the Federal establishment to administer these submarine oil lands. This is thus a joint legislative achievement of the Supreme Court and the White House to work a result exactly opposite to the wishes formally recorded by a majority of Congress.

The situation of the Supreme Court led one of the most responsible Democrats of the House, Rep. Francis Walter, Chairman of the Democratic caucus, once to refer publicly in a hearing to the Supreme Court as the third legislative branch of the government.

The Kerr bill in its House form (the Harris bill) passed originally by 183 to 131. It passed the Senate by 44 to 38. This is the bill to expressly declare that the Congress did not intend as a part of the Natural Gas Act of 1938 to assert jurisdiction over the production and gathering of natural gas by the independent producers.

In the Senate the bill was further modified in an attempt to meet the objections of the left-wing group, which meanwhile had beat the tom-toms all over the land to the effect that the Kerr bill would result in raising the price of natural gas and the gouging of gas consumers. Under this propaganda leash, the Kerr bill when sent to the House for concurrence in Senate amendments, barely repassed by two votes. The original vote, however, was a comfortable majority in its favor by the House.

If the Federal Power Commission does assert jurisdiction over the independent producers, then this case will parallel the tidelands case: The Supreme Court's opinion in the Interstate Gas case which led to the attempt to get the Kerr bill enacted, seemed to point the way to regulation. Some members of Congress think that eventually FPC will regulate those producers exempted expressly by a majority of Congress, but an ineffective expression since Mr. Truman vetoed the Kerr bill. Other members do not know whether this will happen.

The third example of the legislative power of the Presidency is the basing point bill, designed to exempt from antitrust law prosecution producers who absorb freight costs independently of any concerted action or conspiracy, in order to meet competition. Only recently that bill, despite the most intense attack from the left wing groups, was approved, in the form of a vote on the conference report, by a majority of 43 to 27—a most comfortable majority. In the House a previous attempt to kill the basing point bill by a general recommittal motion failed by 178 to 204; in other words, 204 members favored legalizing freight absorption, while 178 opposed it.

Mr. Truman has vetoed this bill also, and for this year it is a dead letter. Thus, the veto power has thwarted the will of the majority of Congress. Theoretically two-thirds of both Houses can override a veto, and vetoes are overridden where feelings are intense. The overriding of a veto, however, has the very practical limitation that a number of the majority party always hesitate to fight their own President, especially in an election year.

Then there is the tax bill. The President has clearly indicated that if he doesn't get the kind of tax bill he wants, he will veto the tax bill. The kind of a tax bill he wants is one which at least will increase the burdens on business to the extent that the burdens of excise taxes on consumers are lightened.

There is little doubt that the majority of Congress would on merit oppose an increase in corporation income taxes. Nevertheless the Congress has the choice of submerging its will on this issue or foregoing a tax bill entirely—unless the President can be persuaded to change his mind.

Thus, the President by in this case the mere threat to use the veto power, can in effect dictate the broad lines of the tax bill, despite the fact that the popularly elected Houses of all Anglo-Saxon countries have for centuries jealously guarded as theirs, the prerogative to tax.

Finally, there is the broad question of "civil rights." To the purely legally-minded, however, there is nothing in common between the bill to compel alleged equality of employment by statute, and the Supreme Court cases removing, on one ground or another, social and educational "discriminations." To the layman without the fine legal sense, however, it appears that the Congress has steadfastly refused to legislative compulsion in this field, however desirable it might be, but the Supreme Court has "enacted" the removal of so-called "discriminations."

* * *

There is a thread which runs through the President's veto of basing point, the Kerr bill, and the tidelands case, and it is equally seen in the threat of a veto of the tax bill.

All of these issues cut across party lines with Democrats on both sides of the question in every case. Nevertheless, the President has given every indication that he is playing strictly the extreme left wing of the party, and is taking his advice from that group.

Thus, for example, among those who urged the approval of the basing point legislation were none others than Senators Joseph C. O'Mahoney of Wyoming and Francis J. Myers of Pennsylvania. Myers is Democratic Whip and a darling of the left-wing crowd. There is probably no more advanced a left-winger than O'Mahoney. Yet the President listened to Senators Paul Douglas of Illinois, Kefauver of Tennessee, and Russell Long of Louisiana, and Rep. Wright Patman of Texas.

He thus took the extreme of the left-wingers of his party to his bosom, and repudiated even the other more pronounced "progressives." Myers faces a tough election contest in Pennsylvania against Republican Gov. Duff, the GOP Senatorial candidate. The entire Democratic organization in the Keystone State is up in arms over the veto of the basing point, which they think will threaten Pennsylvania's industrial dominance.

With the Kerr bill, the relatively conservative Senator Robert S. Kerr (D., Okla.) was made the goat of the hostile propaganda as the front man and nominal author of the bill, but the propagandists spared Senator Lyndon Johnson (D., Tex.), one of the more effective advocates of the Kerr bill, because he is generally "liberal."

* * *

In finally issuing the "Joint Economic Report" of the Joint Committee on the Economic Report, and waiting until June 16 to issue it, the majority or Democratic members of the committee themselves liquidated any formal attempt to make the whole Joint Committee a serious endeavor.

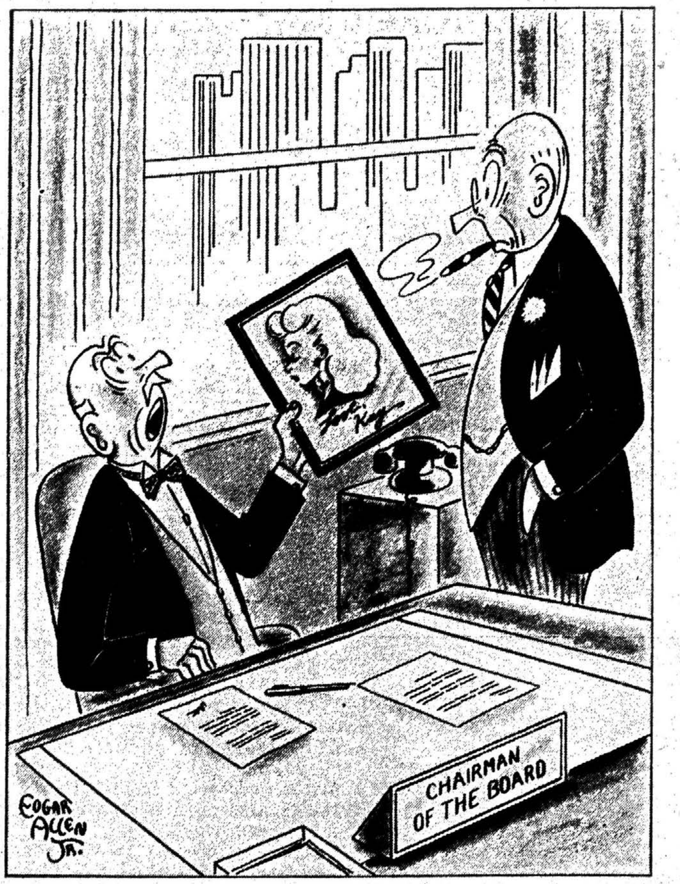
In theory the Joint Committee on the Economic Report was supposed to review the President's Economic Report and recommend to the legislative committees of Congress, those broad legislative enactments designed to maintain stable and rising employment. Although no members of the committee were ever known to have any private illusions that their advice would ever be taken seriously, the delaying of the report until so late in the session precluded the committee's even expecting any of its recommendations to be taken seriously.

So the Joint Committee remains, as a vestige of the so-called "Full Employment Act" 1946. Although that Act provides no affirmative machinery for the execution of plans for economic planning, its existence on the statute books is constantly referred to by Administration spokesmen as a "legislative commitment" by Congress in favor of "full employment."

Meanwhile the Joint Economic Committee, while regarded as a joke by Congress, does provide lucrative employment for a couple of "progressive" doctors of philosophy, and its ponderous reports will doubtless be taken seriously in academic halls, if not in the halls of Congress.

(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



"—And she left me cold after I had given her the best fiscal years of my life!"