Chemical Industry Featured In This Issue

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EDITORIAL

As We See It

Practical workings of the so-called Employment Act have now amply demonstrated the weaknesses, indeed the follies, inherent in any such procedure. It would be an excellent thing if the politicians could be persuaded to drop the whole "experiment," if that is what it is, but they, rather than the country, are finding it quite useful.

The Report of the Joint Committee on the Economic Report on the January, 1950 Economic Report of the President, recently made available to the public in general, serves as another reminder of the futility of all this rigamarole set-up under the Employment Act. It is also clear evidence of the naivete of those trusting souls who supposed that in this way consistency as well as rationality conferred upon public policy. What has happened, of course, is that the whole procedure has been seized upon by the politicians as one further medium through which they might reach the voter with preachments supporting their doings and with popularly persuasive gobbledegook suggesting, so they hope, that they really know what they are talking about and what they are doing.

Thus it is that all this business is not merely a futility, but also another hazard to constructive government. The situation is not "saved" by any means by reason of the fact that the minority members of the Congressional Joint Committee on the Economic Report have an opportunity, which they do not neglect, to have their say about the President's Economic Report and the deliverances of the President's economic advisors. As we shall presently indicate, this minority in this

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Outlook for Oil Equities

By GLENELG P. CATERER*
Vice-President, Lionel D. Edie & Co.

Mr. Caterer reviews developments in oil industry and relative market behavior of oil stocks. Contends oil equities are not over-valued in stock market. Discusses outlook for various branches of petroleum industry and concludes outlook for oil shares appears quite favorable, though should there be slump in general business, "oils will not be impervious to it."

It seems to me that before one expresses an opinion on the outlook for oil company securities before an audience such as this, he owes his listeners some discussion of why sentiment on the industry appears to change so rapidly. During the closing months of the war, students of the subject, both inside and outside the industry, seemed to be nearly unanimous that with the end of the war demand for petroleum would decline sharply. During a large part of 1947-48 students of the subject, both inside and outside the industry, appeared to be largely in agreement that oil would be in increasingly short supply and that the trend of its value would continue upward. During most of 1949, on the other hand, students of the subject, both inside and outside the industry, appeared nearly unanimous that the industry was in for a long period of over-supply. Now, in mid-1950, there is a rising chorus of agreement that the industry has passed through its readjustment and is on the way up again. If conditions have changed as rapidly as this in the past, can they not change as suddenly in the future? And, if this is so, how much weight should be given to today's forecast?


G. P. Caterer

To throw some of the recent history into relief, I should like to go back to early 1949, and list the reasons for the considerable pessimism that pervaded the industry and the minds of investors. I think that you are familiar with these separate reasons, but there may be

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*An address by Mr. Caterer before the Association of Customers' Brokers, New York City, June 13, 1950.

Advance of Chemical Process Industries

By ROBERT S. ARIES of R. S. Aries & Associates, New York City, and JOHN W. SPENCE of Merrill Lynch, Pierce, Fenner & Beane, New York City*

In revealing growth and development of chemical process industries in U. S. since turn of century, writers point out, from comprehensive viewpoints, this group of American concerns and their auxiliaries today produce one-third of national products. Through research and enterprise, new chemical products are constantly replacing old materials, so that through the influence of chemistry every industry is now a customer for chemicals. Result has been tremendous growth of individual chemical concerns, with assets, profits and dividends on increase. Predict progress will continue with favorable impact on nation.

Because chemistry deals with the make-up of matter, and because everything in the physical universe is material, the growth of chemical knowledge affects civilization in the most profound way. But not many realized this as recently as 50 years ago. Conceived in the dark alchemy of antiquity, nurtured by Renaissance pedants, courted by 18th and 19th century zealots, and put to work by latter-day enterprise, chemistry now directly influences the personal life of each of us. In the last decade alone of America's history, chemical research and en-


Dr. Robert S. Aries


John W. Spence

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*Reprinted, with permission, from "Industrial and Engineering Chemistry," of June, 1950, issued by the American Chemical Society.

PICTURES IN THIS ISSUE—Candid shots taken by the CHRONICLE photographer at recent outings of the Bond Club of New Jersey and the New York Security Dealers Association appear on pages 21 to 28, inclusive.

The Security I Like Best

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

This Week's Forum Participants and Their Selections

Boston and Albany Railroad—Floyd A. Allen, President, Floyd A. Allen & Co., Inc., Los Angeles, Calif. (Page 2)

Cities Service Co.—W. W. Cumberland, Partner, Ladenburg, Thalmann & Co., New York City. (Page 2)

Lincoln National Life Insurance Co. of Fort Wayne, Ind.—Norman T. Robertson, Shelby Cullom Davis & Co., New York City. (Page 2)

Suburban Propane Gas Corp.—Stephen J. Sanford, Manager, Investors Research Department, Amott, Baker & Co., Inc., New York City. (Page 38)

FLOYD A. ALLEN

Pres., Floyd A. Allen & Co., Inc. Los Angeles, Calif.

(Boston and Albany Railroad)

The only guides to the future are the yardsticks of the past. While this logic cannot be applied infallibly to the purchase of securities, it does afford a basis of confidence when the flawless record of a stock for half a century is offered in evidence.

Floyd A. Allen

I have watched the unspectacular performance of Boston and Albany Railroad stock for the last 15 years or more, both as an owner and dealer, during which time over 700 customers have purchased the stock upon my recommendation. Most of them still hold it and not one complaint has ever been received in that time except many expressed regrets that they had not purchased more.

I believe that the railroads of this country are going to continue to operate and that the New York Central will continue to meet its obligations, including the rental of its leased lines. Since its lease of the Boston and Albany has 49 years yet to run, I submit the stock of the Boston and Albany as my favorite security for those whose first requirement is a steady, reliable income and who are not interested in daily market fluctuations. Although listed on the Boston Stock Exchange, the stock is largely traded over-the-counter.

W. W. CUMBERLAND

Partner, Ladenburg, Thalmann & Co., New York City

(Cities Service Company)

When a company has done handsomely by the investor, it is likely to have a warm place in his affections. Since the writer purchased Cities Service 5s of 1950 at a cost in the mid-30s, held them to the price of about 80, put the proceeds into Cities Service 6% preferred stock in the mid-30s and rode that to about 175, and then put the proceeds into Cities Service common, it is quite clear that the company has done handsomely by at least one investor.

W. W. Cumberland

Hence the reasons for the spectacular improvement in the position of Cities Service may be of general interest. Of first importance is the fact that Cities Service bore one of the most unfavorable names of publically-owned companies during the early '30s. In spite of change to competent management, in spite of amazing progress in physical and financial rehabilitation, and in spite of increasingly favorable operating results, the investing public continued to regard Cities Service as an outcast. That opinion even prevails today to sufficient extent to cause the stock to sell at a discount in relation to facts, figures and performance. An investor who buys on realities rather than on shibboleths still has the opportunity to match judgment against a long-standing misconception in regard to this company.

Second: Fef if any large companies have more rapidly added to assets and at the same time reduced liabilities than has Cities Service. For example, taking the period from 1930 through 1949, a few of the accomplishments of Cities Service are reduction in debt and preferred stock by something more than $387 million, increase in earned surplus from nothing to $243 million, increase in net current assets by $117 million and expenditure of $748 million for expansion and improvements. New construction acquisition and debt retirement equaled $306.77 per share for the 1930 to 1949 period. The following table shows plant expenditures and debt retirement since 1930:

Cumulative	New Construction & Aquis.	Retirement of Debt and Preferreds
1930 to 1946	$459,000,000	$211,600.000
1947	96,000,000	156,636.000
1948	112,000,000	(31,400,000)
1949	81,800,000	*50,700,000
Total	$748,800,000	$387,536,000
Per share	$202.15	$104.62

*After deducting proceeds from Ohio Public Service sale to offset loss of holding.

Third: Cities Service has substantially and persistently expanded its reserves of crude oil to an estimated total of 600 million barrels. This amounts to 162 barrels per share and compares as follows with various companies which refine and distribute more petroleum products than can be served from the companies' own supplies of crude.

	Bbls. per Sh.
Cities Service	162
Atlantic Refining	141
Sinclair Oil—Domestic	46
Including Foreign	54
Socony Vacuum—	
Domestic	43
Including Foreign	75

Fourth: Cities Service owns and controls more natural gas than almost any other major oil company, and far more thousands of cubic feet per share than any other first-line petroleum company. Total owned and controlled gas reserves amount to 12.5 trillion cubic feet or 3,375 MCF. per share as compared with various companies as follows:

	MFC. per Sh.
Cities Service	3,375
Socony Vacuum	220
Humble Oil	723
Phillips Petroleum	2,385
Texas Company	435
Amerada Corp.	1,268

Revenues from natural gas sales constituted almost one-eighth of total revenues of Cities Service during 1949, and this division of the company is expanding rapidly. Net earnings from natural gas are believed to constitute a large percentage of total earnings of the company than revenue from gas in relation to total revenue.

Fifth: Cities Service owns something less than one-third of the common stock of Richfield Oil. In turn, this company has probably had the most spectacular success in increasing its oil reserves of any sizable company during the last year or two. Discovery of the Cuyama Field in California during 1948 was a major incident in the history of the American petroleum industry.

Sixth: Book value of Cities Service is in excess of current prices for the stock, and book value by no means represents replacement value. Current dividends represent a fair though not generous return on capital, and there are reasons for believing that dividends may be increased, since the company is believed to have completed the major portion of its expansion program. Debt has been reduced to reasonable proportions, and this has gone far to remove the former speculative nature of the stock.

Seventh: Book value can be impressive, facilities can be adequate, oil and gas reserves can be abundant, working capital can be generous, but without the spark of life all of these mean very little in appraising the position and outlook of a corporation. More important than the factors described above is the dynamic and resourceful management of Cities Service. In fact, the progress which the company has made in recent years, as briefly outlined in preceding paragraphs, is the result of excellent management. Since there has been no indication that the management is slowing down, and actually Cities its relative position in the oil and Service appears to be improving natural gas industries, there is justification for confidence that performance in the past augurs well for further progress in the future.

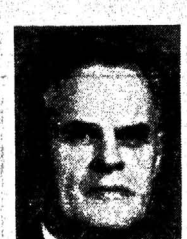
Eighth: In a period of soft money, which plagues the United States as well as most other countries, experience has shown that natural resource industries are among the best methods of protecting the economic value of capital. While Cities Service is not generally regarded as a company with important reserves of oil, its ownership of oil and gas places it on a par or superior to all but a few companies, on the basis of reserves per share. Hence, the company should give a good account of itself, whether in a period of inflation or in a period of normal business.

NORMAN T. ROBERTSON

Shelby Cullcm Davis & Co., New York City

(Lincoln National Life Insurance Co. of Fort Wayne, Ind.)

In these days of the diminishing dollar resulting from higher labor and material costs, not to mention mounting taxes, the prudent investor seeks to maintain the purchasing power of his savings and if possible to increase their true value. This objective, he realizes, cannot be attained by buying and holding securities having no growth features. He knows that mortgages, bonds, savings bank deposits, and fixed price securi-



Norman T. Robertson

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What Is a Growth Company?

By EDMUND G. BLACKBURN*
Manager, Research Department, Southern Division,
Walston, Hoffman & Goodwin, Los Angeles

Research analyst, in explaining meaning of "a growth company," points out term refers to "growth situation" and can be applied to company developing aggressively new products or expanding intensively through acquisition of profitable units in related fields. Lists among growth industries: (1) aviation; (2) electric power; (3) air conditioning; (4) new construction materials; (5) new chemical products; (6) electronics; (7) oil and natural gas industry; (8) rayon and other plastics; and, last, but not least, television

At first blush, it might seem that the terms "growth company" and "growth stock" have been much overworked in recent years. Most of us appreciate the fact that we are living in a dynamic economy — and that the basic secular trend of economic, industrial and commercial development in this country has been upward from the time our forefathers founded this Republic in 1776.

Edmund G. Blackburn

A brief examination of the tremendous population growth of the United States will illustrate the genesis of our economic expansion, activated by increasing demand from our citizens for a wide variety of products, ranging from such necessities of life as food, clothing and shelter to such luxuries as television sets. In 1850, these United States had a population of 23 million persons; it has subsequently increased each decade, according to the Bureau of the Census, to 106 million in 1920; 132 million in 1940, and it is estimated for this year at 151 million. Since the turn of the century, it has virtually doubled—from 76 million in 1900 to 151 million now. Since the war, we have witnessed even more rapid development of certain areas of the country—such as California, the Pacific Northwest, the Southwest and the Southeast.

Think of what this population increase has meant in the way of over-all growth in demand on the part of our nation's consumers for almost any practical product, ranging from such a commonplace service as electric power and light, through such quasi-necessities as the automobile, to such luxuries as furs and perfume. Today, demand for such products is probably higher than it ever has been, and obviously greater than it was 20 or 30 years ago. This does not mean, however, that all these industries may automatically be classed, per se, as growth industries, although there has been a tendency in recent years, on the part of security analysts and security salesmen, to put the label of "growth" on virtually every company and security in which they happen to be interested at the moment.

Term "Growth Stock" Applies to Various Situations

As you can see, the term "growth stock" can be applied to a great number of situations. How aptly it fits is something else again—and that is what we propose to examine this morning. I just mentioned, for example, the increasing demand for electric power and light service in this country. As an indication of this growth, power generated in this country has increased from 39 million kilowatt hours in 1920 to 142 million kilowatt hours in 1940 and to 289 million kilowatt hours last year.

That certainly represents a substantial increase in the physical production of electrical energy, but it does **not** mean that the equities of these electric power and light companies meet the definition of "growth stock," as we understand it today. Anyone who bought Consolidated Edison of New York common stock at its 1939 high of 35, and sold it at its low last year of 21½ will testify that the stock was not a growth situation so far as he was concerned. Those who paid 43¼ for Pacific Gas & Electric common in 1947 and see it sell today at 34½ do not regard this as a growth situation for their own funds, despite the important progress and large plant expansion program completed by this ably-managed public utility since the end of the war.

Hence, it would be well to define the essential qualifications to characterize a company and its stock — as a "growth situation." As we see it, the first requirement is that a "growth" company should show a more rapid increase in both sales and earnings than those reported by the average corporation. To be specific, this means that the expansion of sales and profits must not be merely cyclical — that is, expanding from the trough of a depression to the crest of a boom; instead, it must be the type of growth that can and does advance through cycles of economic depression and prosperity with sales and earnings establishing successive new highs, at least at the peak of each upward cycle. For example, true growth companies reported larger sales and earnings last year than they did in 1937,

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*An address by Mr. Blackburn at the Annual Conference of J. Henry Helser & Company Associates, San Jose, Calif., June 6, 1950.

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How Much Government?

By W. RANDOLPH BURGESS*

Chairman, National City Bank of New York, N. Y. C.
Chairman, Economic Policy Committee, ABA

Mr. Burgess reviews growth of "big government," and though conceding responsibility of government for increasing social and economic functions, holds "we ought to stop, look and listen" and make careful survey of dangers to human welfare in this trend. Points out dangers of government incompetence and sees threat to sound money in expanded government spending. Lists as other dangers from big government: (1) bureaucracy's destruction of democracy; (2) loss of private initiative, and (3) promotion of selfish group interest. Attacks government going into credit field.

Once upon a time people said and believed that "The best governed people are the least governed." But the pendulum has swung far the other way, and people all over the world are looking to their governments to bring them the better life.

W. R. Burgess

A British election has just been fought on this question, and ended in a draw. Even so, the issue was not clear-cut, but rather a question of degree of government control. The Conservative Party declared itself for the welfare state, including government health and housing programs. It drew the line on the nationalization of further industries; but it did not propose to turn back the coal industry, the railroads, or the utilities to private enterprise.

In the United States we have probably not gone as far towards Socialism as the Conservative Party in England; but we have gone a long way, and we must frankly admit that a majority of our people are committed to more government than ever before.

From the beginning in this country, we recognized that the National Government must be responsible for justice, for the national defense and foreign policy, for maintaining order, and for fixing the value of money.

By comment consent, we now add to this list: the safeguarding of natural resources, the regulation of public utilities, transportation, and banking, and a substantial number of other services.

A third category of government activity, though more debated, would be approved by a majority of the population, including old age and unemployment assistance, supervision of public health, government insurance of mortgages, public water power development like the TVA and the Grand Coulee, government support of crop prices. Each session of Congress sees more proposals for additions to this list.

Conservative politicians in this country have questioned the administration of some of the existing projects, but have not proposed their liquidation. A majority of the people are accepting a general framework of government under which one-quarter of the national income is taxed from the people and spent by government.

Under these circumstances, it is not enough today for those of us who are critical of certain of the newer government ventures and proposals to state our case dogmatically. We must rather be prepared to analyze specifically the advantages and the dangers that may lie in the further extension of government. We are dealing with a world tide influenced by the philosophy of Karl Marx and its embodiment in the Russian experiment. Big governments created all over the world to deal with war emergencies have acquired vested interests that cannot be broken by luck or by scolding.

The argument for more government is supported by a formidable array of writers, teachers and politicians. The gist of the argument takes two forms—the first of which is the recognition of things wrong and the apparently simple and obvious cure, "There ought to be a law." There are on the record many instances in which government has intervened for the benefit of the people. We have only to think of the child labor laws, food inspection, public health service, the FBI, care of rivers and harbors, flood control, the forest service, and so forth through a long list of activities which we now take for granted. What is more natural than that people should want the government to undertake more and more chores for their benefit? They are impatient with the slower processes of individual or group initiative.

The second argument is to the effect that private enterprise is exploiting the people to its own advantage, and government must intervene to stop this. This is the argument of Karl Marx, on the basis of which he asserted that the poor are becoming poorer and the rich richer. The facts prove the contrary—that the worker's position is rapidly improving actually and relatively—but this has not stilled the belief. The slogan of the British Labor Party, "Fair shares for all," is a clear reflection of a widespread feeling that someone has been taking more than his fair share. There are millions of people in the United States who have the same feeling, and the feeling is zealously fostered by certain politicians.

Let us not underestimate the force of these two arguments. We live in a hopeful optimistic society which has been its standard of living under private enterprise steadily and rapidly increased over many years. The average American expects this advance to continue and is ready to listen to political leaders who claim credit for past success and who have rosy plans for the future. The "let government do it" idea looks pretty good on paper.

By a curious abuse of the English language and political adroitness, the people who believe in bigger government have attached to themselves the term "liberals" which comes from the Latin "liber," meaning free. In fact, the larger the powers of government, the less free is the individual.

Here is a situation which calls for sound and incisive thinking, but each of us may clarify his own views. We ought to stop, look, and listen, and make a careful survey of the dangers to human welfare in big government.

*An address by Mr. Burgess before the Econonmics Seminar of the Graduate School of Banking, Rutgers University, New Brunswick, N. J., June 23, 1950.

The Dangers of Big Government Incompetence

The first inherent fault of big government is its incompetence. The business firm which operates at a deficit fails and passes out of existence. There is no such test of government departments; but as was brought out by the Hoover Commission, they go on year after year, whether they are competent or incompetent; and their continued life depends on political decisions and not on competence. The bigger the government, the greater this danger.

The government official who tries to make his office efficient by getting rid of incompetent people finds it next to impossible to do so. His first move brings down on his head Congressmen who plead the case of the local boys and girls. He also discovers that the incompetent people have tenure under Civil Service. He can discharge them only by proving his case before some committee or commission, and he soon gives up the attempt. Government bureaus, while they contain many able and devoted public servants, are also the safest shelter for the incompetent.

The inefficiency of government operation is nowhere better illustrated than the government rules on vacations and leaves. Federal employees are entitled to 26 days annual leave and 15 days sick leave each year with full pay. Counting only working days off as leave, they actually get what in private industry would be 5⅕ weeks annual leave, plus three weeks sick leave each year. Every commission which has examined the government structure discloses abuses of this sort, and the reason of course is politics. There are two million Federal employees, with families and friends.

A still further handicap to government competence lies in the leadership of government departments. The upper echelon of the departments is a procession of people. Those people at the top, many of them fine people, seldom stay long enough really to learn their jobs. They also have to spend a substantial part of their time and nervous energy appearing before Congressional committees.

As the scope of government responsibilities has increased, the amount of legislation presented to the Congress has accumulated into an enormous mass far beyond the capacity of the Congress to analyze and digest. Legislation thus becomes a great lottery under which a majority of Congressmen are voting on bills they have never read and do not understand. Voting goes too often not by justice and wisdom, but by who yells loudest and appears to have the most votes. One of the strongest arguments for limiting the powers of government is the weakness of present governmental machinery, or any political machinery, for carrying the load it now has to bear.

Impairing Freedom to Change the Danger to Democracy

As government gets bigger, the proportion of the population who work for government, or are otherwise dependent on government checks, steadily increases. Mr. Hoover has estimated that 14 million people now receive regular checks from the Federal Government. These people have a natural tendency to vote with their bread and butter.

Power is a heady wine, and people in power use the instruments at hand to retain power. An army of county agricultural agents, a huge social security organization, a giant veterans' organization, collectors of taxes, the postal forces still recruited in part by political appointment—these are all dangerous political resources which may be used by an unscrupulous leader. We are tempting fortune if we allow this army of workers and government dependents to continue its present swollen size. Government checks may buy the vote as effectively as they did in the days of direct corruption.

General Eisenhower has stated the case as follows: "I firmly believe that the army of persons who urge greater and greater centralization of authority, and greater and greater dependence upon the Federal Treasury are really more dangerous to our form of government than any external threat that can possibly be arrayed against us."

The Danger to the Soundness of Money

Expanded government means expanded spending, and all too frequently means deficits. Long-continued deficits undermine the value of a country's money. President Roosevelt recognized this danger when he said, "Too often in recent history, liberal governments have been wrecked on rocks of loose fiscal policy." Since there are few enemies of human well-being more vicious than unsound money, the threat of big government to the value of money is one of its greatest dangers.

The way this works has been demonstrated many times. When government spends more than it takes in, it must borrow the difference, usually from banks. This expands the money supply and creates price inflation. Japan and Germany have just provided new proofs of this old law.

In recent years and months, deficits in the United States have been producing the classical results, though the results are blurred by huge productive capacity and a spirit of business caution. Old-fashioned economic law still works, and the people who suffer are the industrious and thrifty who have put their money into Savings Bonds, bank deposits, and insurance policies, and have seen the value of their savings decline.

An added subtle danger of monetary inflation is the public demand it brings, not for curing the causes, but for more government controls over prices, rents, and the use of credit. It robs people of the value of their money and their freedom also.

Danger to Individual Initiative

In the long run, the progress of any country depends on the independence and initiative and energy of the individual citizen. The basic problem of government today is whether it fosters the philosophy of the hand-out or the philosophy of achievement through effort. The Marxian formula was "From each according to his ability, to each according to his need." Many of our American do-gooders have adopted this communist formula and interpreted it to mean "Penalize the industrious; reward the lazy and incompetent." This is exactly contrary to the principles on which America was built; the early Pilgrims followed the more practical biblical injunction: "If anyone will not work, neither let him eat" America grew on the Horatio Alger theory of providing opportunity for the young man who started with nothing and encouraging him to achieve success by his own efforts. Through this sort of struggle, America developed its farms, its business, its churches, its colleges, and its homes.

The "welfare" programs of the government should be subjected to exactly the same kind of critical analysis as those of a well-ordered family. The wise father and mother know the welfare of each child is achieved through encouragement to hard work, and not candy and motor cars. Wise parents are generous of opportunity and niggardly of hand-outs

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The State of Trade and Industry

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

The pace of industrial production continued upward in the past week and was markedly higher than the level prevailing for the comparable period one year ago. As a matter of fact, overall output attained a peacetime high. Regarding steel output, there seems little chance for any appreciable improvement in supply conditions before fall at earliest, according to "Steel" magazine this week. Mills will enter third quarter with unusually large order carryovers. Typical of the situation is the position of one leading producer. This maker will enter the new period with six weeks' arrearage in hot-rolled sheets, five to six weeks in carbon bars and two to three weeks in plates. That the carryover will absorb a considerable part of third quarter output of most major products is accepted in the trade as a virtual certainty. Of the leading products, sheets are tightest, followed by pipe, plates and bars. Structural deliveries are least extended but conditions in this area are gradually worsening. Shipments of some specialties, such as stainless products, are becoming increasingly extended. About the only important steel items in relatively easy supply appear to be tool steels, wire rope, heavy forgings, mechanical and boiler tubes, and some alloy specialties, particularly alloy bars.

High level steel ingot production into the fall is assured, this metalworking authority adds. At least one large producer is scheduling ingot output at 101% of capacity into October. Other makers are expected to adopt similar policies.

Tone of the market is strong, but no sign has yet appeared indicating a broad general price advance is contemplated. Rising production and raw material costs are being resisted by producers. However, advances on specific products continued to be made.

* * *

Automotive output in the United States established a new high record for the third week in succession.

For the next two weeks, holiday closings will curtail output, with nearly all General Motors plants scheduled to be down from July 1 through July 4, "Ward's Automotive Reports" noted. Aside from several model changeovers in July, unabated production is looked for from July 5 through August, the agency added.

Passenger car assemblies in the United States for the year are expected to pass the 3,000,000 mark early this week, with a slightly higher volume indicated for the last half of the year, Ward's stated.

May factory sales of new motor vehicles in the United States hit an all-time monthly high of 696,893 units, the Automobile Manufacturers Association reported on Thursday of last week.

The May record brought this year's sales to a total of 2,893,695 new units or nearly 500,000 above the first five months' figure for the peak year of 1949. The best previous month was August, 1949, when factory sales totaled 657,664 units. Until this year, according to the Association, the 1929 first five months' total of 2,679,511 vehicles also was a record.

* * *

Living costs between the period April 15 and May 15 rose 0.8% to 168.6% of the 1935-39 average, the biggest rise since July, 1948, according to the cost-of-living index of the Bureau of Labor Statistics.

Although the index was still 0.4% below May 15, 1949, the April-May increase accounted for more than half the 1.3-point rise in the index since Feb. 15, 1950. The Bureau noted that the jump between mid-April and mid-May was caused chiefly by a 1.9% increase in retail food prices, with meat going up nearly 7%.

* * *

On Sunday last, 4,000 AFL switchmen went on strike against five major Western railroads.

The Great Northern RR. reported normal operations on its 8,000-mile system. Operations of the other four lines are at a standstill because of the strike. They include the 8,000-mile Chicago, Rock Island & Pacific, which serves a 14-state area between Chicago, Memphis, the Gulf Coast, New Mexico and Minneapolis; the 2,413-mile Denver & Rio Grande Western, which operates between Denver and Salt Lake City; the 1,500-mile Chicago Great Western which connects Chicago, Minneapolis, Omaha and Kansas City; and the 1,195-mile Western Pacific which runs between Salt Lake City and San Francisco.

Wages are the principal point at issue. The union is striking for a 40-hour week with the same weekly pay its members now get for 48 hours of work, or an hourly boost of 31 cents. The carriers are willing to cut the work week to 40 hours but they have offered to increase hourly wages by only 18 cents. The offer being made by the railroads is the same as recommended by a Presidential Fact-Finding Board.

* * *

The price support loan rate on the 1950 wheat crop will average $1.97 a bushel, or two cents higher than last year, according to an estimate of the Bureau of Agricultural Economics. The agency at the same time lowered its estimate of 1949-50 wheat exports to 300,000,000 bushels, 10,000,000 bushels below its earlier forecasts. The Bureau estimated wheat supplies for 1950-51 at 1,395,000,000 bushels, or 4% below the previous year.

* * *

Business failures rose 8% in May, following their decline in April to reach a total of 874. Casualties were at a postwar high for a month of May, but not as numerous as in March this year. While failures increased 13% from the 1949 level and 105% from 1948, they fell 34% below the prewar total of 1,334 in May, 1939.

The May casualties involved liabilities of $22,672,000, a larger volume than in April, but almost $2,000,000 less than in May, 1949,

Continued on page 39

Forecasts Higher Stock Market Prices

Assuming the avoidance of a war with Russia, the outlook is for higher prices for many securities, according to the semi-annual report of the Investment Research Department of Group Securities, Inc.

Harold X. Schreder

"While new peaks have been reached in several areas of our economy," the report states, "and stock prices of many of our leading companies have reached levels not seen for 20 years, it is our opinion that neither the general economic nor stock price levels have been carried to excess. In fact, it is our belief that the first half of 1950, after a series of postwar adjustments, marks the beginning of a prosperous period of several years standing, and that as a result, many carefully selected securities continue to be distinctly undervalued."

Although the report was written before the recent market decline, this development merely increases the probability expressed in the report, according to Harold X. Schreder, Vice-President in charge of Research for Group Securities. He points out that even on May 31, in spite of the fact that the averages were in general higher than in 1946, this was not true for the great majority of stocks.

"On May 31," the Group report states, "only 17.4% of the listed common stock were selling *above* their 1946 highs; 82.6% were selling *below*, and many of these were substantially below their 1946 highs."

"It is well known that the higher quality stocks have led the market advance to date. An equally revealing point of this analysis of all the common stocks on the New York Exchange, however, is the fact that 78.5% of all the higher-rated issues were below their 1946 high levels at the beginning of this month."

Herman Feldmann V.-P. of Distributors Group

Herman A. Feldmann has joined Distributors Group, Inc., 63 Wall Street, New York City, as a Vice-President, it is announced by this mutual fund sponsor. Mr. Feldmann is a former Vice-President of Geyer & Co., Inc., where he specialized in the merchandising of bank and insurance stocks.

Herman A. Feldmann

Mr. Feldmann served in the Navy in both World Wars and was separated from the service in 1946 as a Commander in the Supply Corps.

In his native city, Baltimore, he had been associated with Mackubin, Legg & Co., and previously had been with Fidelity Securities Corp. of Maryland.

James E. Bennett Adds

(Special to THE FINANCIAL CHRONICLE)

TERRE HAUTE, Ind.—Gerald M. Redicks has been added to the staff of James E. Bennett & Co., Merchants National Bank Building.

Observations . . .

By A. WILFRED MAY

Pleasant Summer Reading

Assuredly Wall Street these days is afflicted with hyper-tension. The war-threat-via-Korea is just an addendum to the constant attacks on the investor's emotions such as the barrage of sales ammunition aimed at his surrender through fright and confusion. In such a milieu some literature that is relaxing is sorely needed. So it is that there is a timely niche for Humphrey Neill's new book on the Stock Exchange and its environment (*The Inside Story of the Stock Exchange, by Humphrey B. Neill, 345 pages, B. C. Forbes & Sons Publishing Co., $6.00)*.

A. Wilfred May

On the premise that America's industrial growth has been closely tied up with the history of the Exchange, the author traces the doings of Hamilton, Jefferson and Jackson, the first and second United States Banks, the nation's experiences with gold, silver and greenbacks, the great railroad pioneering, the financial exploits of Astor and Vanderbilt, the glamorous industrial-financial manipulations of Schwab, Morgan, Cooke, Fisk and Drew—with an entire 17-page chapter devoted to that 20th century motor-"phenom," William Crapo Durant. Depicted also are the effects of war and industrial revolution, and of the '29 crash and following depression.

Mr. Neill likewise enlarges the Exchange's importance to viewing it as a significant provider of the nation's "flowing capital," stemming from the turn of the century when it was instrumental in financing new industrial giants like United States Steel.

The dramatic narrative will be particularly liked by Wall Street novitiates, including the currently wooed distaff side; and by all those in the investment world who have grown to maturity midst the SEC and the Exchange's renovation and de-glamorization, to whom the roaring '20s and before are merely a vague image.

But the Street's veterans and sophisticates also will derive some constructive profit from perusing Mr. Neill's story. And both groups will enjoy the overall chattiness and "coziness" of his style.

The Exchange—"Then and Now"

For the expert there is offered much food for reflection. For example, the Stock Exchange's metamorphosis to ever lesser importance is highlighted, although unintentionally. For example, in the book's very second paragraph, Mr. Neill says:

"The Stock Exchange may be likened to a reservoir the surface of which reflects nature in all its vicissitudes, while the ebb and flow of its depth measure the demand from users and the supply that pours in from the myriad streams and springs from miles around."

If we realize that the author has mistakenly used the present

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Consumer Loan Problems

By CLYDE WILLIAM PHELPS

Professor of Economics, University of Southern California

Dr. Phelps points out, because of small indivdual loans and higher operating costs, consumer finance companies must increase loan charges or go out of business. Advocates raising maximum limit on amount of loan from $300 as provided in Uniform Small Business Loan Law to $500 or more.

It is an interesting fact that whereas the Consumers' Price Index, representing an approximation of the trend of the cost of living as a whole for the American family, has increased by more than two-thirds since the prewar years, the cost of consumer credit has been laid down to the old peacetime levels.

Dr. C. Wm. Phelps

In one important segment of the consumer credit field—the consumer finance industry—the great war and postwar inflation in the costs of labor, the prices of supplies and other expenses of operation made the likelihood of a considerable increase in the already high rates charged for consumer credit apparently inevitable. An analysis of this problem, and its solution through wise social legislation, yields a case study which not only is of historical interest, but also may be fruitful for future guidance.

The Background of the Problem

The consumer finance industry, as commonly understood, consists of more than 6,000 licensed consumer finance offices operating in 30 states under the legislation modeled on the Uniform Small Loan Law.

This law, as originally drafted in 1916, restricted the size of the loans to be made (by setting a maximum of $300) and permitted a very high rate of charge on these very small loans. The loans could not help but average very small when the largest loans which could be made to balance the vast number of little loans of $20 to $100 were limited to $300.

The social agencies which took the initiative in developing the Uniform Small Loan Law, as well as the legislators who enacted it into state legislation, realized the unavoidable cause and effect relationship between size of loan and percentage rate of charge. Now, as then, very small loans and very high rates inevitably go together. So do small loans and moderate rates. And so do large loans and low rates.

This relationship is inescapably true no matter who is the lender—whether commercial bank, industrial or Morris Plan bank, industrial loan company, credit union, or consumer finance company. The smaller the average loan made, the higher must be the percentage rate charged to cover expenses because many of these expenses are the same in dollar amount regardless of the size of the loan.

As the New York State Banking Department points out in discussing the operations of personal loan departments of banks and trust companies: "One of the major elements in personal loan operations is the size of loan made. In any given year, most expenses tend to be approximately the same for each loan, whereas gross income is dependent on the size of the advance. . . . In handling personal loans, many costs such as salaries, rent, advertising, postage, telephone, stationery and the like, tend to be the same for advances of varying sizes."

This principle of inverse relationship between size of loan and percentage cost applies to business loans as well as to consumer loans; big firms obtain very large bank loans at 2% per annum whereas the little businessman pays his bank a rate which is at least three times as high for his small business loans.

The studies made of the cost figures revealed by the actual operating experience of industrial or Morris Plan banks, industrial loan companies, personal loan departments of commercial banks, and consumer finance companies indicate that the high percentage rates of charge on very small loans are fully justified by the high ratios of costs involved in providing the smaller sizes of loans. Nevertheless, their high rates of charge, caused by high costs of operation, have always constituted a heavy problem in public relations for consumer finance companies. In addition, by the mid-Thirties their high rates tended to become a serious problem in relation to their ability to compete effectively with other lending agencies.

But as leaders in the industry began to devote increasing thought to possible methods of reducing costs of operation, the problem was transformed dramatically by the impact on costs of the inflationary forces generated by the defense, war and postwar periods. The problem was no longer the simple one, formerly regarded as not too pressing, of seeking to push down costs where and when possible. It became the urgent matter of somehow holding back an apparently inevitable rise of costs to considerable heights, which would seriously be disadvantageous to both the companies and millions of families.

The upward movement in the prices of labor, rent, equipment, supplies and other expenses was far too strong to be offset by the short cuts and other economies of operation introduced by the companies under the pressure of the crisis which confronted them.

The Alternative Solutions

One solution, similar to the idea involved in the Little Steel Formula, would have been to accept the rising costs as inevitable under inflationary conditions, and to pass them on to consumer borrowers by the enactment of legislation permitting the companies to increase their legal rates of charge. Such a solution appealed neither to the leaders of the industry nor to the social workers and representatives of social agencies, with whom the companies had worked closely since the birth of the industry a generation before.

Another solution would have been to proceed along the general lines of the OPA idea and to simply proclaim a freezing of the existing legal rates of charge on consumer instalment loans regardless of steadily increasing costs of operation. The ineffectiveness and disastrous results of a solution of this type were only too well known to social agencies and students who had witnessed over a period of many decades the failure of unwise legislation which attempted to prescribe rates of charge on consumer loans which were below costs of operation.

In every state which had fixed rates below costs the invariable consequences had been: the driving out of the legally operating consumer finance industry, the introduction of thriving black markets (i.e., the rise of numerous unlicensed lenders or "loan sharks"), a shrinkage in the volume of loan service available to meet the needs of consumers, and the providing of this service at extraordinary and exorbitant rates (120% per annum and up) of charge.

Still other solutions might have been considered, for example, intervention by society for the purpose of subsidizing the industry so as to maintain rates of charge, or for the purpose of socializing the industry or replacing it by a government owned and operated con-

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From Washington Ahead of the News

By CARLISLE BARGERON

Despite the great segment of American industry that has become dependent upon the government and its managers and therefore removed from the field of criticism or activity against that government, there are growing signs of increasing activity in politics on the part of other industrialists. What is more, they are coming once more to be effective, something they haven't been since the beginning of the Roosevelt revolution. They are coming out of their shells and more and more exercising their right of citizenship. They aren't being cowed any more.

Carlisle Bargeron

One accomplishment they can attach to their belts is the recent defeat of Claude Pepper in Florida. It was the voters of the State who gave him the works, of course, but the organization and sinews of the campaign were provided by these politically active industrialists.

Coming on top of this is the defeat in North Carolina of the ex-college President, Dr. Frank Graham. This was something I and my colleagues of the Washington press, didn't think would happen. Graham was highly popular and had the backing of the State and Federal Democratic machines. In the original primary a few weeks ago, Graham won by 50,000 votes over Willis Smith, the conservative candidate, and came within about 10,000 votes of winning a clear majority in a three-man race. Immediately, some of the lieutenants of Bob Reynolds, the third candidate, switched to Graham, and the outlook seemed so poor for Smith in a run-off that it was several weeks before he could make up his mind whether to demand one. There didn't seem to be any financial support available such as Congressman Smathers had had in Florida against Pepper or such as Smith had had in the original primary. The support had apparently backed off. But at almost the last minute it came back from the same politically active industrialists who were so instrumental in killing off Pepper. To the surprise of Washington political observers generally, Smith won.

Unquestionably, a factor in his victory was the recent Supreme Court decisions, two of them advancing the cause of Negroes. It is ironic that the Fair Dealers, so-called, jubilantly hailed these decisions as having bailed Truman out of his failure to get any racial legislation through Congress. But it turns out that the decisions also cost him a very valuable Senator.

It is not only in the field of politics that a growing number of industrialists are again becoming active but also in propaganda to offset the Leftist propaganda which has had full sway in this country for nearly 20 years. These men, who for a long time under the Communist-dominated National Labor Relations Board were even afraid to send their employes a birthday greeting for fear of being adjudged guilty of an unfair labor practice, are now subscribing generously to the distribution of conservative pamphlets, books and other literature, not to set up a Fascist government as the Leftists charge, but to destroy the Leftists' control of the government. The wide distribution being given to John Flynn's "The Road Ahead," is a striking case in point. Only a few years ago this book would have had no such financial support behind it.

Also, the Communists and fellow-traveling radio commentators, columnists and writers generally are being more widely exposed and some of them have come to have hard financial going. They are screaming like nobody's business, too, about their being denied freedom of speech. This is not the case at all; they are still free to write as they please but in the case of radio commentators, the industrialists seem to be awakening and exercising their right not to sponsor them, and the public certainly has the right not to buy their wares.

For all too long these Leftists have exercised control to an alarming degree over what in the way of magazine articles, columning or commentating could be marketed. The conservative journalist has had the hard going. The publishing houses, the magazine editorial offices and the radio chains became infiltrated with bright Leftist minds in key positions and outside there was, and is, an organized movement to blow up mediocrities and downright phonies who follow the party line.

There are heartening signs that this situation is changing, that at least we are getting back to more of a balance. It is a sad commentary that our publishers and radio entrepreneurs can't be credited with this. The credit belongs largely to those industrialists who are putting up the money and supporting organizations to encourage conservative writers and see that their product gets the proper distribution, and who are being more careful about men they sponsor on the air.

The House Lobby Investigating Committee, headed by Representative Buchanan of Pennsylvania, is trying to stop this. Its recent action in subpoenaing the files of the National Economic League and the other similar organization which I believe is called the Committee for Constitutional Government, was for the sole purpose of exposing their contributors in the hope this would intimidate them. A more brutal attempt at intimidation was the questionnaire which the committee sent to more than 150 companies demanding an accounting of all money they had contributed for conservative propaganda activities, or had spent on so-called educational newspaper advertisements. This attempt was so brutal that it brought a reaction in Congress and the committee has been toned down.

There is no reason why any industrialists should be intimidated. There is not the slightest thing in the world to be ashamed about in contributing to a movement to rescue this country from the Leftist grip it is in.

Manufacturing Chemists Cite Need Of Liaison With Government

Board of Directors of Manufacturing Chemists' Association reports industry at high level of production with construction continuing for increasing growth. Cites important social, economic and political changes requiring closer liaison with Government regulatory agencies. Reveals extensive research program.

The report of the Board of Directors of the Manufacturing Chemists' Association, of which William M. Rand, President of Monsanto Chemical Co., is Chairman, covering the 78th fiscal year of the Association's activities in addition to reviewing the situation in the industry and its technical progress contains some pertinent remarks regarding new problems created by the continually expanding regulatory powers of government in the field of industry. Regarding these matters, the report in part states:

The end of the Association's 78th fiscal year found the chemical industry at a high level of production, with a significant volume of new plant construction continuing, although at a rate substantially under the two preceding years. Although production during 1949 fell somewhat below the record-breaking rate attained during the previous year; nevertheless, productive activity in our industry remained far above prewar levels—higher, in fact, than during the peak point of World War II.

William M. Rand

The Federal Reserve Index of Industrial Chemical Production (1935-39=100) averaged 414 for the calendar year 1949, as compared with 442 for the year 1948. The high point of World War II activity occurred during June, 1945, with an index value of 412.

Postwar expansion, which still continues, utilizing the results of earlier research has made available new products which have found wide acceptance in both domestic and foreign markets. Increased utilization of petroleum and natural gas as chemical raw materials continues. Today, almost half the dollar volume of the industry comes from products which were not in production, or had only limited application, less than three decades ago.

Keeping company with this industrial growth and its inestimable contributions to the betterment of our country and its citizens has been a tremendous surge of social, economic and political forces which have culminated in a corresponding growth of government. Results incident to such growth, among them the vast increase of bureaucracy, State and Federal regulation of labor and industry, and the consequent shrinkage of venture capital through oppressive taxation, have created serious national problems in relation to present operations and future industrial expansion.

Against such a background, the scope of operations of a national association such as ours assumes almost limitless proportions. The trend of events has given added importance and significance to industry-wide activities in such fields as labor relations, minimum wage determinations, the tariff structure, industrial safety, pollution abatement, precautionary labeling and contained and transportation research. Governmental activities in these and other fields have required close liaison with industry. The association has endeavored to formulate and maintain a constructive policy of helpful cooperation with regulatory agencies in this respect. Our technical activities in the field of state legislation of direct concern to the chemical industry have facilitated the passage of reasonable and sound requirements in a number of instances.

While it may be difficult in some cases to evaluate these broad activities in terms of specific benefit to individual operations, nevertheless the fact remains that regulatory proposals are on the increase and must be carefully watched and dealt with as they appear. The association is rendering a valuable service to its members in this field.

Technical Committees

Association activities in the allied fields of chemical packaging and safe transportation date back to the turn of the century. Prior to formation of the Bureau of Explosives in 1907 as an enforcement agency for voluntary regulations issued by the American Railway Association, the M.C.A. had taken steps to outlaw use of hand-blown balloon carboy bottles for the shipment of acids. The Association's Executive Committee (now the Board of Directors) assisted the Bureau of Explosives in revising the regulations, which, at that time, did not have the force of law. Early in 1912, the Interstate Commerce Commission, backed by prior legislation, took over these regulations as its own and they have remained in I.C.C. hands ever since.

During the intervening years, M.C.A. Committees have continued this close relationship with governmental agencies in charge of hazardous articles transport. As the production of chemicals and allied products grew, jurisdiction over the various modes of transportation expanded. Today we have the I.C.C. in charge of rail and highway movements, the U. S. Coast Guard with jurisdiction over water movements, and the Civil Aeronautics Board in charge of air transport. Each agency has its own regulations, backed by Federal statute, which are continually subject to change as new products are developed and more modern containers designed. In each case, M.C.A. representatives assisted in preparation of the regulations.

Our committees act as consultants to these agencies, and proposals relating to chemicals are commonly referred by them to the M.C.A. Washington office for assignment to the appropriate committee for study and recommendation.

Committee Reports

The extent and diversified character of our technical activities is revealed in the following resume of projects completed or advanced in the last 12-month period.

Anhydrous Hydrofluoric Acid Committee—Having completed its major activities and projects, this committee was disbanded during the past year. Certain unfinished business has been reassigned to other technical committees.

Glass and Wood Packages Committee—New studies and investigations were directed to the packaging of bromine, carboy boxes of laminated hardwood formed under pressure with thermo-setting adhesive, methods of testing for thin glass in carboys, and generation of pressure in carboys.

Completed projects and those in the final stages of completion resulted in the adoption of containers or practices which include a low-cost single-trip carboy package with plywood drum exterior for export shipment of regulatory products; methods for carboy blocking and bracing practice in box cars, which will be the subject of a new M.C.A. manual; also M.C.A. special subcommittee proposal for modification of flash point determination of liquids for classification under I.C.C. Regulations by Tagliabue open-cup method. This proposal has been circulated to member firms, National Fire Protection Association, and American Society for Testing Materials, for comment.

Metal Packages Committee—A comprehensive research and testing program has been initiated to substantiate the adequacy of single-trip metal drums for the shipment of 70% hydrofluoric acid. Preliminary results indicate that this project may prove extremely advantageous to the industry.

As the result of the committee's five-year study of stainless steel and aluminum containers for strong nitric acid, which was concluded in 1949, a modified testing program has been inaugurated to provide an additional type of stainless steel with limited carbon content for fabrication of drums for the shipment of all concentrations of nitric acid. Progress continues in the development of stainless steel drums having capacities of 15 gallons and less for transportation of nitric acid and other regulated commodities.

The cooperative research study of satisfactory lining materials and lining techniques for single-trip drums, in which the active support of the Steel Shipping Container Institute was enlisted, has resulted in the general awareness of the problem of lined containers and already has caused great forward strides in the general improvement of lined containers now available. Proposals, which will have the earnest cooperation of committee members, for future evaluation with respect to product versus liners, and development of new and varying types of liners or coatings, assure the active, extensive, and aggressive development and exploitation of improvements in steel shipping containers in general and in lined containers particularly, to the ultimate benefit of the chemical industry.

Drum plugs provided with porous carbon cores of predictable venting capacity previously authorized under I.C.C. regulations for use on single-trip metal drums in export service for sulfuric acid are being studied for application to drums in domestic service. A cooperative venture of the M.C.A. and Steel Shipping Container Institute in the drafting of specifications for I.C.C. 37 series single-trip removable-head drums is proceeding satisfactorily.

Precautionary Labeling

The major project of the Labels and Precautionary Information Committee during the past year has been the revision of Manual L-1, "Warning Labels," which was published in the fall. The Manual has been completely revised and enlarged. The original principles for the precautionary labeling of hazardous chemicals have been extended to cover a number of specific associated problems such as the labeling of small packages, samples, and economic poisons. A new definition of "poison" establishes mathematical limits and methods of test with laboratory animals for the determination of toxicity for labeling purposes. This Manual is now the generally accepted textbook for the labeling of hazardous chemicals. Several thousand copies have been sold, and many hundreds distributed gratis to local, State and Federal regulatory agencies. Permission has been granted to the publishers of Remington's "Practice of Pharmacy" for inclusion of the Manual's principles in a forthcoming revision.

In December, 1949, the committee sponsored an industry-wide symposium on the labeling of hazardous chemicals. This was attended by more than 120 persons and was well received. Highlights of the program included papers on: (1) history of precautionary labeling, (2) legal responsibilities, (3) current regulatory requirements and the need for uniformity, (4) development of principles of precautionary labeling, (5) health hazards as related to precautionary labeling, and (6) application

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LETTER TO THE EDITOR:

Sees Rebound From Present Stock Market Slump

Alfred Hecht looks for pre-election rally, in which secondary issues will participate.

Editor, Commercial and Financial Chronicle:

When I wrote to you the early part of June that the stock market might be in for a technical reaction it made some readers think that I was bearish. Now, after the setback the bulls are scared and urge caution. I rather imagine that the recent sharp market decline has laid the foundation for a strong rebound. Our Wall Street fraternity often acts in unison, and culmination points with heavy volume more often than not reward the speculator and investor if he has had the vision and courage to go against the general opinion. Therefore, my guess is that purchases might again show handsome rewards.

Alfred Hecht

If this pre-election rally occurs, secondary issues should participate to a much greater extent than they did previously in the current bull move. It is only natural that they should come to the fore. Outstanding purchases for the coming rally might be securities in the natural gas field. The country is getting more and more natural gas minded, and the trend is to become independent of "King Coal." Among the lower priced issues Texas Gulf Producing Company, Chicago Corporation, Columbia Gas System might join their big brothers such as Houston Oil Company, etc. in the upward parade. Historically, steels and coppers are the last movers, and attractive yields can be found in these securities. Trustees in the State of New York can find many suitable investments among the leading securities and this still unquenched investment demand might carry the rally to the traditional secondary double top.

The bigger the industrial production is now, the earlier the pipelines will be filled. Maybe many buyers will have their demands satisfied sooner than one thinks.

A prosperity based on time credit spells in the long run disaster. Surely the government realizes this and will curb excessive installment buying and credit some time before it gets out of proportion; otherwise it would sow the seeds for a recession later on. With November elections out of the way, a more conservative course can be expected from the Washington helmsmen regardless of the outcome.

ALFRED HECHT
Hecht & Co.,
14 Wall Street,
New York 5, N. Y.

June 28, 1950

Dealer-Broker Investment Recommendations and Literature

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

Chemonomics — Newsletter reviewing current financial and economic developments in the chemical process industries — R. S. Aries & Associates, 400 Madison Avenue, New York 17, N. Y.

Common Stocks for Trust Funds in New York State—Brochure—Bache & Co., 36 Wall Street, New York 5, N. Y.

Also available is an analysis of **the Lane-Wells Co.**

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.

Steel Industry—Analysis and reappraisal of the industry and its securities—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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Arkansas Missouri Power Co.—Analysis—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

Bay State Corp.—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Blue Diamond Corp.—Report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

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

Doehler-Jarvis—Brief review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available are brief data on **Beaunit Mills,** and **Warner Bros.**

Easy Washing Machine Corp.—Memorandum — Granbery, Marache & Co., 52 Broadway, New York 4, N. Y.

Empire State Oil Co.—Report for broker-dealers—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Fairchild Camera & Instrument Corp.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Filtrol Company of California—Report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Hudson Motor Car Co.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

International Minerals & Chemical Corp.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

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

National Lead Co.—Circular—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Northern Insurance Company of New York — Table of related prices, rights and capital stock—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Chas. Pfizer & Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Pure Oil Co.**

Pittsburgh Metallurgical Co.—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Reeves Soundcraft Corp.—Information—Gearhart, Kinnard & Otis, Inc., 45 Nassau Street, New York 5, N. Y.

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

Also available is a brief review of the Cement Industry.

United States Radiator Corp.—Analysis—R. C. O'Donnell & Co., Penobscot Bldg., Detroit 26, Mich.

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

COMING EVENTS

In Investment Field

July 7, 1950 (New York City)
Investment Association of New York annual outing at the Westchester Country Club, Rye, N. Y.

July 12, 1950 (St. Louis, Mo.)
Security Traders Club of St. Louis annual summer outing at Seibert's Grove.

July 21, 1950 (Portland, Ore.)
Portland Investment Bond Club annual summer outing at Mt. Hood Golf Club.

Sept. 8-9, 1950 (Portland, Ore.)
Pacific Northwest Group of the Investment Bankers Association annual meeting at Gearhart Hotel, Gearhart-by-the-Sea, Ore.

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).

Correction

In the June 22 issue of the "Financial Chronicle" it was reported that Alexander D. Campbell, President of Capital Accumulations, Inc., was formerly President of Pioneer Enterprises, Inc., of Bluefield, W. Va. We are informed that Mr. Campbell will continue to act as President of Pioneer Enterprises, Inc. as well as of Capital Accumulations, Inc.

Joins Walston, Hoffman

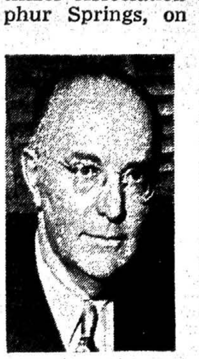
(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Chester E. Ryder has became connected with Walston, Hoffman & Goodwin, American Bank Bldg. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Progress in Fertilizers

Dr. Robert M. Salter, Chief, Bureau of Plant Industry and Soils of Agricultural Department, points out technical advances in production of liming materials and fertilizers have been highly significant in recent American agricultural progress.

Speaking at the Centennial Convention of the National Fertilizer Association at White Sulphur Springs, on June 14, Dr. Robert M. Salter, Chief of the Bureau of Plant Industry, Soils and Agricultural Engineering of the U. S. Department of Agriculture, called attention to the importance of improved fertilizers in American agricultural progress. Regarding soil management and use of proper fertilizers, Dr. Salter said:



Robert M. Salter

"Significant progress has also been made in the field of soil management and fertilizers. A modern concept of soils has evolved, founded on the understanding that soil undergoes constant changes—some natural and some man-made. As a result of increasing knowledge of soil types, their composition and structure; of crop requirements with respect to fertility and moisture; and of the over-all relationships of the many factors in production; management practices fitted to the soil conditions of particular fields and farms or of entire areas have evolved.

"No major crop grown in the United States is native to this country. Our corn and tobacco were carried here by the Indians from South America. Pioneer settlers from Europe brought along our cereal and hay crops. And the Department of Agriculture has introduced some crops such as soybeans and lespedeza. Since our crops are of foreign origin, foreign lands constitute our most fertile source of germ plasm for crop improvement. Through our organized program of plant exploration and introduction, nearly 200,000 introductions have been made during the past 50 years.

"These have been the raw materials for our plant breeding program. Plant breeders have tested these materials and selected the better strains. When they didn't find what they wanted, they used the germ plasm in manufacturing new varieties. In this way they brought about tremendous gains in general crop improvement, and at the same time fought a winning battle against the ever-changing hazards of nature—such as new diseases or new races of old diseases.

"Great advancements also have been made during the past half-century in techniques of producing and distributing seed of improved varieties. Our entire program of seed certification has been worked out, crop improvement associations have been organized, and highly specialized seed trade industries have been developed. This organization has made it possible to rapidly build up seed stocks of improved varieties and to maintain varietal purity and identity throughout distribution. Without this organization, farmers could not have realized the full potentials from improved crop varieties.

Soil Utilization

"There is good opportunity for materially increasing the potentialities of some soils to grow crops by deepening the zone of soil in which roots can grow. Most productive soils of the world are characterized by deep, friable surface layers. In this country we have lost much top soil through erosion. Furthermore, the soils over a large area have naturally shallow surface layers.

"Soil and crop scientists are beginning to explore the possibilities of improving the structure and nutritional qualities of the **subsoil** as a means of expanding the rooting zone for plants. Remarkable increases in crop production have been produced in this way on some soil types. It is not unreasonable to expect that we could substantially deepen the root zone in many soils and make available to crops increased quantities of both plant nutrients and water through the use of deep-rooted legumes in cropping systems and the incorporation of lime and fertilizer in the deep soil layers.

"In this connection, there has been a vital need for a deep-rooted legume in the South. Alfalfa may be a partial answer since we have learned that alfalfa can be grown successfully on many southern soils by using heavy applications of potash and small quantities of boron. Sericea lespedeza, too, is a good, deep-rooted legume that thrives in this area. Its use is expanding as farmers learn how to manage and utilize it.

"Prevailing farming practices in both the Midwest and Plains States have led to a progressive decline in the organic matter content of the soils in these areas. In places this loss has amounted to as much as from one-third to one-half of the original content. And the decline is still going on at rates estimated as high as 1% per year in the middle corn belt.

"This decline in organic matter has had the effect of impairing drainage, water infiltration, soil aeration, and the ability of soil to yield up nutrients to crops. The decline can be arrested by devoting a greater percentage of the land to grass and legume crops. In the Midwest, grass-legume mixtures are coming into style, with the emphasis on alfalfa with the grasses.

"In the Great Plains the problem is more difficult. We still do not have a legume crop adapted to the 200 million acres of dry land in the semi-humid region, although recent findings offer a promising lead. It now appears that yellow Siberian alfalfa may offer possibilities as a perennial grazing legume to grow in association with native grasses. This strain of alfalfa apparently will thrive under normal conditions in the semi-humid region, and survive while holding the soil in place during extreme dry periods. However, an extensive program of testing and breeding will be needed if this strain of alfalfa is to be made into a dependable legume crop for dry-land areas.

"There also are great opportunities for progress through advances with fertilizer technology. We still have need for non-leaching forms of nitrogen and potash that will yield up their nutrients as crops need them. We also need to develop means of improving plant utilization of applied phosphate.

"Prospects are good for further increasing the total plant nutrient content of mixed fertilizers. While the national average has been boosted to 22.6%, the total plant nutrient content has been pushed considerably higher in some areas remote from fertilizer sources. In Minnesota, for example, it has been pushed up to 33%. To boost the national average to 30% in the next few years should be a minimum goal."

Government Easy Credit Hopping-up Building Boom

By WARREN W. ALLEN*
Vice-President,
Lincoln Rochester Trust Co.,
Rochester, New York

Upstate New York banker holds recent extension of Veterans Administration bank mortgage guarantee benefits is boosting real estate prices and, as result, current housing boom is being over-extended by government policy of easy credit. Says vital question facing realty owners and mortgage men is when the "pangs of overindulgence" will develop.

The new housing bill, as you all know, raises the VA guaranty from 50% to 60% and increases the dollar amount from $4,000 to $7,500. Terms are extended from 25 to 30 years.


Warren W. Allen

This, of course, lessens the necessity for cash equities and where this happens—where the interest rate is low — where the pay-off period is longer—there will always be a greater number of people buying.

An increased number of people buying will increase the demand and push prices up. That's an old economic law and **that's the number one simple answer for "the effect of the new regulations on prices.**

As far as the effect on mortgage financing, I would say that mortgagees generally have plenty of money. When money is not scarce and government guarantees are large—there will always be ample financing.

I think that is my response to the specific subject.

Now I'd like to add a general thought:

In general I believe that the housing boom is being hopped-up entirely too much by the government's policy of easy credit. It is not easy to find other terms that can be compared with those sponsored by the government. But suppose automobiles were sold on the same loose credit arrangements that now apply to small homes. A $2,000 automobile could be bought with no money down on a 4%, 10-year government guaranteed loan and the monthly payments would be only $20.25. Under these conditions automobile demand would increase more rapidly than the supply and prices would start climbing again. Any useful article can have a virtually unlimited market under such conditions. That is what is happening today in home buying. A price rise is not particularly significant if no down-payment is required and the purchase financed over a 30-year period. Such a policy can only result in overbuilding to the eventual detriment of all residential real estate values. The extent of this detriment, to my mind at least, will depend on how much overbuilding is done! At present there is no such sign of a let-up.

It is interesting, although a little frightening, to speculate as to what lengths Congress might go in the liberalization of housing credit and what repercussions would be felt. Apparently the ultimate goal of our government housing financiers is to reach that point where anyone with a steady job can buy a new home with no down-payment on a 30-to-40-year loan and the lower the interest rate the better. No attempt is being made to stabilize our mortgage boom or any other important phase of our economy. All efforts are directed toward constant and increased expansion. Unquestionably, considerable expansion of our housing supply has been necessary and has been accomplished, but how much longer can we continue without suffering the pangs of overindulgence? That to my mind is the most vital question confronting real estate owners and mortgage men today.

*Remarks by Mr. Allen at the Annual Convention of the New York State Association of Real Estate Boards, Lake George, New York, June 22, 1950.

Francis du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Frank M. Sturgeon is with Francis I. du Pont & Co., 256 Montgomery Street.

Jose Harris Joins Laidlaw & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Jose C. Harris has become associated with Laidlaw & Co., 1 State Street. Mr. Harris was formerly with Townsend, Dabney & Tyson. Prior thereto he was a partner in F. L. Dabney & Co. and was Boston Manager for Spencer Trask & Co.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John S Coldren has been added to the staff of Harris, Upham & Co., 52 West Sixth Street.

Robert Lytle Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert S. Lytle is engaging in a securities business from offices at 714 West Olympic Boulevard.

Continued Prosperity Predicted By Home Furnishing Leaders

High activity expected; the main worry being rising costs with their limitation on profit margins.

Estimates and forecasts of American business based on the experience in home furnishings industries were presented by the leaders in that field who attended the International Home Furnishings Market in Chicago's Merchandise Mart June 19 through June 29. As specially compiled for the "Chronicle," they follow:

BURTON TUXFORD

Vice-President and Sales Manager, Drexel Furniture Company, Drexel, N. C.

The general business conditions of the country are probably in as good a shape as we have seen them in the postwar period. Personal income is running around $215 billion which is an all-time high. There are no major strikes on the horizon and we are in the middle of a building boom; about 50% ahead of last year. Home furnishing sales are tied in rather closely with building, and I predict that we will be well-favored with business for some time to come.

Burton Tuxford

Another thing, that is for the near future, we are in an election year and the people in power aren't going to do anything to let this prosperity die down. We feel that certainly this fall will equal the last quarter of 1949 and we have had an excellent spring. Our total figures in home furnishings will be even better than in 1948 which was an all-time high. A lot of manufacturers have been doing a great deal more business and consequently have been in a position to spread their cost—their overhead, over a lot more volume. In our firm, where it has seemed necessary we have made price increases up to 5%.

In 1945 our percentage of expendable income, and that is what counts, was 1.02%; in 1946, 1.38%; in 1947, 1.45%; in 1948, 1.42%. The figures aren't available for 1949, but we think it is off about 10% from 1948. That is a very small segment of the consumer dollar.

* * *

THEODORE A. SIMPSON

President, Mayfair, Inc., Albany, N. Y.

We have come into this market with larger open-to-buy than we have in a number of years We have taken two positions: Number 1, that there is going to be no break in prices; and, Number 2, you can't sell it if you haven't got it. We have short-changed ourselves in three or four or five markets successively by waiting for a price break, and the last two markets we have come in and laid the orders down and are getting the merchandise and selling it. We are committing ourselves rather heavily—up into January in some cases.

Theodore A. Simpson

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GEORGE F. P. SMITH

President, Norge Division of the Borg-Warner Corp. Detroit, Mich.

Fundamentally, there is no reason to expect any price changes in major appliances. Everything has gone up considerably and and you just can't make manufacturing economies which will support very much lower prices. However, like any other industry, if we are over-produced, and our merchandise is not moving, maybe there will be some price cuts. They are not justified, and it is rather doubtful to me if anything substantial is going to be done in that direction.

George P. F. Smith

It is hard to see how there can be much in the way of price cuts, except on promotional models, where the refrigerator or the range is stripped down and cost taken out of it.

As to the business outlook we have been much in the same position as the television industry so far this year. Sales are way ahead of 1949, varying in our appliances, from as low as 40% increase to as high as 183% in automatic washing machines. That is a rather fictitious figure, because the first five months of last year were very poor months for the automatic washing machine industry. They picked up rapidly after that. So I think the figure is out of line.

With aggressive merchandising, however, there is no reason to believe that sales will slip drastically. Obviously, refrigerators are sold primarily during warm months. I would expect 1950 to be a considerably better year than 1949 in practically all our lines. That is based on the fact that employment and earnings are at a high rate; houses are being built in greater quantities than ever before and this will create a considerable demand for our products.

* * *

HAROLD WADELY

President, Firth Carpet Company, New York City

The prices of rugs is increasing. As each new lot of wool has come in we have had to cover ourselves. And even with that our profits have been decreasing. In 1939, India wool could be purchased at approximately 30 cents per pound. Today, the cost is in excess of $1. In 1939, South American wools were purchasable at 24½ cents per pound. Today, they are approximately $1. These increases have become more frequent during the last year.

Harold Wadely

G. D. WRIGHTSON

Senior Vice-President, Simmons Company, New York City

Business has been tremendous and still is tremendous. The only note of warning I might sound is that when everybody becomes absolutely unanimous that things are going to be good, and stay good, look out! Insofar as the Simmons Company is concerned, our business is excellent. It is way ahead of last year and is substantially ahead of 1948 in volume.

G. D. Wrightson

The bedding industry is being squeezed terrifically with cost, and the industry, by and large, is absorbing these costs and are just about at the end of their rope. the worst thing that happened to the bedding industry was the government support of cotton seed, which had never been done until this season. They put a support price on the seed for the cotton oil crushers. As the cost of cotton linters is an outstanding item of cost in a mattress, or in any double-duty upholstered furniture, it is full 50% higher than it would be in a normal market. This is reflected in prices on items called promotional advertising merchandise. The public can't buy a promotional piece of merchandise now for the same price as a year ago for advertising purposes. The standard brand of merchandise, what is termed "resales" by the industry, bear prices fixed by the manufacturers. There has been no change in that, but the margin of profit has been shrunk and shrunk very materially.

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ELLIOTT WOOD

President, Heritage Furniture, Inc., High Point, N. C.

Since the 75c minimum wage has gone into effect, although it hasn't been a direct cost increase in our particular plant, it has been a cost factor overall in the industry and has made for competitive bidding for labor to some extent. We have had to increase wages on the upper trade level in order to keep the people satisfied. That, together with the increase in cost of materials, all along the line, has affected our profit margin considerably. However, I do think that the industry has done a marvelous job of keeping prices under control notwithstanding the increase in cost of materials. The majority of our cost increases have been absorbed by the manufacturer and I would say that his efficiency and better equipment has enabled him to price goods very conservatively in spite of these increasing cost factors. In our own firm we have had between one and six per cent increases.

Elliott Wood

Furniture, according to the Bureau of Labor Statistics, increased 70.9% from August, 1939 to April 1950, whereas, the all-commodity increase has been 103.9%. From the time that OPA went out of existence, in June of 1946, all commodities have increased 35.4%, whereas furniture has increased only 27.7%.

JOHN T. PIRIE, JR.

First Vice-President, Carson Pirie Scott and Co., Chicago

We are buying to assure ourselves of sufficient merchandise in the fall because we believe that the fall business will be very good. We believe, for example, that the third quarter will show a 2% increase in overall retail and that the fourth quarter will show an overall retail of between 4 and 5% over last year.

John T. Pirie, Jr.

The largest portion of our business is in apparel and soft lines. However, we are doing a better hard line business, floor coverings, major appliances, and so forth. When I speak of a 4 and 5% increase in the fourth quarter, it is rather large because of the apparel situation.

I believe this optimism is justified because of the continued rise in orders and commitments for capital goods. I believe that disposable income will be higher than it was last year. There will be an increase in apparel wool somewhere between 5 and 8%. After all, this country in 1939 produced 80% of the apparel wool; in 1950 it will produce 40%. It is bound to go up. In the cotton goods, prices are going to stiffen, too.

* * *

HENRY BONFIG

Vice-President in Charge of Sales, Zenith Radio, Chicago

It is a good thing that the American press has developed superlatively swift channels of communication and publication. Otherwise, what is said here today about the television industry might well be hopelessly out of date by the time it reaches print. Television is by all odds the fastest growing industry in American history. Let's take a quick look at what has happened in the past few years.

H. C. Bonfig

Television got off to a limping start in the last part of 1946 when something over 7,000 sets were built. In 1947 production began to roll, and we produced about 270,000 television receivers. At the end of 1948, there were more than 1,000,000 in use. At the end of 1949 we found that 1949 production had exceeded 2,800,000 sets, almost half again as many as the optimists had predicted early in the year.

This year of 1950 is proving even more devastating. From the pencil chewing experts came a prediction of 3,500,000 receivers produced for 1950. But before the current year was very old, we were rolling at the rate of more than 100,000 sets a week. Once more the experts chewed on their pencils, and it now looks like 6,000,000 television sets for 1950.

As for prices of television receivers, while there are reductions in certain strategic models, I don't foresee much change. It's true that new methods and efficiencies in manufacture are lowering our unit costs. On the other hand, higher prices for components, labor increases, due to pension and retirement plans, etc., are keeping operating costs up. The net result should be a fairly stable price set-up in the industry. It can be safely said you get what you pay for.

In the dazzle of television, we must not forget that radio is still a thriving business. There are many sections of the country that do not have television, and even in TV areas there is a large demand for portables, radio-phonographs, and FM receivers. Although radio is now running far behind television in dollar volume, our industry is currently producing two radio receivers for every television set made. Radio production is running about one-third greater this year than 1949.

An important factor in the sustained and growing demand for radio receivers is the portable business. Another is the revival of FM, which is occurring in spite of pessimistic stories which followed the closing of a few FM stations earlier this year.

Although the FM broadcasting industry is still in a somewhat difficult position, the number of stations operating profitably is increasing every month, and the number of licensed FM stations on the air is nearly two-thirds greater than last year.

Monthly production figures tell the story: April, 1950 was more than double April, 1949; and the industry produced a third more FM sets in the first two weeks of May, 1950 than in the entire month of May in 1949. Moreover, many television sets incorporate the FM band. So, it now seems that long suffering FM is at last coming into its own, and that it will provide a steady market for manufacturers.

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H. J. LILLESTON

Vice-President in Charge of Marketing, The Paraffine Companies, Inc., N. Y. C.

Business during the next six months should be very good in the hard surface floor covering business just as it will be in general industry. The only catch with regard to the hard surface industry is which product is going to get the bulk of the business. In the hard surface industry we have many different types of products, and there is a great deal of competition between those products for the consumer dollar, and time alone will tell which of the many types are preferred in the greatest quantities.

H. J. Lilleston

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JAMES KENNEDY

Vice-President and General Manager, Housewares Division, Revere Copper and Brass, Inc., Rome, N. Y.

The outlook for this business is dependent a great deal on the availability of steel which has been very difficult to get, and also on the astuteness of manufacturers and merchants, both in the merchandising and the introduction of new products, to keep up with present day trends.

As to the matter of prices, I doubt very much whether there will be any reduction at all in housewares. Now, whether they can hold their own or not is questionable. I would look for price increases rather generally. I do not believe there will be substantial increases, but in view of this last round of wage increases, and certain increases in steel in various territories, I think the manufacturers are finding out they can't absorb that without seriously affecting their overall profits.

Continued from page 7

Manufacturing Chemists Cite Need Of Liaison with Government

of principles to specific problems.

There is an increasing tendency toward Federal and State legislation to require precautionary labeling of hazardous chemicals. The committee is acting in an advisory capacity in such cases, in order to promote accuracy and uniformity. This is becoming an extremely important activity of this committee.

The preparation by the committee of warning labels for specific chemicals continues as the need arises.

Chemical Minimum Wage Redetermination

On Nov. 16, 1949, the Public Contracts Division, U. S. Department of Labor, conducted a hearing in Washington for the purpose of receiving testimony preliminary to a redetermination of the chemical industry minimum wage under the Walsh-Healey Public Contracts Act. Earlier in the year, the M.C.A. had organized a panel, at the request of the Secretary of Labor, which met with Department and Union representatives to agree on a revised definition of the industry and a wage data questionnaire. This questionnaire was sent subsequently to member firms and formed the basis for the Association's presentation at the hearing.

Because of the importance of the proceeding to the chemical industry, the Board of Directors authorized retention of counsel to assist the Association Secretary in presenting the industry's case to the Public Contracts Board. Earlier, a special committee of industrial relations personnel selected from member firms had come to agreement on the nature of the testimony to be presented.

Other Activities and Services

Chemicals in Foods—During the past year, considerable legislative and administrative activity has been evidenced concerning the setting of Federal residue tolerances on pesticides used on food products up to the time of harvest, and the use of chemical additives in foodstuffs. This has taken the form of: (1) hearings before the Food and Drug Administration on tolerance standards for about 75 pesticides under Sections 406 and 701 of the Food, Drug and Cosmetic Act. Hearings began Jan. 17 and are expected to continue through June, (2) proposals to amend the Food and Drug Act to provide for certification of chemicals used on or in foods similar to the current requirements for new drugs, and (3) the identical Keefe and Sabath Resolutions, H. R. 207 and H. R. 323, to create a select House Committee to investigate the "nature, effect and extent of the use of chemicals, synthetics, insecticides and fertilizers upon the public health and welfare." The latter resolution was reported favorably by the House Rules Committee on May 12. In addition, the National Research Council has recommended the setting up of a committee to review available data, coordinate information, and possibly support research needed to fill gaps in knowledge on the toxicities of pesticides and chemical food additives.

The Association has taken steps to see to it that the chemical industry will be prepared, should the above developments assume an active status. A top committee of executives has been appointed to coordinate preparatory steps in case appearances will be required. Working under this group is a task subcommittee, made up of nutritional chemists, toxicologists, lawyers and chemists. A partial list of chemicals used in foods has been prepared and circularized to member firms. Steps are being taken to supplement and complete this list.

Revision and Codification of the Patent Laws — The Association, through its Patent Committee, has joined the Coordinating Committee on the proposed codification of the patent laws, formed under the auspices of the National Council of Patent Law Associations. Other committee members include representatives of the Aircraft Industries Association, Automobile Manufacturers Association, Manufacturers Aircraft Association, National Association of Manufacturers and the National Security Industrial Association. Work of the committee will have to do with the proposal to codify and revise the U. S. patent laws contained in a committee print issued during May, 1950 by the Subcommittee on Patents, Trademarks, Copyrights and Revision of the Law of the Judiciary Committee, House of Representatives.

Cooperation with other Organizations—The Secretary is a member of the following committees, which function within the several government departments: (1) Chemical Products Agreements Committee, U. S. Public Health Service, which committee administers labeling agreements between the Surgeon General and producers of designated products; (2) Post Office Advisory Committee, which advises the Postmaster General on mailability of chemical products; (3) Federal Specifications Board Advisory Committee, Treasury Department; (4) President's Fire Prevention Conference; (5) Interagency Committee on Ammonium Nitrate; (6) Chemical Industry Advisory Committee, Munitions Board; and (7) Advisory Committee on Chemical Reports, Bureau of the Budget.

The Association also has direct representation on the following outside organizations: National Fire Protection Association, Association of American Railroads Tank Car Committee, Packaging Institute, National Industrial Traffic League, and Safety Code Committee of the American Conference of Industrial Hygienists.

Many conferences with governmental agencies have been held during the past year by Association representatives. Our relations with these agencies, particularly those maintaining service bureaus for industry, have promoted better understanding and have been productive of benefits in which all have shared. It is again gratifying to record that many of our firms report satisfactory results in the Association's handling of matters of individual concern.

Statistical Activities — The Association prepares and issues each month a Statistical Report on Business Conditions based on official statistics relating to production, employment, payrolls, hours and earnings, wholesale prices, and the cost of living.

A third edition of "Chemical Facts and Figures" is being drafted by the Washington office staff in order to bring up to date statistics which were carried through the year 1946 in the previous volume. The revised edition will be ready for distribution about Sept. 1, 1950.

Tariff Activities

Trade Agreements — Developments in the field of international trade during the past fiscal year threaten serious consequences to the American chemical industry if permitted to continue their present course. The Annecy "second round" agreements announced last October, reduced U. S. duties on scattered chemical products contained in 19 paragraphs of Schedule I, some of the cuts going to 50% of the Jan. 1, 1945, rate, the maximum reduction permitted by law. A full report of the Annecy agreements was sent to Member Executives on Oct. 11, 1949.

During October, a 43-page study, compiled by the Association's staff, was sent to Member Executives. It showed the rates of duty on all items in the chemical schedule under the Tariff Acts of 1922 and 1930, and those resulting from the reciprocal trade agreements of 1945, 1948 and 1949. An additional column was inserted to show the rates of duty which would be permissible, if full authority to reduce by 50% of 1945 tariffs should be exercised.

The Association early in 1949 petitioned Congress, through the House Ways and Means Committee, to maintain the safeguards incorporated in the 1948 Trade Agreements Extension Act by retention of the "peril point" provision. Unfortunately, the 1949 Act as passed by the 81st Congress, did not contain this important provision.

During the early part of 1950, a "third round" of tariff negotiations was announced, to be held at Torquay, England, beginning Sept. 28. In the subsequently published list of items to be considered for possible duty reduction, were inserted practically every dutiable chemical contained in Schedule I, with the exception of coal-tar dyes. In a prepared statement filed with the Committee for Reciprocity Information during May, the Association protested the proceedings on the grounds that: (1) negotiations were scheduled in some cases on commodity groups or "basket clauses," rather than on a selective product-by-product basis, and (2) multilateral arrangements were being exercised rather than the bilateral agreements stipulated by the Tariff Act. Both procedures are contrary to existing statutes and follow instead the General Agreement for Tariffs and Trade, which, to date, has not received the approval of Congress.

International Trade Organization—In a brief submitted to the House Foreign Affairs Committee on April 28, the M.C.A. opposed ratification of the Havana Charter.

On May 12, Dr. Elvin H. Killheffer appeared before the House Foreign Affairs Committee, opposing the present form of the Charter in behalf of the M.C.A., S.O.C.M.A., and Chemical Alliance, Inc.

Customs Simplification — Early in May, a government-sponsored customs simplification bill was introduced in the House and referred to the Ways and Means Committee. Prior to introduction, representatives of the chemical industry reviewed drafts of the bill and expressed opposition because of proposed change in valuation methods for coal-tar chemicals. Under the present Tariff Act, the valuation of such chemicals for duty purposes is based upon "American selling price." The bill proposes that this be changed to "export value," in keeping with provisions of the I.T.O. Charter, with compensatory rate adjustments to be computed by the Tariff Commission in order to maintain current tariff levels, such adjustments to be promulgated by Executive Order.

The Association will oppose the bill in case it is cleared for hearing, and urge that "American selling price" valuation method not only be maintained for coal-tar chemicals, but be extended to cover all other chemicals now subject to other valuation methods. A statement has been prepared and will be presented before the Ways and Means Committee at the proper time by the Chairman of the Association's Tariff Committee.

Legislative Activities

In connection with Federal legislation, reference has already been made to current activities in the food-chemicals, tariff and international fields. Hearings were attended and testimony reviewed by the Association's staff, and reports made to member firms through the medium of the regular bulletin services or special reports. Among the many bills of direct interest introduced were those relating to Stream Pollution, Air Pollution, National Science Foundation, Monopoly, Basing Points, International Trade Organization, Customs Simplification, Social Security, Synthetic Rubber Plant Disposal, Transportation, Minimum Wage and Selective Service.

Mutual Funds

By ROBERT R. RICH

SEC Frowns On Comparison With Averages

It is believed to be a current interpretation by the Securities and Exchange Commission staff that mutual funds, in their promotional literature, may not compare their performance record with any "unmanaged" average, i.e., the Dow-Jones or like stock averages, unless such comparison is supplemented by a further comparison among the records of other Funds with similar investment objectives, and unless such a comparison includes other stock averages which may not place the Fund's performance in as favorable a light. It is further required that the depicted performance record be over the entire life of the Fund, and if this is impractical, over a minimum period of five or ten years or a multiple thereof. Such sales literature should also include reference to the capital structure, the investment policy and the dividend policy of the Fund. The SEC staff, of course, only makes specific rulings on specific sales material, and these communications are entirely confidential.

Putnam Fund Studies Dow-Jones Average

The Dow-Jones Average of 30 Industrial Stocks, as a measure of price fluctuations, was recently under the scrutiny of the Putnam Fund research staff. Although, on April 19, the average reached 215, a little above the last high point reported in 1946, Putnam Fund, in a study of "188 representative stocks," discovered that the percentage difference between the highest 1946-47 prices and the closing prices on April 19, 1950, were:

14 or 7% were above 1946 highs
13 or 7% were 1-9% below
37 or 20% were 10-24% below
59 or 31% were 25-49% below
65 or 35% were 50% or more below.

As Putnam Fund notes: "In other words, two out of three of the stocks were selling 25% or more below their 1946-47 highs, and one out of three was selling for 50% or more below."

If we search for something good in every situation, this study, obversely, might indicate that, while many stocks were not as high as in April as the D-J Average would indicate, they probably aren't as low this week as the same average would indicate.

Management and Selling

The responsibility of Mutual Funds towards the investing public should not stop with the activities of management in its own sphere.

Since investors are generally in contact with Funds through dealers and securities salesmen, the behavior of this element in the Fund's industry is of considerable importance. While this writer has received no indication of other than responsible selling by dealers and salesmen, this is no reason for the Funds themselves to be lax in the matter of stressing to their distributors the desirability of selling Mutual Funds on their real merits as an investment device. The advantages of mutual funds are such that it seems unwarranted and undesirable to misrepresent them by distorted diagrams, promises of spectacular behavior or by a fragment of their performance record—which includes only the most favorable behavior.

A suggestion has been made that every investor, before purchasing mutual fund shares, should sign a statement to the effect that he understands the characteristics of mutual fund shares to include price fluctuations, varying yields over time and the like. The idea behind this suggestion is that the investor could not then possibly receive an erroneous impression of what a mutual fund is. While this suggestion seems to carry things to an extreme, the basic idea is good.

It should not be difficult, in a "sales" talk to a prospective shares purchaser, to indicate facts about mutual funds which have been occasionally glossed over in the past in sales literature—the fluctuation in price, the variation in income, and similar "sore points."

It is only common sense to recognize that an investor can be a long-term assets to a fund if he can be persuaded to invest a share of his income over a period of time. This is not likely to be the situation if an investor must undergo a period of disillusionment concerning his investments in funds, a disillusionment based upon an originally erroneous impression of what funds can and cannot do for him.

Group Securities Holders Create Common Fund

Creation of The Common Stock Fund of Group Securities, Inc., and adoption of a policy allowing broad industry diversification in the investment held for the fund, was voted by shareholders at a special meeting June 26.

Group Securities' shareholders also voted to change the names of four other classes, identifying them as "funds." One result of the changes, President Kenneth S. Gaston stated, would be to distinguish between the five "funds" which are diversified as to industry, and the 17 classes identified with a single industry. "The changes," Mr. Gaston said, "will simplify the Group Securities' structure and permit greater latitude to investors in using this mutual fund."

Incorporated Booklet Reflects Responsible Selling

Incorporated Investors, in its latest Parker Corporation Letter, has listed a series of Do's and Don'ts in Buying Investment Company Shares. This listing, briefly, contains the facts about Mutual Funds which every investor should know before he is asked to buy.

Estabrook Distributes Life Fund Brochure

Estabrook and Company is distributing a complete brochure on Massachusetts Life Fund entitled "A Special Program for Each Investor."

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Banks was made June 20 by M. G. Newcomb, New York fiscal agent for the banks. The financing totaling $52,520,000, consisted of $24,725,000 1.35% consolidated debentures due Dec. 1, 1950, and $27,795,000 1.40% consolidated debentures due April 2, 1951. Both issues were dated July 3, 1950, and were placed at par. Of the proceeds, $35,015,000 was used to retire a like amount of debentures maturing July 3, 1950, and $17,505,000 is "new money." As of the close of business July 4, 1950, the total amount of debentures outstanding amounted to $561,430,000.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

WEST POINT, Neb.—Ralph M. Tomlinson is with Waddell & Reed, Inc.

The Plastic World of Tomorrow

By WALDEMAR KAEMPFFERT*
Science Editor, The New York "Times"

Mr. Kaempffert in visualizing plastic world of tomorrow sees, among other things, the mistress of house simply turning on hose to clean her home and letting water run down a drain.

This task of prediction is easy because our lives have already been influenced by the plastics. In fact you have only to look around your own homes to catch a glimpse of tomorrow's world.


W. Kaempffert

Your shower bath curtains are—what? Synthetic, waterproof material of the kind that Mr. Powell created. You sit down to dry yourself — on what? A stool coated with synthetic plastic. The shaving-brush and toothbrush that you manipulate have bright plastic handles. Even the bristles of the toothbrush are synthetic. You may use an old-fashioned glass tumbler for your mouthwash, but the chances are ten to one that the tumbler is of some unbreakable plastic.

Glance around your dining room. The curtains look like silk. Perhaps they are. But if your house is furnished like millions of others they are more likely to be of some synthetic fiber.

Such are the increasing scarcity and cost of wood that in another generation plastics will be used throughout the house. Wall paneling, furniture, upholstery, rugs, draperies — all will be made of waterproof plastics. To clean a room the mistress of the household in that servantless day will simply turn on the hose. The water will run down a drain. A blast of hot air will dry everything in five minutes.

*An extract from Mr. Kaempffert's presentation talk on June 1 at Hotel Pierre, New York City, informing George M. Powell, technical head of vinyl coatings research of the Union Carbide and Carbon Corp., that he was designated for the ninth year to receive the John Wesley Hyatt award.

Chemical Industry's Primary Task Is to Earn Public's Long-Range Confidence, Says Merck

President of Manufacturing Chemists' Association says growth of largest of American industries brings problems that require a high opinion of it in minds of people. Stresses good public relations.

The chemical industry's number-one task is to make the public fully aware of the industry's efforts to achieve cleaner air and cleaner streams, improve safety records, lengthen lives and serve humanity in countless other ways. George W. Merck, Chairman of the Board of Directors of Merck & Co., Inc., remarked in an address before the Manufacturing Chemists' Association in Spring Lake, N. J., on June 19. Mr. Merck is President of the Association.


George W. Merck

Stressing the need for dealing with every problem in the frankest way to earn the public's long-range confidence, Mr. Merck said that the industry's accomplishments in the technical laboratory regarding such matters as safety and pollution abatement can be largely wasted unless the public can be shown that "we are doing the right thing."

"Public thinking," he said, "can and should be made aware that we are leaders in care of our rivers and streams and purifiers of the air; leaders in safety methods inside and outside our plants; and pioneers in making the resources of chemistry serve man.

"The first thing that strikes me about our industry is that we don't know our own strength. The chemical industry has grown so fast that most of us fail to realize we are about the largest industry in the United States today, and still growing. Size alone brings its own problems, so let us exert ourselves and see to it that we deserve and gain a high opinion in the minds of the people.

"The second thing that strikes me about us is that upon examination we find too often our standing with the public is different from what we think. I fear we look at things occasionally through glasses that are too rosy, and in our public relations are inclined to be lenient and interpret things to our favor rather than not."

Mr. Merck pointed out that chemicals had been used in foods for many years and that long-term feeding tests had proved these chemicals to be as non-injurious as they were effective, particularly many of the newer chemicals, including vitamins. "But I doubt very much," he continued, "if the wide acceptance of these would have been so rapid and universal if an educational program had not laid the foundation and proved to the public that better diets were needed and that these chemical additives would enrich the nutrition of the nation.

"In the case of the use of certain chemicals — minerals and vitamins—in bread, a most effective nationwide campaign of educating the public was carried on and this won widespread public backing.

"The more we study, the more we realize the need for understanding trends in public opinion. Some tidal movements of public thinking and emotion hit us before we realize they were in the making. We should be alert to such moves and take them into consideration in making plans; sensing such waves and gauging them is a most important part of management.

"An example of a tidal move of mass sentiment is that for conservation of natural resources. I think everyone recognizes the resurgence of public interest in conservation—dammed up during the war."

Mr. Merck cited the remarks of Charles S. Munson in the latter's MCA presidential address of two years ago concerning the urgency for a concerted effort from the industry in the direction of public relations. Mr. Munson is Chairman of the Board of Directors of U. S. Industrial Chemicals, Inc., and Vice-Chairman of the Board of Directors of the Manufacturing Chemists' Association.

"Essentially," said Mr. Merck, "I am only reemphasizing what Mr. Munson said and urging as he did that the subject be pressed vigorously. I recall his remarks very well. He pointed out that what was needed was a sound program of public education; he stressed the point that we must make clear the stake everyone has in our situation; and he concluded: 'Our industry is new and young and vital. It has a tradition of expansion. It can work miracles. Let us tell that story so that all can hear.'

"Some five years ago, after consulting with various people, I set down some thoughts for our company. We believe those thoughts have stood up. Perhaps you would like to hear them:

(1) Good public relations is simply a matter of good morals and good manners.

(2) We should first see to it that what we are doing is right. The best possible public relations activities can't make wrong right.

(3) It is equally important to be sure that the impression of what we do is right. Doing the right thing but having it misunderstood is very bad public relations work.

"Recently some of your officers and their respective public relations directors had the great pleasure of sitting down with Arthur Page, who for many years was in charge of public relations for the American Telephone and Telegraph Company. One of his statements is worth setting down: 'I think that one of the most appealing pictures of the chemical industry is the inexhaustible frontier of opportunity to improve the comfort, health and happiness of the American people. Into that general picture, increased employment of men and money in a safe and exciting life-work comes naturally.'"

New Orleans Bond Club Elects New Officers

NEW ORLEANS, La. — Walter H. Weil, Jr., of Weil & Co. has been elected President of the Bond Club of New Orleans, succeeding Joseph P. Minetree of Steiner, Rouse & Co. Others elected to office at the annual field day and meetings held at Lakewood Country Club were Jackson P. Hawley of Equitable Securities Corp., Vice-President, and Louis F. Klein of the Hibernia National Bank, Secretary-Treasurer.

New board members chosen were Leon E. Newman of Kohlmeyer & Co., R. Jeremy Glas of Glas & Co., T. J. Feibleman of T. J. Feibleman & Co., and Wilbur Jesse of Waters & Alcus.

Public Utility Securities

By OWEN ELY

El Paso Electric Co.

El Paso Electric is one of the smaller of the southern "growth" companies, with annual revenues of about $6 million; it came out of Engineers Public Service in July, 1947. The stock sells over-the-counter around 36, the range last year being 25-34 and this year 34-37½. The dividend rate is $2 (versus $1.80 in 1949 and $1.60 in 1948), making the yield 5.5%. The payout, only about 60%, is conservative. Revenues have about doubled since 1939. Net earnings per share have increased rather steadily from 72 cents in 1937 to $3.32 for the 12 months ended April 30, 1950 (the latter figure comparing with $3.09 in the previous 12 months' period).

The company is outstanding in that it has financed its construction program (with an increase in gross plant of about 60% in the four-year period ending Dec. 31, 1949) without any preferred or common stock financing. Fixed debt increased from $6 million to $9.5 million, which together with $2.5 extra cash on hand in 1945, surplus earnings, depreciation funds, etc., has sufficed to take care of construction costs. The company refunded its mortgage bonds with $6 million 2¾s in 1946, and an additional $1 million 3¼s were sold in 1948. Short-term bank loans were refunded last September, when $2.5 million debenture 3⅛s were issued.

The company supplies electricity at retail in El Paso, 18 other communities in Texas and 22 in New Mexico along a 230-mile stretch of the Rio Grande River valley, the area having a population of about 237.000, of which 200,000 are in the metropolitan area of El Paso. The latter population has increased about 50% since 1940.

El Paso is the lowest pass through the Rockies anywhere in North America, and many famous Spanish explorers passed this way in the early days. It is also the only all-year snow-free thoroughfare between ocean and ocean—east and west. This accounts for its importance as a transportation center—rail, truck and air. It is the geographic buying center of a 600-mile trading area.

The primary sources of income over this huge trade territory, according to the annual report, are the four Cs: Cotton, Cattle, Copper and Climate. In addition, there is the import and export trade with Mexico; the six rail lines into or through El Paso; the largest military reservation in the United States, with an annual payroll in excess of $48 million; a large oil and gas industry; and various manufacturing industries consisting of 150 individual establishments in El Paso. Cotton raised in this area commands premium prices and yields per acre are exceptionally high. All farming is done entirely by irrigation.

El Paso is strategically located in the midst of the most heavily mineralized section of the United States, offering practically every mineral of commercial importance. Mines in this southwest area produce over 42% of all copper in the United States. From mine to mill, to smelter to refinery, much of this copper passes through El Paso on its way to markets and factories in the east. Over 29% of all U. S. copper is refined at the Phelps-Dodge Refinery in El Paso, one of the most modern and largest in the world. This refinery purchases its entire electrical requirements from the company.

El Paso Electric obtains natural gas for boiler fuel from El Paso Natural Gas Co. The company's revenues are 34% residential and rural, 32% commercial, 19% industrial and 15% miscellaneous. The average residential rate of 2.7 cents per kwh in 1949 was below the U. S. average, and residential consumption of 1,845 kwh was above average.

The company in 1949 produced about 91% of its power needs. Two steam plants have a capacity of 78,800 kw, of which 20,000 kw were installed in May, 1949. Some power is purchased from the government's Elephant Butte development on the Rio Grande. The company's major problem last year was to provide some relief for heavily overloaded generation, transmission and distribution equipment throughout the system and at the same time keep pace with continued expansion throughout the area served by the company. While the critical overload situation was relieved last year, the reserve capacity is still negligible.

The company has a special franchise arrangement with the City of El Paso whereby earnings are limited to 60% on the rate base. It is understood that the rate base is currently around $22 million compared with the $17 million net plant account. Excess earnings are adjusted through an annual rebate to all customers, which for 1949 was equal to about 15 cents a share. There are no REA's in the area and no government competition in distribution.

President Womack recently estimated that earnings for the calendar year 1950 might approximate $3.48, which presumably makes allowance for any necessary refunds to customers. There is no indication that the present conservative $2 dividend rate will be raised in the near future, since construction needs are heavy. There will probably be no equity financing during 1950-52.

Portland Inv. Bond Club to Hold Outing

PORTLAND, Ore.—The annual summer outing of the Portland Investment Bond Club will be held at Mt. Hood Golf Club (a 40-minute drive from Portland) on Friday, July 21.

McConnell & Co. Is Formed in Toronto

TORONTO, Ont., Can.—Robert K. McConnell and Chester H. Smith have formed McConnell & Company Limited to conduct a general investment and brokerage business from offices at 11 Jordan Street.

Continued from first page

Outlook for Oil Equities

some value in recalling them and in discussing their validity. One of them, of course, was the unseasonably warm winter of 1948-49. This was a factor of considerable statistical importance. Normally, 40-45% of the market for light fuel oil is located in the Middle Atlantic and New England states and around 60% of the demand is concentrated in the months of October through March. Using New York City as an example, prevailing temperatures in the six months October, 1948 through March, 1949 were 11% higher than in the corresponding period a year earlier. This probably accounted for a drop of 15% in the period in the demand for heating oil. Coming after stocks of light fuel oil had been built up to their seasonal peaks, it was enough to create painful surpluses on the Atlantic seaboard and the Gulf Coast. At the same time, the prospect of miles of natural gas pipelines spreading tentacles into Eastern and New England markets discouraged hopes of recovery of the fuel oil markets even with a return to normal temperatures in future years.

Another important reason for the concern felt for the future of oil prices was the evidence of rapid development of the Middle Eastern oil fields and the question of how this greatly increased flow of oil was to be absorbed in world markets.

There were other reasons. The high prices to which oil had shot, after the elimination of price controls, had given commercial importance to much oil in the ground that theretofore had not been counted in conservative estimates of reserves. It had stimulated much drilling, to depths theretofore considered uneconomic, and this drilling was finding important additions to our production. There was a drop of about 60% in the average refinery price of residual fuel oil, the industrial fuel, as a result of the general business recession which characterized 1949, and as a result of the extremely high price to which this fuel had climbed in comparison with coal.

In the stock market, a general lack of optimism made investors take a more serious view of these developments than otherwise would have been the case, and the psychology of the market must always be considered in evaluating economic and business developments.

Reasons for Optimism

It seems to me that there are sound reasons for being much more optimistic than we were a year ago on several of these factors, and that they will be supporting factors even if on other fronts the wind again changes quickly. There is impressive evidence that working agreements are being made that will preserve order in world markets for oil and which will stimulate the world demand for oil. We have had evidence of the ability of the regulatory authorities in this country to hold back production in order to protect the price. It was hardly possible to count on this ability before it was demonstrated. Perhaps it would not have been possible for the Texas Railroad Commission to hold the line had not the demand for oil forged ahead and product prices recovered some of their previous fall. The effect of natural gas competition is becoming measurable and is seen to slow up, but not to eliminate, the growth of fuel oil use.

Others of the questions which bothered us last year can more easily return. The weather remains an unpredictable influence. As to the psychology of the market, that attitude that can magnify or minimize the news of the day, your opinion is as good as mine, but mine is that the long rise in the prices of high-grade stocks while lower-grade stocks have lagged does not signify that the investor has become more courageous.

On balance, however, it seems to me that most of the things we feared should give us less worry now. Other bases for concern will arise. All we can do is to be as alert as possible to anticipate and to analyze them. With proper attention to the subject we should not despair of being able to see them in time.

It is appropriate at this point, I think, to examine the position of the oil equity market in relation to the market as a whole. In order to simplify the presentation I have chosen the Dow-Jones Industrial Average and a per-share average of 10 large oil company stocks. Neither average is perfect but they will serve to paint the picture in broad strokes. They have the advantage of permitting computations of earnings and dividends as well as of price. The 10 oil companies represent about half of the industry in this country and I have found that trends in this group are very similar to those computed for larger aggregates, such as the 30-company total compiled by the Petroleum Economics Department of the Chase National Bank.

In the five prewar years, 1935-1939, the Dow-Jones average sold at an average of slightly under 17 times its earnings, while the 10 oils sold at 14 times earnings. This period, frequently taken as a sort of prewar norm, may not as confidently be assumed to be a fair period of comparison for the oil industry. The entire decade of the '30s for the oils was one of laboring to absorb the great increase in potential production that followed the discovery of the East Texas oil field in 1930. Crude oil prices were slow in joining the upswing in commodity prices. They broke again in 1938, and did not recover in 1939. Product prices showed strength in the early part of the 1935-39 period, but on the whole were lower in 1939 than in 1938. The period as a whole as we look back on it, was somewhat subnormal for the oil industry in comparison with other businesses.

In 1937, it is fair to say that the earnings of the oil industry and of industry as a whole were at prosperity levels, as judged by prewar standards. In that year the Dow-Jones average sold at 14½ times earnings, and the oils at about 10 times earnings.

For the postwar period I have taken the years 1946 to 1950, inclusive, using recent prices as the 1950 estimate, and, of course, estimated earnings and dividends for the year. For this period the Dow-Jones average has sold at an average price of 8¾ times earnings, while the 10 oils have sold at about 6¾ times earnings. The period is one of marked differences in the earnings pattern. For industry in general a peak in earnings was reached in 1948, and for an average of the larger companies at least, the recession from that peak has been moderate. In the oil industry a very high peak in earnings was reached in 1948, and the decline from that peak has been of the order of 30%. In 1948, the Dow-Jones average sold at about seven times earnings, the oils at about 4.85 times earnings. It is not my purpose here to discuss the decline in general price-earnings rates from prewar to postwar. I wish merely to call attention to the fact that the tendency of high-grade industrial stocks to sell at higher price-earnings rates than high-grade oil stocks persisted in the postwar period.

At the present time, as I figure it, the Dow-Jones average is selling at about nine times likely 1950 earnings, and the 10 oils are selling at a little over seven times probable 1950 earnings.

Some further light may be thrown upon these price-earnings comparisons by similar comparisons of dividend yields. In the five prewar years the average Dow-Jones yield was about 4.35%, while that of the oils was just under 4%. The Dow-Jones average sold at a higher price-earnings rate, but at a lower price-dividend rate. The answer, of course, is that the oils paid out a smaller proportion of their earnings in dividends than did the average industrial company.

Again in the postwar period, 1946-1950, the same general relationship is found. The Dow-Jones yield, on cash dividends, was 5.4%, the oils 5.2%. The industrials again commanded higher price-earnings rates, though lower price-dividend rates. At recent prices, and on estimated 1950 dividends, I figure that the Dow-Jones average yields about 5¾% and the oils 5.6%.

No Over-Valuation of Oil Stocks

I think that it is unwise to press these comparisons too closely, because of the imperfections of averages, but what they say to me is that no drastic change has occurred in the relationship of oil company valuation to that of the general industrial company of similar standing. It seems to me, therefore, that no dangerous degree of over-valuation of the oils has yet occurred in comparison with the general market.

In my mind I have gone over the factors that should be appraised in the analysis of an industrial equity and have attempted to see how the typical oil common stock represented by this average compares with the typical industrial equity of relatively high quality reflected by the Dow-Jones average. It seems to me that on two counts the oil equity is in an inferior position. One of these is the relationship to foreign developments. I think that there is much more basis for optimism as to the absorption of foreign-owned production than there could have been a year ago, but it still is necessary to concede that the growth of foreign oil in the world markets poses somewhat more of a problem to the American industry than it does an opportunity. The second factor of comparative weakness stems out of the influence of the government here. Now that the spectre of oil shortage has faded, at least temporarily, the size of oil companies, the level of their earnings, the special tax protection the producing industry has, all are looked upon with a jaundiced eye in political circles. The latest attempt to reduce the depletion credit may have been beaten down, but the revenue needs alone of the government will cause the fight to go on. As a result of this tax protection, corporate earnings of integrated oil companies are being taxed at an effective rate of only about 25%, while the stipulated rate of course is 38%. It is hardly possible that this tax protection will increase; the danger is that it will be reduced.

Except on these two points, it seems to me that the oils stack up quite well in comparison. The industry is quite stable in the year-to-year volume of its business. The business certainly is basic. The industry is in strong financial condition; in fact a large integrated oil company can preserve its solvency through a severe depression better than almost any other type of industrial company. Cash earnings are perhaps twice as large as reported earnings. The use of funds set aside for reserves and write-offs to pay bills and taxes and interest will in the long run erode the earnings base of an oil company, but it can, and has, carried many a company through an extended period of low business and low prices. In these factors of the basic nature of its business, its stability and financial strength, I rate the oil industry at least equal to the rest of industry, taken as a whole.

In the steady, if unspectacular growth of aggregate demand for the products of the oil industry, there is, it seems to me, a factor of advantage the investor in an oil company has over his counterpart in the average of other industries. In the all-important matter of management, I give the oils an especially high rating. The ablest of executives are attracted to this industry, and oil companies continue to draw a full share of the best of our business and engineering school graduates. In a speech made last month before the American Chemical Society, Dr. Gustav Egloff, the eminent petroleum chemist, estimated that at the present time research expenditures in the petroleum industry comprise about 25% of all the money spent by industry for research. I think that in the need for outside financing, with its danger of dilution of equity, the oil industry is in a favorable position with respect to industry in general. It has always been more self-contained than industry in general. It looks now as if the oils will add to their cash positions this year.

There is another important point of superiority under present conditions, and that is in the relatively low labor costs. For the industry as a whole the cost of labor probably does not exceed about 20% of the operating revenues.

On balance, therefore, it seems to me that the oil industry has a superior appeal to the investor on more points than those on which it is at a disadvantage. I might say also that the short-term outlook for oil company earnings and dividends is at least as good as for industry as a whole. Consequently since the oils have not departed from their historiacl relationship to industrial stocks generally, I think that at present prices they are somewhat more desirable purchases than general industrial stocks of equivalent investment standing.

Outlook for Branches of Oil Industry

It is impossible, within the space of this paper, to go into detail on the economic outlook for the various branches of the oil industry. However, I should like to discuss briefly three of the questions which most frequently arise. One of these concerns competition from natural gas, another control of domestic production, and the other the place of foreign oil.

Displacement of heating oil by natural gas will be confined largely to the Middle Atlantic and New England States; in the mid-West the threat is more to coal. The market for burner oil has been one of the most rapidly growing markets, and is a profitable one. It is not likely that conversion from oil to gas burners will assume large proportion, but it is evident already that there is a strong preference for gas in new homes. It is largely concentrated in the East. When natural gas reaches the projected delivery total of 1,500 million cubic feet per day in the eastern markets by the end of 1952 some of the growth in the fuel oil demand will be taken away, but it is hardly likely that all of that growth will disappear. The subject has been freshly studied by the Economics Department of Standard Oil Company (New Jersey) and the results of that study recently were published. It was estimated that by 1953, natural gas would have displaced a heating oil market of 50,000 barrels per day, but that this will equal about one-third of the normal growth which otherwise would have been expected in that market by the end of 1952. It would slow up the rate of growth, not eliminate it.

In the same study the effect of the use of natural gas was estimated to absorb a market for 75,000 barrels per day of heavy fuel oil, and it was conceded that this might be an absolute loss. This may prove to be the case, but it is worth noting that the competitive position of residual fuel oil relative to coal has much improved since 1948. On an equivalent heat value basis the New York Harbor price for heavy fuel oil today is about equal to the price of bituminous coal. Normally it commands a premium over coal, and it is a premium fuel in terms of ease of handling and steadiness of supply. It is very possible that the premium will not be reflected in prices again. Nevertheless, the heavy fuel oil business has gone through a readjustment since 1948 that, subject to industrial conditions generally, should represent the bulk of the readjustment that it will have to make, including the accommodation to an increased supply of natural gas in this market.

A condition of short supply of petroleum appears remote now, unless a greatly increased military demand intervenes, or the foreign fields are blocked off. Even if the foreign fields were not there to remind us of this we could still look at the new discoveries being made in the Permian Basin in West Texas. The reserves being discovered in Scurry, Kent and Borden counties are a minimum of one billion barrels and may possibly run to as high as five billion barrels, or about as much as the original reserves in the East Texas field. These fields, however, are being developed far differently than was the East Texas field, which in fact fastened on us the system of prorationing. Present controlled production from the Scurry Canyon reef fields amounts to perhaps 60,000 barrels per day, and from the rate of drilling and indicated programs should amount to well over 100,000 barrels a day a year from now. This compares with a total United States production of 5,400,000 barrels per day. But the potential production from these new fields, of course, is very much higher, and eventually it will be felt. That this, and other new production, and the pressure of perhaps 700,000 barrels per day of production shut in will one day bring about lower prices for crude relative to other commodity prices is entirely probable. This, however, does not appear to be an early prospect. The chances are that allowed production will rise considerably during the balance of this year and therefore reduce the pressure of production held back.

The Foreign Oil Situation

I should like now to get on to the foreign situation for I believe this is of great importance in the outlook and one that is difficult to follow. A good deal of progress has been made this year in settling portions of the differences between the British Government and American oil companies concerning the supplying of so-called "sterling" versus "dollar" oil in world markets. At the beginning of the year, it became known that the British were endeavoring to restrict severely the importation of U. S. company oil into sterling area countries. This brought vigorous reaction, and in February the British submitted a composite proposal. Under this proposal the substitution of sterling for dollar oil would have been limited to the equivalent of 80,000 barrels per day, representing about a 30% contraction in American-company shipments. It was also proposed that additional amounts of American-owned oil would be importable, or permitted to be sold to other countries against sterling payment, if offsetting increases were made in U. S.-company sterling expenditures.

While this compromise proposal was not wholly acceptable to the American companies it laid the groundwork for further conferences, which it is expected will be resumed this month in Washington.

In May the British Government announced acceptance of a proposal made by Standard Oil (New Jersey) under which that company would supply additional quantities of gasoline in Britain against payment in sterling, the additional sterling to be used for purchase of British tankers and other equipment and supplies in Britain. The California-Texas Oil Co., jointly owned by Standard Oil of California and Texas Co., agreed to a similar proposal. On the strength of these agreements, the Government ended gasoline rationing. The agreement extends until the completion of the large expansion of "Jersey's" refinery in England, expected in early 1952, which will make a major contribution to the easing of the dollar shortage in Great Britain to the extent that it stems from oil.

It is estimated that this agreement will permit the American companies to supply an additional 7,000 b/d of gasoline to Britain.

Last year it was announced that an exclusive deal has been concluded between Great Britain and Argentina, involving the exchange of oil for meat and other goods, which cut out the American market in that country, estimated at the equivalent of 15,000-20,000 barrels per day. However, a modification of the agreement was announced last month and this reopens the Argentine market to American oil.

On June 8, a new agreement was announced between the British Government and Standard Oil (New Jersey) and Socony-Vacuum. These companies jointly own 23.75% of Iraq Petroleum Company, one of the Middle East producers, with the bulk of the balance of the stock being owned by the British and French. The agreement covers the American companies' share of Iraq Petroleum production, and permits them to sell it either inside or outside the sterling area. The American companies will pay in sterling for oil sold in the sterling area, and will pay 75% sterling—25% dollars for oil sold outside the sterling area. They will be able therefore to sell for sterling in countries outside the sterling area, and use part of that sterling for their purchases of the required oil from Iraq Petroleum.

It has become known also that an agreement has been reached between the British and Standard-Vaccum Oil Company. Standard-Vacuum is a joint subsidiary of Standard Oil (New Jersey) and Socony-Vacuum, and produces and markets in Asia and Oceania. It is believed that the agreement will guarantee convertibility into dollars of 40% of its sales in the sterling area.

World consumption of petroleum, excluding the North American continent, is probable slightly over 3,000,000 b/d. United Kingdom consumption should be around 350,000 b/d, and the entire sterling area usage about 850,000 b/d. American companies have been supplying about half of foreign demand, including about 250,000 b/d to the sterling area. Most of the market outside the sterling area is short of dollars but can pay in sterling. The British have resisted having their sterling debts transferred into dollar debts. The arrangements which have been announced are piece-meal arrangements, but they raise legitimate hopes that a general agreement eventually will be reached.

They force the American companies to buy more in the sterling area rather than in the United States. They may force them to become larger holders of sterling, and they will force them to pay heavier taxes to Britain. However, this much blending of economies is inevitable to international industries. The agreements do have the effect of increasing world consumption of petroleum, which is by all odds the most important factor in the situation. In the annual report for 1949 of Standard Oil Company (New Jersey) the estimate was made that foreign consumption of petroleum in that year increased by 12%. In this country the increase, if any, was of the order of 1% or 2%. In the report of Firestone Tire & Rubber Company, it was stated that foreign registrations of motor vehicles has risen to 30% of the world total. We are still provincial. We talk glibly of population growth in this country; our Washington dispatches fill up much space on a Point IV program for which 12 to 50 million dollars can be squeezed out. But the oil industry, and our international industries generally are actually capitalizing on these world developments of growth and industrialization, and, as yet, few of us, as investors and investor advisers, realize it.

It would not be realistic, of course, to assume that all of the difficulties between British and American oil producers competing for world markets stem from dollar shortages. The close relationship between the British Government and the British companies is itself a source of difficulty. This, however, is no new problem. The American companies have lived under this difficulty for many years. Without minimizing it, the evidence suggests that they will be able to compete in future years.

It is not necessary to think only of the meeting of problems in analyzing the present position of the oil industry. The positive factors in the situation are numerous and important. I have mentioned some of them, such as the strong management, research and financial setups. These are factors playing upon a versatile chemical, easily handled, and finding new applications every year in this vast and growing and shifting country. The growing use of diesel oil, and the developing petro-chemical industry, which in value terms will be important to the oil industry, are examples of the expanding horizons for petroleum. Natural gas, a threat to markets in some quarters, is at the same time an increasingly valuable asset to many oil companies.

Conclusion

In conclusion, it seems to me that for a respectable interval at least the principal worries in the minds of investors in oil securities are not likely to recur. The outlook in fact appears to be quite favorable, and oil stocks still appear to be reasonably priced in terms of earnings, dividends and the more important standards of analysis.

I would venture to say that should the general stock market remain at approximately its present level, or should it decline, it would be found that the better oil equities did better than the average. In the event of further strength in the general market, which, I suppose, after the long rise we already have had, would be most noticeable in cyclical, more speculative stocks, it might well be that the oils would revert to their prewar pattern and prove less dynamic than the average. Your opinion of the general market is the most important to you. Unless, however, you are committed in your mind to a continuation of the upswing, I should think you should rate the oils high in relative prospects.

It is impossible for me to leave the subject without a more pointed conclusion than this. To me, the outstanding aspect of the stock market we have had for the past year has been its institutional character. There are signs of more public participation, and of a boom psychology in business and the situation must be watched on a day-to-day basis, but I cannot believe they have as yet gone to excess. I am one of those who expects some downturn in business before the year is out, and I do not believe the oils will be impervious to it. Speaking entirely personally, I am a tired bull. But I am impressed by the way these institutional investors go after stocks on any recession. If fuel oil prices drop, if the crude price structure again comes under pressure, if our general business level declines and the world again finds its dollar deficit rising, I do not think we will go back to an attitude of deep pessimism on oil equities. The ceiling I think is a rising one, and we are not so very far above the floor.

Two With Hamilton Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Everett L. Bird and Anthony Tyrone have been added to the staff of Hamilton Management Corporation, Boston Building.

Market Crack-Up Reflects Too Much Regulation

By LESLIE GOULD*

Financial Editor, New York "Journal American"

Like the State and Defense Departments, the stock market was caught off guard by the Communist invasion of South Korea.

Leslie Gould

The stock market's intelligence may be a little better than that of the State Department, for ten days ago it had a shakeout. That break, though, was more of a test than any reflection of coming events—such as the Korean incident.

It has been touch and go for about three weeks, which way stocks would go.

A substantial correction has been long overdue, but every time there was any selling, there was no public following through. So, the selling never got anywhere.

While the bulls have seemed, up to now, to have things more their way, a number of stocks have been making new lows almost daily. As pointed out in this space, the bull market forgot a lot of stocks, such as the motion pictures, the tobaccos, the golds, rail equipments, air lines and chain stores.

It has seemed that a break in the news would determine the course of prices.

The way the market broke is another illustration of the dangers in this over-regulated trading. In a five-hour session, prices lost nearly 10½ points, or about 4.7% of total market values. That is a big drop for one session and just about equalled that of September, 1946.

Some individual stocks among the leaders lost anywhere from 5 to nearly 10% of their market values. Chrysler, off $7, lost nearly 9% of its market value, which on its outstanding shares represents $61 million. General Motors' drop of $6.37½ represents a deflation in market value of more than $280 million. The same right through the list.

This is the biggest one-day decline in nearly four years, and the number of issues set a record—1,256, and the number of new lows, 128, is the largest for this year.

This is an extremely thin market, and it cannot take an unusual turnover either on the down or up side. A factor in this thinness—aside from the over-regulation—is the reduction in the so-called floating supply of stock. This was why General Motors had such a fast runup when it announced plans for the split-up.

The big traders are becoming extinct, and corporation insiders—another source of buying — only play for capital gains, if at all. The mutual investment trusts, while major buyers, tend to reduce the floating supply and their managements have yet to prove their nimbleness in catching a market swing.

The specialists on the Exchange Floor, with exception of a handful, either are unable or lack the courage to make close markets. So, the market of today is subject to wider and more violent swings than in those terrible old days of no regulation.

*Reprinted with permission from the New York "Journal American," June 27, 1950.

Over-Building of Office Structures

By LEE THOMPSON SMITH*

President, The New York Real Estate Board, Inc.

Chairman, Executive Committee, Home Title Guaranty Co.

Warning spectre of over-supply of office space is again rising because of new construction, "bolder and lustier" than boom in late 1920's. Mr. Smith foresees future large vacancies particularly for older structures. Cites case of Chicago and other cities, and says renting rates already show signs of downward trend. Urges old building owners to modernize structures and thus cut down demand for new buildings.

The spectre of an oversupply of office space is rising again. It is not yet generally apparent. But the first signs of its manifestation are unmistakable. Great modern structures, now rising in many cities, fling serious challenges to all office buildings that have enjoyed reputations of being "new" buildings for almost 20 years.

Lee Thompson Smith

This is hard to take. But these great modern structures carry rental rates that entail rental policies that cannot be applied to existing structures. They are planned to consolidate on one of their floors the offices of a corporation that may be scattered throughout several prewar, predepression buildings. In fact, they make up a new boom in office building that has all the earmarks of being bolder and lustier than the notorious over-expansion that began around 1925.

In New York, for example — and New York affords a glaring example when it comes to office buildings—we have had more new space placed on the market since the war than was built in several of the giddiest boom years of the 1920's. And it is being filled at rentals that none of our existing buildings could command.

This new space exceeds the total produced in both 1925 and 1926 put together. It amounts to more than we built in 1926 and 1927 combined. It even tops the output of 1927 and 1928!

This year alone, with a total of 4,208,000 square feet, is edging close to the peak records of 1929 and 1931, which rolled up 5,325,000 and 5,585,000, respectively. To note that we had an average vacancy percentage of only 1.2%, as of last January 1, may be relevant as a justification for this new construction.

But the question is how long will occupancy continue to average that high?

Incidentally, the vacancy rate, although still negligible, has been rising since May, 1946, when it figured at only 16 one-hundredths of 1% for more than 60,000,000 square feet of office space in some 400 buildings.

Old Buildings Adversely Affected

The vital point to office building owners and managers is whether vacancies will continue to increase at the rate registered in the past year. If they should happen to do so, we could be faced with more than 10% vacancies by 1952! Such vacancies would exceed the amount of new office space now being built. But who would bear the brunt of such a situation? Certainly not the newest buildings!

Tenants are signing long leases in the newest buildings in New York — 10- and 20-year leases at rentals averaging around $5 or better per square foot. In one of the fines of new skyscrapers, finished this year, there are cases of rentals running up to $7 per square foot. Tenants are willing to pay these amounts because the new structures obviously have something! And obviously, for the same reason, tenants will stay in the newest buildings when, as, and if more vacancies occur.

Therefore, it is up to you owners and managers of older buildings to do something about this. And you can do something!

However, before we go into that, let's look at the record—to understand the background of this problem, I have a chart that shows what happened in New York in the past 26 years. It may represent in magnified form the problems you have encountered in every city in the nation. It shows only the totals of new office space accumulated since 1925—how we started by producing 1,475,000 square feet in 1925 and then kept piling it up until we now have a total of more than 37 million square feet of office space added since 1925!

This chart is based entirely on statistics compiled by the management division of the Real Estate Board of New York. It covers only the major office building centers on Manhattan Island.

We started off in 1925 with about 30,000,000 square feet of space in existing buildings and we find ourselves now with new structures already scheduled for 1951 which will bring the grand total up close to 70,000,000 square feet.

Attention is called to the vacancy experience. But, of course, those years were the roaring '20s, when all business was expanding, and so vacancies agreeably receded for a couple of years. They jumped in 1928, fell again in 1929, and then started their tragic limb. By 1933 office vacancies in New York amounted to more space than had been built in the boom years of 1925, 1926, 1927, and 1928 combined — and they continued to increase!

In short, in the past 26 years there were 13 years in which Manhattan office vacancies averaged more than 10% and 13 years when they were below that level. Now, that was an exceedingly costly condition!

I have another chart that shows the cost of vacancies. This chart is based on only 330 choice office buildings.

Over a period of 22 years these properties were obliged to pay a total of $80,000,000 in real estate taxes on vacant office space that was producing no rental income! More than $30,000,000 of that

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*An address by Mr. Smith at the 43rd Annual Convention of the National Association of Building Owners and Managers, Seattle, Wash., June 13, 1950.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

AD LIBBING

Through the timely cooperation of our National Secretary, Mort Cayne, all Chairmen and Presidents of affiliates have been advised of their quota standing for participation in this year's advertising income. Please become interested!

Harry J. Steele

E. W. Snyder

This week we introduce Harry J. Steele, Fauset, Steele & Co., Pittsburgh, Pa., President of the Pittsburgh Securities Traders Association and local Chairman of the National Advertising Committee. Harry's marvelous personality which is so much appreciated at our conventions should assist considerably in boosting Pittsburgh's volume of advertising in our Convention issue of the "Chronicle." Harry, my regards.

Also meet Everett W. Snyder, E. W. Snyder and Co., Syracuse, N. Y., President of the Bond Club of Syracuse and a member of our National Advertising Committee. He represents his local affiliate at our national conventions and is indeed a great credit to our trading group. Everett, you should top your quota for 1950. Let's see.

Herb Blizzard of Philly called in this past week challenging all afffiliates to exceed percentage-wise the increase in advertising that he expects the Investment Traders Association of Philadelphia to produce. In fact he is willing to post a bond on it. Who accepts this offering?

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.,
120 Broadway, New York 5, N. Y.

GEORGIA SECURITY DEALERS ASSOCIATION

The Georgia Security Dealers Association held its annual outing June 10 and 11 at Savannah (Tybee Beach), Ga.

The Atlanta contingent, numbering about 40 members of the Association, boarded the train in Atlanta at 6 p.m., Friday, and arrived in Savannah at 11 p.m., where they were met by the buses and taken to the Tybee Beach Hotel.

Saturday morning's activities included fishing, golf, sunning on the beach and a little swimming. On Saturday evening there was a cocktail party and the annual dinner. Following the dinner, prizes were awarded as follows:

Golf—Roby Robinson of Robinson-Humphrey Co., Atlanta, won first prize for low gross. Freeman Jelks of Johnson, Lane, Space & Co., Savannah, won second prize for low gross. King Sinkins of Clement A Evans & Co., Savannah, won first prize for low net. Roger Jacobs of Hancock, Blackstock & Co., Atlanta, won second prize for low net. Frank Taylor of the Fulton National Bank, Atlanta, won the booby prize.

Fishing—Henry Wyatt of Wyatt, Neal & Waggoner, Atlanta, won first prize for the biggest fish. Fleming Settle of J. H. Hilsman & Co., Atlanta, won the booby prize.

Byron Brooke of Byron Brooke Co., Atlanta, won top prize in a special event.

Following the dinner and the awarding of prizes, the members engaged in the "usual outing activities."

Sunday morning most of the members adjourned to the beach to soak up a little sun and do a little swimming.

The Savannah dealers entertained the members of the Association at a luncheon on Sunday at the Sam Varnedoe's. Following the luncheon, the members commenced wending their weary way home. Same Varnedoe was Chairman in charge of the activities in Savannah, and gave a most enjoyable and never-to-be-forgotten outing.

The annual meeting will be held in December and officers for the coming year will not be elected until this annual meeting.

SECURITY TRADERS CLUB OF ST. LOUIS

The Security Traders Club of St. Louis will hold its annual summer outing at Seibert's Grove, on Highway 61, Lemay Ferry and Ringer Roads, on Wednesday, July 12, from 3 p.m. to 3 a.m. Planned for the day are horse shoes, African golf, Softball, cork ball, card games, etc. Refreshments will be served all afternoon and evening and a delicious steak dinner will be served.

Guest fee is $12.50. For hotel reservations contact Edward H. Morfeld, Morfeld, Moss & Hartnett, 721 Olive Street, St. Louis 1, Missouri.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Philip R. Baus and Jay E. Currie are with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leonard M. Thorn has joined the staff of Samuel B. Franklin & Co., 215 West Seventh Street.

Continued from first page

Advance of Chemical Process Industries

gineering and chemical business management have together created an industry now possibly the chief generating force in the United States social and economic pattern, indeed if not of the world.

Now at the halfway mark of the 20th century, the chemical process industries have secured a firm foothold on America's economic scene and are rightfully being recognized as the leading group in all United States industrial effort. Yet because this group's most impressive growth has been both recent and swift, the extent of its contributions—and of its overall influence upon the health, well-being, prosperity, and defense of our nation—is even now only partially appreciated by the general public. Even the business and financial world was slow in recognizing its importance and vitality.

Today the American chemical process industries group is without parallel in the world—in contributions to modern living, in earning capacity, in stability, in influence, or in future prospects. While it is true that the investing public has lagged in its realization of the practical dynamic expanse of chemistry, there are already several hundred chemical process industries stocks listed on the exchanges or traded over-the-counter. A $1,000 investment in du Pont in 1919 would be now have grown to $10,000, or a comparably farsighted one in Celanese would have climbed to 25 times its initial value, not to mention annual dividend payments averaging 6.3% over the years. The Federal Reserve Board Index of industrial chemicals production leaped from 120 in 1939 to 415 in 1949 (1935-39 = 100). The index for the broad group of chemical and allied products averaged 241, more than twice what it was in 1929. The 1949 index for all manufacturing industries was 176 for the latest year.

Chemicals' development since the late '30s leaves little doubt that the industry has become the backbone of American industrial progress. Every possible analysis provides ample testimony of its rapid rise to national leadership. Its companies have grown swiftly and securely. Sales have surged upward at an unbelievable pace. Since 1939 alone the increase has been impressive enough: Pfizer, 668%; Dow, 648%; Monsanto, 286%; du Pont, 245%; Union Carbide, 244%.

The chemical process industries group, to be sure, is the best example that private enterprise is not hidebound. Founded on the principle of change, it takes the common, raw materials of nature and converts them into an ever-expanding array of useful and needed products which in turn continually change the productive face of the industry itself. Notable in this respect has been the position insecticides and plastic chemicals have attained in the five postwar years. The total annual output of plastics, close to 1.6 billion pounds in 1949, now exceeds that of any of the nonferrous metals, not excluding aluminum at 1.2 billion pounds in 1949. On a value basis plastics outranks aluminum, about $375 million to about $190 million.

To enlarge their sphere of influence, many chemical producers spend over 3 cents of every sales dollar in research, a characteristic policy of chemicals from the earliest ventures. This truly bebelieved-in policy is continuing right now, despite a recent decrease in selling prices and volume. And because of such a pioneering spirit, long felt, 40% of the sales of major companies last year was accounted for by products undeveloped in 1935. Although to date only one chemical company (du Pont) has entered the billion-dollar sales league, the significant aspect is that 60% of that company's current sales is in products unknown, or at best in their commercial infancy, two decades ago.

Such new chemicals eventually provide the impulses forcing other industries to change or to improve existing outputs. New chemical products are replacing old raw materials in every manufacturing line. Plastics have displaced nonferrous metals and wood in many common notions and household goods; synthetic fibers are supplementing and competing with cotton, wool and silk; nylon threatens to eliminate inner tubes in pneumatic tires and is even finding its way into typewriter ribbons. The list is endless, the effect immeasurable. American industry can no longer ignore the influence of chemistry, for every industry group is now a customer for chemicals.

The dynamics of the enterprising, free economy of the chemical process industries are, thus, changing everything—and fast. They have improved the implements of every-day living. Agricultural sections of the United States, notably in the Southwest, are being industrialized. Every day the progress in synthesis is making this country more self-sufficient in vital raw materials. And there are few who now can foresee what valuable contributions may come from the exploitation of nuclear chemistry. But the alchemist's speculations, if they every existed, have in fact come to pass. The basic principles of chemistry and chemical engineering, put to work by progressive management, are transforming the shape of American industry.

Swift Growth Since World War I

In 1900 not a single chemical process company was included in the twenty-five largest manufacturing corporations, based on reported assets. But in 1949 three chemical firms and ten petroleum and oil producers dominated the list [*Chem. Eng. News*, 27, 3782 (1949)]. Whereas in 1939 only eight chemical companies had net sales over $25 million, more than nineteen chemical corporations were well beyond that point by 1949.

Before World War I, the American chemical industry was a rather loose agglomeration. The manufacture of products such as acids and alkalies was already extensive, and some wood distillation products and naval stores enjoyed an export trade. Even with the limitation that the manufacture of nitric acid, and hence of explosives and other nitrogen compounds, depended on imports of sodium nitrate from Chile, the heavy-chemical side was far better developed than was the manufacture of synthetic organic chemicals, for which, indeed, facilities

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Advance of Chemical Process Industries

hardly existed. This country was largely dependent on Germany for supplies of many essential products, particularly dyestuffs, drugs, and other fine chemicals.

The chemical industry of Germany, on the other hand, was in 1914 both comprehensive and well organized. It was already producing a wide range of synthetic organic chemicals and had in fact attained such a lead over other nations in the manufacture of dyestuffs and drugs as to enjoy a near world monopoly in many of them. Moreover, in the production of heavy chemicals Germany had been enormously strengthened by the then recent development of the Haber-Bosch process for the synthesis of ammonia from atmospheric nitrogen. She thus became equipped for the manufacture of nitric-acid, explosives, and nitrogeneous fertilizers independent of Chilean nitrate, therefore the world's principal source of combined nitrogen. The Badische Anilin, the company responsible for these important developments, was even then a much larger unit than any in the United States, and it later became the nucleus of the great German chemical combine, or dye trust, the Interessen Gemeinschaft Farbenindustrie.

The outbreak of World War I, therefore, found the United States in a serious position from the chemical point of view. Many products essential for the wartime economy were lacking, as were also the technical information and equipment needed for making them. Drastic steps had to be taken to correct these grave deficiencies. Brilliant improvisation made it possible to solve the more immediate problems, but at great cost. By the end of the war the vital importance to the national economy both in war and peace, of a strong organic chemical industry was fully recognized by the Federal Government, and accordingly legislative steps were taken in the form of tariffs to assist future development.

The years between the wars saw much integration in the industry. The end of World War I had brought pressing problems of reorganization, in particular to manufacturers of explosives, who were faced with the task of reducing excess manufacturing capacity created by the war and of developing new products for peacetime use. Underlying the formation of larger companies was the need (1) to promote efficiency of operations by desirable reorganization and sufficient centralization to effect reduction in manufacturing costs, thus improving the competitive position of the industry in home and overseas markets; (2) to pool the resources of the constituent companies so as to undertake projects otherwise beyond the reach of the individual companies, and (3) to strengthen and coordinate research and to exchange technical knowledge.

Foreign competitors of the chemical industry were already organized into large units before the first large United States chemical amalgamation. I. G. Farbenindustrie, which included among its products not only dyestuffs but also most heavy and fine chemicals, was created in 1925. Its nitrogen factories were producing vast quantities of sulfate of ammonia and other fertilizers and creating keen competition in world markets. In Great Britain, Imperial Chemical Industries, manufacturer of explosives, had broadened its base in the chemical field and was becoming increasingly competitive in world markets. In France and in Italy large chemical units were operating, and they competed in some of the overseas markets, including the United States.

Thus from all sides competition was increasing. The formation of such strong units as du Pont, Union Carbide, Allied Chemical, and American Cyanamid was hastened by the threat that foreign combines might become the chemical suppliers of the world. The competitive power resulting from amalgamation of some chemical companies along with some tariff protection enabled American industrial leaders to meet foreign rivals on equal terms, and from the 1920's the United States chemical industry was no longer at a disadvantage at home or overseas.

From these beginnings the chemical industry pursued a vigorous policy of research, development, and expansion. Development of new sites was undertaken with the large financial and technical resources of the larger units, and consolidation further made possible long-range research programs whose future consequences could not then be clearly foreseen.

The part played by the chemical process industry during World War II was commensurate with its great resources. When the war clouds gathered in the late '30's the United States could thank its lucky stars for its strong chemical position. Without it this country could never have fulfilled the role of "Arsenal of Democracy.' The research and development inaugurated 20 years earlier made possible much of the production that provided the sinews for victory. The process industries group was entrusted with much of the work involved in the design and construction of new plants for war purposes. Furthermore, these companies were in many cases charged with the responsibility for operating new factories, sometimes for products to all appearances only remotely associated with the output for which the company had been noted.

Wartime expansion of the chemical industry was by no means confined to the manufacture of its customary products on a greater scale. New products were high-balled from test tube to tank car—butadiene, styrene, and others. Research and development activities greatly increased. A number of products developed by the industry just before or during the war have since shown themselves to be a permanent value in peacetime, among them the plastics polyethylene, methyl methacrylate (Lucite and Plexiglas), and polyvinyl chloride. Many other new discoveries had, however, to await the end of hostilities for release of the resources needed to develop them.

Larger Than You Think

The chemical process industries group is now far larger than statistics indicate. It is composed of individual units differing in process details but all closely linked by the science of chemistry and chemical engineering. Its activities encompass a far greater portion of our economic fabric than is included in the various classifications of the government statistical agencies called "Chemicals" or even "Chemicals and Allied Products." The latter usually includes only inorganic and some organic chemicals, paints and varnishes, plastics, and synthetic fibers. But chemistry has penetrated far beyond these artificial boundaries. The wide field of the process industries is permeated with the activities of chemists and chemistry. Their influence, gaining stature every day, extends to industrial gases, food, ceramics, glass, fertilizers, dyestuffs, medicinal and fine chemicals, explosives, resins, insecticides, and myriad others. In fact, American Chemical Society membership records show that more than twice as many chemists and chemical engineers work in industries outside the narrowly defined chemicals manufacturing industry than work within it.

The concept of the chemical process industries has been championed for many years by a small group of realists. Recently it has received more recognition and has been adopted by many technical publications and other organizations. A chemical process company is by modern definition any manufacturing enterprise which employs chemical change at one or more stages of its manufacturing activity. As such it is strictly differentiated from the purely mechanical industries, which merely change the shape and size of materials and assemble them into marketable products. A list of the chemical process industries might, for example, include such manufacturing categories as:

(1) Alcoholic Beverages.
(2) Cement, Lime, and Rock Products.
(3) Chemicals.
(4) Coke, Gas, and Coal Tar.
(5) Explosives.
(6) Fertilizers.
(7) Food Processing and By-Products.
(8) Glass, Ceramics, and Refractories.
(9) Leather, Linoleum and Oilcloth.
(10) Metallurgical.
(11) Oils and Fats.
(12) Paints, Pigments, Varnish, and Inks.
(13) Paper and Pulp.
(14) Petroleum.
(15) Pharmaceuticals and Cosmetics.
(16) Plastics.
(17) Rubber.
(18) Soap and Detergents
(19) Storage and Dry Batteries.
(20) Sugar.
(21) Textiles.

Standard government statistical classifications do not do justice to the magnitude of chemical endeavor. The magazine "Fortune," recognizing this, recently said:

"Some visionaries predict that most industry will eventually be absorbed into the chemical industry, and at the rate chemicals is going this may not be far-fetched. Whether it is or not, many an industry might learn much, as some already have, from a closer study of the chemical group's growth and motive power. Government might well study it, too. There's nothing mysterious in it, and the industry is neither superhuman nor without fault, but more than any other it has found the power to create for itself and for men everywhere illimitable frontiers."

Boundaries for the various chemical process industries are breaking down. Constant integration and diversification are cutting across any artificial barrier imposed on these vast industrial mechanisms. Petroleum companies, of course, have long used basic chemical and physical data and chemical engineering principles in their processes. More recently the trend of the major petroleum companies is to get into chemicals production as such. For examples, there are Shell, Phillips, Lion Oil, and the Standard Oil Companies of New Jersey, Indiana, and California. The Carthage Hydrocol Co., as a by-product of its synthetic gasoline production, has plans to make 750 tons of chemicals per day. Simultaneously leading chemical firms have invaded the petrochemical field in the Southwest. Du Pont, Monsanto, Dow, Cyanamid, and Union Carbide are tapping the rich potentials of natural gases. Process companies, mainly those which produce cyclically fluctuating products, are stabilizing their outputs by diversifying. Eastman Kodak, Glidden, Libby-Owens-Ford, Pittsburgh Plate Glass, Goodrich Rubber, Swift, General Mills, and Corn Products Refining all are making chemicals. Armour, the meat packer, has recently completed a magnificent new plant at McCook, Ill., for the chemical processing of 100,000,000 pounds of raw fats and oils per year and the production of a whole line of chemicals. Even fertilizer companies are now marketing pure chemical compounds. Conventional distinctions between the process industries are, in short, rapidly fading.

Beyond this development, chemical producers have teamed up with other process industries in joint ventures. Dow-Corning is in silicones; Monsanto is developing synthetic yarns with American Viscose; the Jefferson Chemical Company, owned by American Cyanamid and the Texas Company, is turning out glycol antifreeze and other products. At Brownsville in Texas, Carthage Hydrocol oxides natural gas into gasoline and oil, and pumps the liquid wastes to neighboring Stanolind Oil and Gas for recovery of chemical components, themselves in turn processed further and marketed by U. S. Industrial Chemicals next door. Mathieson and the Tennessee Gas Transmission Company have formed a company for joint exploitation of natural gas for chemicals production.

Rigid separation of the chemical industry into its component parts has little justification today. The real contribution of the industry to American progress, and its present position in American economic life, cannot be measured realistically by a system of statistical compilation which excludes petrochemical activity, separates pharmaceuticals from the production of other chemicals, makes a distinction between processed food and, say, paints, or invokes any other arbitrary classification not existing in fact. The narrow concept of "chemicals" is gradually being scrapped, and it is safe to predict that the various process industries will gradually become classified in a group as the chemical process industry.

Economic Aspects of the Industry

The chemical industry is characterized by singular production and distribution methods, all affecting its economies. In the first place, *chemical products and processes are typically short-lived* because rapid technological changes effect rapid changes in the picture of who uses what, when, and where . . . and how it is best made. A change in one chemical product, because of a new laboratory development, may make another obsolete. This may affect a whole chain of related raw materials and chemical intermediates. Certain basic chemicals, such as sulfuric acid, will always be necessary, but technological changes do change methods of manufacture of even the most basic materials. In many cases

TRENDS IN TOTAL ASSETS
(Fifteen Representative Companies)

	Millions of Dollars 1939	Millions of Dollars 1949	Percent Increase
Dow Chemical Co.	$42	$294	602
Minnesota Mining and Mfg. Co.	15	101	572
Merck & Co., Inc.	12	70	470
Abbott Laboratories, Inc.	16	70	333
Monsanto Chemical Co.	55	190	247
Rohm & Haas Co.	13	46	245
Victor Chemical Works	9	28	218
American Cyanamid Co.	72	224	210
Pennsylvania Salt Mfg. Co.	17	39	133
Union Carbide & Carbon Corp.	337	744	121
Air Reduction Co., Inc.	44	96	118
Hercules Powder Co.	44	89	102
Commercial Solvents Corp.	20	39	94
United Carbon Co., Inc.	16	31	87
E. I. du Pont de Nemours & Co.	706	1,243	76

Total assets include net fixed assets but exclude intangibles.

chemicals are obtained as by-products or joint products under conditions which allow them to drive prime-product processes out of the market or effectively cut down the volume produced through these methods. External conditions, such as war, give rise to new shortages, intensify old shortages, and hasten the development of products which may partially or completely replace the old ones. Large capital investment, although often necessary, does not ensure against short life of process. New laboratory developments may make production possible with much smaller capital investment, cheaper raw materials, or lower operating costs. A good many products or processes, chemical or otherwise, eventually become obsolete; but in the fast-moving chemical industry the rate of obsolescence is greatly accelerated. In fact, it sometimes is of an entirely different order of magnitude than other industries.

A second distinguishing feature of the industry is the *lower ratios of wage costs and of number of workers to value of products* than in industry as a whole. In many chemical operations the worker never sees the product during the entire production process. He operates through valves, automatic controls, and instruments. Because the chemical industry is close to science and engineering, the average worker must be unusually intelligent and highly skilled. Individual wages of workers are therefore relatively high compared to industry as a whole. So also is the average investment per chemical worker, now estimated at $14,000.

The chemical industry is *less affected by business cycles and seasonal changes than other major industries.* The greatest effect comes from technological change rather than from changes in business conditions. Of course, the chemical industry, as does all industry, responds to long-term trends, but it customarily experiences year-round production, any minor seasonal change being smoothed over by storage of product. Violent cyclical change is minimized by diversity of production and variety of customers in other industries. Changes in consuming industries tend to balance each other. Indeed, many previously "nonchemical" companies have entered the field during the past two decades to obtain this stabilizing influence.

Relative price stability of chemical products, as compared to the natural products they replace, is an especially significant factor. While silk as a natural product was greatly influenced by natural conditions and the hazards of the export trade, nylon as a chemical product sells at a relatively fixed price under fixed quality standards. During periods when the supply of chemicals has been short — for example, 1941-45 — chemical managers, themselves mindful of the tricks of the trade, have preferred to allocate or ration their products rather than let prices rise to the point where they would eliminate demand.

Because of the nature of chemical change, *production of the material desired frequently involves the unavoidable manufacture of a by-product, a joint product, or a waste product.* A by-product is one which comes out of the process along with the main product but has less value. A joint product results from a chemical operation in which two or more products obtained have equal or nearly equal value. Disposition of any unwanted effluents from chemical operations is always a matter demanding attention, no matter how valueless the coproducts may prove to be. Included in the production cost of every marketable item is the expense of by-product or waste disposition. Frequently even waste products must be sold or processed because they cannot be thrown away if they are dangerous to health, cause stream pollution, or contaminate the atmosphere. Waste hydrogen chloride gas, as a common example, must always be absorbed even if, as is sometimes the case, the cost of collection is greater than can be recovered by sale of the resulting acid. Evaluation of every chemical process, and selling prices of principal products, both always involve consideration of incidental, if unwanted materials.

There is in the chemical industry an unusual emphasis on research. As much as 3 to 4% of the sales value of products may thus be plowed back, as compared to about 1.6% for industry as a whole.

Chemical products are sold on a basis of function. It is axiomatic in the chemical industry that a chemical is only as good as its use, and quality must bear a relation to that use. A quality satisfactory for one use may not be so for another. Chemicals have no counterpart for fanciful advertising or snob appeal. They have no "sex appeal." Broader application for any given chemical product can be achieved only by finding new uses. Nor is price always a factor. Reduction in price does not necessarily result in increased consumption, for a given application may be unable to absorb a larger quantity of material even were that material free. For 20 years or more the oil industry junked and burned countless tons of gases and other materials for want of suitable uses. Before Runge discovered phenol in coal tar (1834) the latter had been only a worthless and, what's more, troublesome product of the gas works.

High percentage of sales goes directly from producer to consumer in the chemical industry. Fully two-thirds of chemical sales are made through factory distribution. The chemical industry is its own best customer. It buys over half of its raw materials from other chemical companies. Modern trends toward direct sale of retail consumer products have created new problems with which some units of the industry have had to cope.

Chemical sales are usually not a one-shot proposition. Producers continue to sell to the same customers year after year because markets are relatively narrow as compared to the vast retail markets in consumer goods. The producer must maintain quality of product in relation to use and must serve the customer as well as sell him.

There is a great diversity both in products and in customer industries. It is brought about by necessities of production (in which joint products, by-products, and waste products are obtained whether desired or not), advantages in use of raw materials (when more than one product can be produced from the same raw materials), and the close interrelationship of markets.

Service is one of the best means of sales promotion. Unlike the case in consumer goods, sold directly to the individual, ballyhoo is worthless. Except perhaps in the field of electronics, no other industry depends so largely on consumer technical requirements. Therefore, it behooves the manufacturer to maintain a competent technical service organization to ensure efficient use of his products by his customers.

The application of chemical products is not always apparent on superficial examination, and this represents one of the major difficulties in the commercial development of chemicals. None of the senses—sight, taste, or touch—can tell very much about what a chemical is good for. But the chemist can tell a lot from a structural formula, or even from the name of a product when given in correct chemical nomenclature.

Many chemicals are used in minute quantities only. A company manufacturing a new basic chemical often develops a whole line of derivatives for which there may be no apparent use. Should uses develop, demands are often for small quantities only. But a lot of these little uses add up to an extensive use of the basic chemicals. Because market research for each of these derivatives may not be worth the cost, companies often seek uses simply by listing formulas and properties in trade-journal advertisements, a method of development known, for lack of a better handle, as the we-have-these-chemicals-but-we-don't-know-what-they're good-for method. It is based on the hope that some smart technical man will read the advertisement, see a potential use for the product in his own work.

Finally, *chemical products take an exceptionally long time for development.* Even when a company is adding an item to a very similar line of chemicals, development always takes time. When a more or less new chemical is being developed, 7 to 12 years are not unusual for product development to full scale production.

History of Financial Trends

Of the important companies in the chemical industry today, many began their existence in the nineteenth century as small partnerships to import chemicals, principally from Germany, and perhaps to produce some simple basic materials. Capital requirements were small and need for additional capital was limited. With the turn of the century some assumed the corporate form of enterprise, more perhaps as a trend of the times than as a vehicle for financial growth. Chemical companies were, in general, small in comparison to the so-called giants of industry, and securities were closely held by managements.

In the early years of the present century the chemical industry continued to show slow and steady growth. Inorganic chemicals were basically most important. Organics were little more than laboratory curiosities, and expansion in the use of heavy chemicals did not require large funds according to today's standards. As a result, retained earnings were more than sufficient to finance growth. Imports of organic chemicals and dyestuffs were cut off sharply at the time of World War I. This gave the industry great impetus to overcome deficiences in these products. Starting from scratch, the industry had to undertake research, develop know-how, and build facilities for production of these items. Encouragement was given by government help in building facilities for war-needed products.

Through the 20's and 30's the chemical industry developed into an important part of the national economy, and chemical companies became well known on the security markets. Large sums were needed to finance research and develop new products and to add to facilities to make these products. A very substantial part of this money was obtained by retention of a large percentage of current earnings. Growth in the leading companies was accomplished by absorption of smaller units or the combination of several units by exchange of equity securities. This form of financing greatly aided the industry during the difficult 30's because it relieved management of troublesome senior securities and saved time and effort for the exploitation of new and more profitable fields.

In World War II the chemical industry was called upon for a large increase in facilities. Some of this rapid expansion was financed by the companies, but a large part was accomplished with government money. With the end of hostilities, the industy continued to expand to supply pent-up demands. Faced, however, with the necessity of raising very large sums of money quickly, chemical companies entered the capital markets. Conditions then existing in the equity markets forced the industry to raise most of these needed funds by borrowing or by the sale of preferred stocks, a departure from the conventional methods used by the industry in the past.

Reeves Soundcraft Offering Completed

Gearhart, Kinnard & Otis announces that they have completed the sale of $168,750 Reeves Soundcraft Corp. notes 5s/59 and 225,000 shares of common, offered in units of $750 principal amount of notes and 1,000 shares common at $1,000.

Reeves Soundcraft makes transformers, master discs and magnetic recording tape for the radio, television and allied fields, and in addition, using in part the proceeds of the above issue has bought the television picture tube division of Remington Rand, Inc., including Remington's patents on color television.

Reeves has five plants in operation, including the factory set up in Springdale, Conn., for the new division where it is now making a 16-inch rectangular television picture tube. The company's President estimates that this television tube division alone will earn some $30,000 in June.

In the development stage is a television set that shows pictures 3 by 4 feet and up to moving picture size.

Pacific NW Group of IBA Annual Meeting

PORTLAND, Ore.—The Pacific Northwest Group of the Investment Bankers Association will hold their annual meeting Sept. 8-9 at Gearhart Hotel, Gearhart-by-the-Sea, Oregon (about 1½-hour drive from Portland). In addition to the regular business meeting, golf and other entertainment are planned.

Joins Tucker, Anthony

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Henry H. Barnard is with Tucker, Anthony & Co., 74 State Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

GREELEY, Colo.—William J. Bishop is with Waddell & Reed, Inc., of Kansas City, Mo.

Kennametal Elects Additional Directors

George T. Kearns George G. Schuster

Kennametal Inc. has enlarged its board of directors from three to five members by action taken at a special stockholders' meeting held in the main offices at Latrobe, Pa., on June 20, 1950.

The two new directors elected are: George T. Kearns, Treasurer of the company since its incorporation in 1943, and George G. Schuster, for many years Manager of the statistical department of Kidder, Peabody & Co., 17 Wall Street, New York City.

This strengthening of the board is in keeping with the demands occasioned by expansion and diversification of business activities of Kennametal. Kennametal products, which combine high hardness with unusual strength, are now serving many industries as means to reduce costs and increase productivity.

Manufacture of tools for metal-working was the first, and is still a major activity. The company since V-J Day has become known for its Kennametal mining tools for coal mining and hard-rock mining.

Their heat-resistant product, Kentanium, has enabled the company to supply blades for turbo-jet engines to be operated at the fuel-saving high temperatures unattainable with alloys heretofore available to gas turbine builders. Many other uses for metal having such high strength at 2,000 degrees F. are being discovered every month.

Atlantic Coast Line RR. to Terminate Exchange Offer July 26

The directors of Atlantic Coast Line RR. Co. have set July 26, 1950, as the termination date of the company's offer of exchange of its first consolidated mortgage 4% bonds due 1952 for new general mortgage 4% bonds, series A, due March 1, 1980 (bearing interest at the rate of 4½% to Sept. 1, 1952), it was announced June 22 by C. McD. Davis, President. Mr. Davis stated that as of June 21 assents had been received from over 950 bondholders with aggregate holdings in excess of $24,900,000 principal amount of the outstanding first consolidated bonds due 1952.

Letters of assent and letters of transmittal from bondholders who have not yet assented to the offer will be received by City Bank Farmers Trust Co., agent, 22 William Street, New York 15, N. Y., up to the close of business on July 26, 1950, but will not be accepted thereafter.

The new general mortgage series A bonds are now being delivered in exchange for first consolidated mortgage bonds.

In addition to the higher rate of interest, the new bonds issued in exchange will be secured initially, bond for bond, by pledge of the exchanged first consolidated mortgage bonds and in addition by pledge of unified mortgage bonds at the rate of 35% of the new bonds issued in exchange, will have the benefit of a sinking fund which is not provided for the first consolidated bonds, initially will have a direct first lien on the company's Western Division to Atlanta and Birmingham, and after 1964 will be secured by a direct first mortgage lien on substantially all the existing railway property of the company.

The offer was declared operative by the directors on May 18, and on May 26 the Interstate Commerce Commission authorized the issuance of the new bonds.

The mortgage and collateral trust debt of the company has been reduced by $57,238,000 from Dec. 31, 1939 to Dec. 31, 1949, or about 41%. Fixed charges for the year 1949 compared with 1940, have been reduced by $1,932,000 or about 31%, and the success of the offer of exchange has substantially reduced the company's 1952 maturity.

New York Hanseatic Celebrates 30 Years

New York Hanseatic Corp., 120 Broadway, New York City, on June 23 celebrated the 30th anniversary of its founding. The two remaining survivors of the original founders, Hubert E. Rogers and Franz H. Hirschland, are still members of the board of directors, the former as Chairman. From a point of service, the oldest employee is Walter Oppenheim who has been associated with the corporation for over 25 years. Erich O. Grunebaum is President of the corporation.

Charles Eldredge With Reynolds in Chicago

CHICAGO, Ill.—Reynolds & Co., members New York Stock Exchange, announce that Charles H. Eldredge is now associated with the firm in its Chicago office, 208 South La Salle Street. Mr. Eldredge was formerly with Talcott, Potter & Co.

Scores at Outing of N. J. Bond Club

Scores of contestants for the Bond Club of New Jersey trophy at the annual outing of the Bond Club of New Jersey were:

Low Net—All Classes

M. M. Issler, Griggs, Baldwin & Baldwin___ 76 6 70
W. L. Maude, Howard Savings Institute, Newark ___ 87 17 70
R. Paul Welzmiller, J. B. Roll & Co., Inc.___ 87 17 70
Roy Hitchings___ 89 19 70
Mr. Issler won match.

Low Grass—Class A

A. A. Johnson___ 81

Low Net—Class A—Tie

R. Paul Welzmiller, J. B. Roll & Co., Inc.___ 87 17 70 (1st Low Net)
W. L. Maude, Howard Savings Institute, Newark ___ 87 17 70 (2nd Low Net)

Low Grass—Class B

R. P. Bennett, E. A. Clark & Co.___ 94

1st Low Net—Class B

Fred J. Brown, White, Weld & Co.___ 96 22 74

2nd Low Net—Class B

W. R. Dunn, MacKey, Dunn & Co.___100 25 75

Low Grass—Class C—Tie

Daniel Reibert, National State Bank, Newark, winner ___101
Ben Fairbanks ___101

1st Low Net—Class C

J. Paul Rutter, winner___104 32 72

2nd Low Net—Class C

W. J. Van Hise, Parker & Weissenborn, Newark___110 37 73

KICKERS HANDICAP

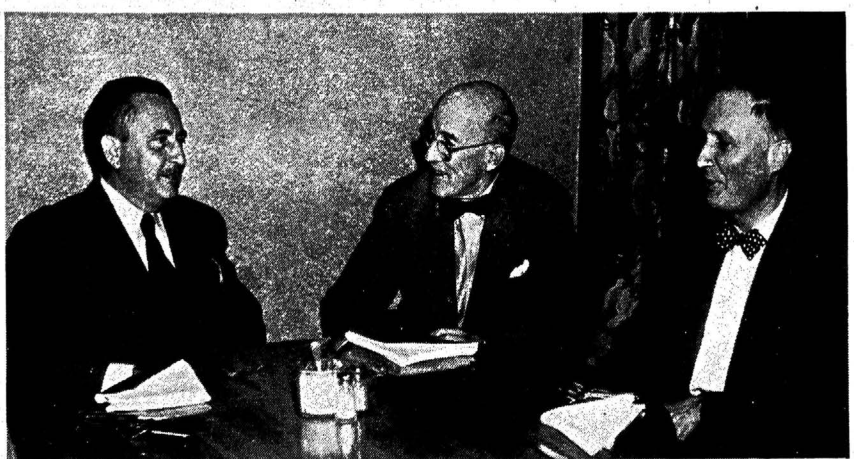
The following tied at 77:

H. D. Miller, Nugent & Igoe, East Orange
John J. Roe, Hudson City Savings Bank, Jersey City
Jas. Currie, Jr., Troster, Currie & Summers
Wm. M. Farrar, Schwabacher & Co.
Jas. Gilbert, Hornblower & Weeks
R. E. Whitcomb, Phelps, Fenn & Co.
J. P. Ryan, Goldman, Sachs & Co.
S. R. Terrill, J. D. Topping & Co.
R. H. Monaghan

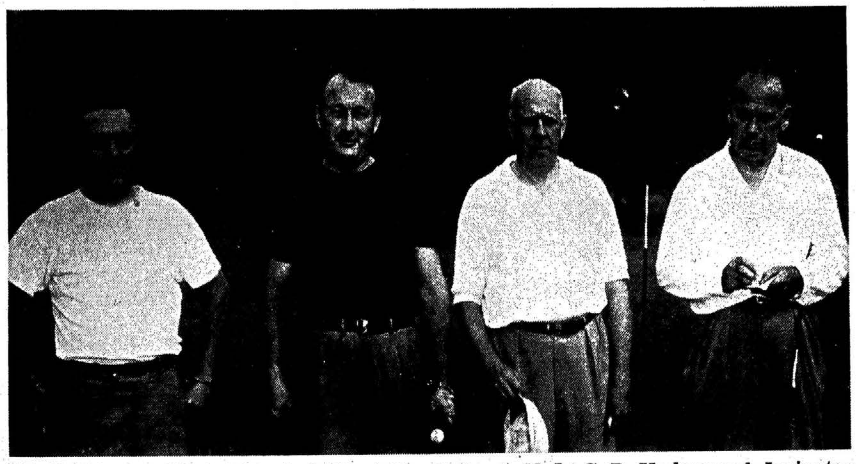
Runoff—Won by H. D. Miller.

A set of Iron Clubs was won by Raymond R. Wilson, Union Securities Corp.

Bond Club of New Jersey



Arthur R. Robinson, *Fidelity Union Trust Company,* Newark N. J.; Kenneth Spear, *Julius A. Rippel, Inc.,* Newark, N. J.; Robert M. Hinchman, *Ira Haupt & Co.,* New York City



T. G. Kenyon, *Carteret Bank & Trust Co.,* Carteret, N. J.; G. B. Underwood, *Irvington Trust Co.,* Irvington, N. J.; Edward J. Wright, *Goodbody & Co.,* Jersey City, N. J.; C. E. Clifton, *Trust Company of New Jersey,* Jersey City, N. J.

Edwin L. Beck, *Financial Chronicle,* New York City; Jack Nagle, *C. J. Devine & Co.,* New York City; Alex Seidler, Jr., *National State Bank,* Newark, N. J.

Harold B. Smith, *Pershing & Co.,* New York City; Roger S. Phelps, *Byrne and Phelps, Inc.,* New York City; J. A. Leek, *Coffin & Burr, Incorporated,* New York City

Ray Watson, entertainer; Fred J. Brown, *White, Weld & Co.,* New York, Chairman of the Entertainment Committee, leading the group in songs

Charles S. Bishop, *Central Hanover Bank & Trust Company,* New York City; J. William Roos, *MacBride, Miller & Co.;* Newark, N. J.; Cyrus R. Currier, *Mueller & Currier,* Newark, N. J.

Lee Carroll, *Lee W. Carroll & Co.,* Newark, N. J.; Carl Preim, *R. W. Pressprich & Co.,* New York City; James P. Duffy, *Aubrey G. Lanston & Co., Inc.,* New York City

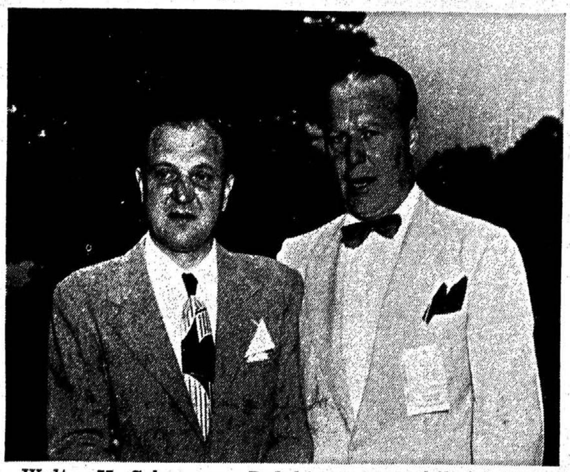
Edwin F. Kezer, *B. J. Van Ingen & Co. Inc.,* New York City; Harry D. Miller, *Nugent & Igoe,* East Orange, N. J.; Courtland B. Parker, *R. W. Pressprich & Co.,* New York City; Martin M. Issler, *Griggs, Baldwin & Baldwin,* New York City

K. D. McLaren, *The Corporation Trust Co.,* New York City; Charles S. Morley, Short Hills, N. J.; C. Wallace Smith, *Smith, Barney & Co.,* New York City, President of the Bond Club of New Jersey; Wm. A. Fiedler, *H. M. Byllesby & Company, Incorporated,* New York City

Holds Annual Field Day

G. Wilmer Slaight, Jr., *Granbery, Marache & Co.*, New York City; Ogden E. Edwards, *Bear, Stearns & Co.*, New York City; Edward H. Hills, *Eldredge & Co., Inc.*, New York City; H. Peter Schaub, Jr., *Harry P. Schaub, Inc.*, Newark, N. J.

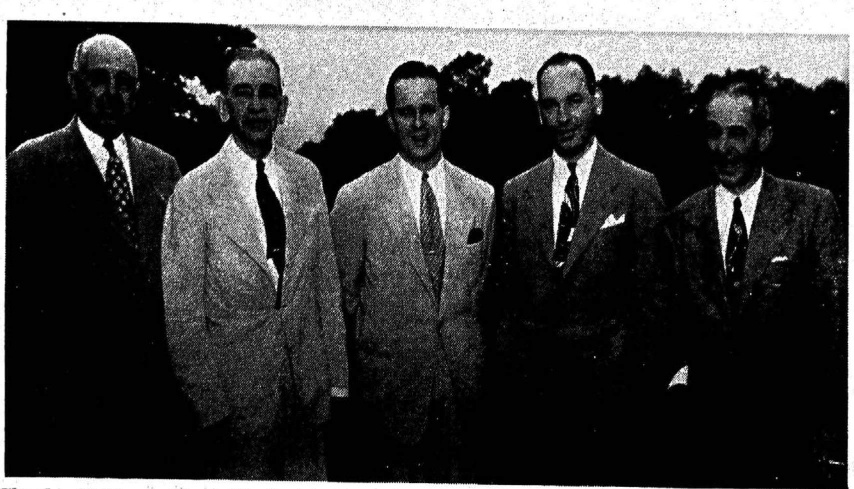
Robert E. L. Lewis, Jr., *Ryan, Moss & Co.*, Newark, N. J.; Jack Kraus, *Colonial Life Insurance Co.*, East Orange, N. J.; William P. Wilson, *W. C. Langley & Co.*, New York City; Robert R. Krumm, *W. H. Morton & Co., Incorporated*, New York City



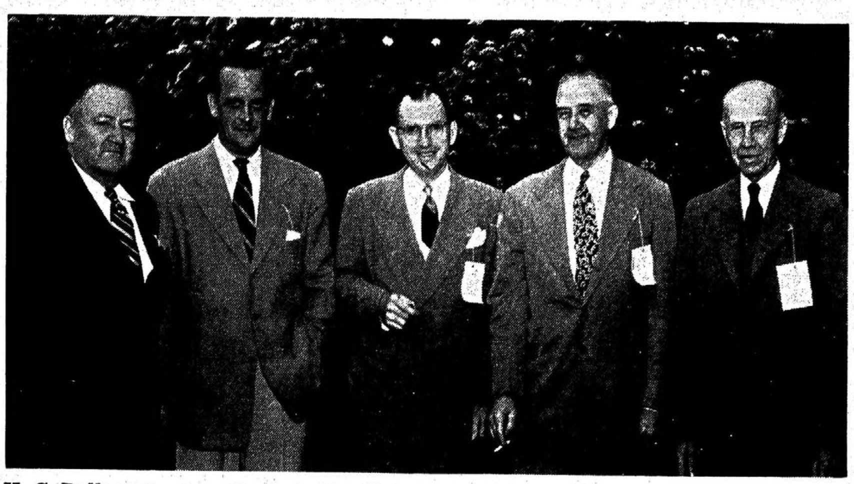
Walter H. Schumann, *Dolphin & Co.*, Philadelphia; Raymond R. Wilson, *Union Securities Corporation*, New York City

Frank Bailey, *C. D. Robbins & Co.*, Newark, N. J.; B. H. Smith, *Bankers National Life Insurance Co.*, Montclair, N. J.

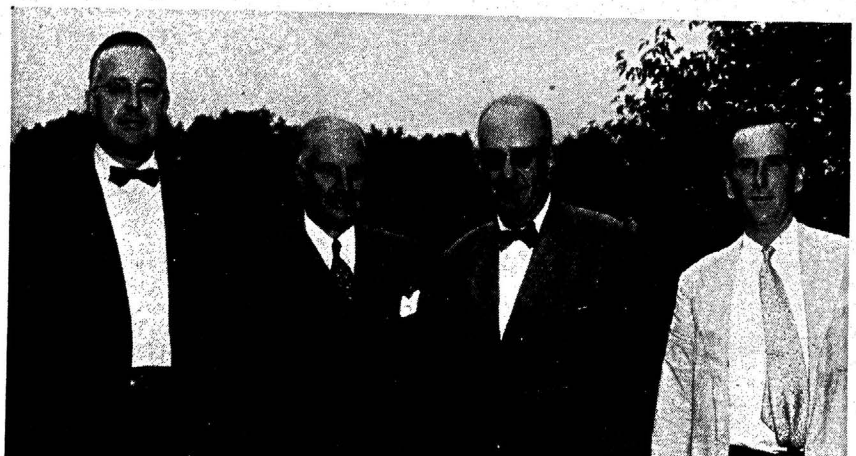
Jerome C. L. Tripp, *Tripp & Co., Inc.*, New York City; Walter D. Fixter, *J. W. Sparks & Co.*, Philadelphia; Julius A. Rippel, *Julius A. Rippel, Inc.*, Newark, N. J.



Charles E. Reed, *Kean, Taylor & Co.*, Newark, N. J.; H. D. Laskamp, *Merrill Lynch, Pierce, Fenner & Beane*, New York City; Donald Lane, *Merrill Lynch, Pierce, Fenner & Beane*, New York City; Hunt Marckwald, *W. E. Hutton & Co.*, New York City: Herbert A. Hoehn, *Gregory & Son, Incorporated*, New York City



H. C. Ballou, *Hayden, Stone & Co.*, New York City; Jack Sachau, *Blyth & Co., Inc.*, New York City; John P. Ryan, *Goldman, Sachs & Co.*, New York City; Harold J. Kennedy, *E. F. Hutton & Company*, New York City; George Henderson, *Harris, Upham & Co.*, Newark, N. J.



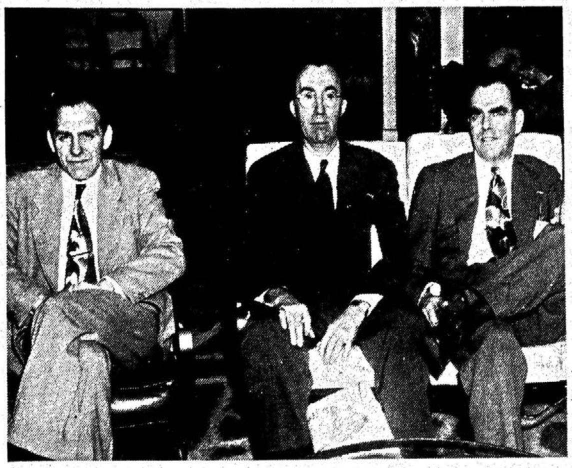
H. Stanley Krusen, *Shearson, Hammill & Co.*, New York City; W. M. Whitesell, ***Mutual Benefit Life Insurance Co.***, Newark, N. J.; Foy Porter, *Estabrook & Co.*, New York City; Jim Johnston, *Bramhall, Barbour & Co.*, New York City

Taber J. Chadwick, *Taber J. Chadwick Co.*, New York City; James D. Topping, *J. D. Topping & Co.*, New York City; J. Kirk Milnor, New York City; Donald K. Mackenzie, *Bank of America*, New York City

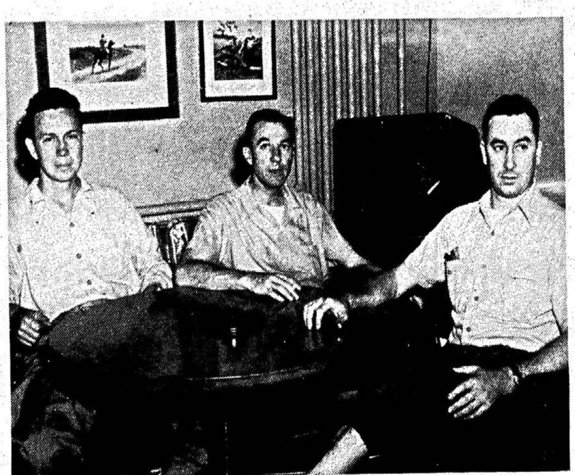
On Friday, June 16th

Joseph R. Mueller, *Mueller & Currier*, Newark, N. J.; Russell V. Adams, *J. S. Rippel & Co.*, Newark, N. J.; Stanton M. Weissenborn, *Parker & Weissenborn, Inc.*, Newark, N. J.; Herbert I. Shaw, *Vance, Sanders & Company*, New York City; Al Johnson, *Federal Trust Co.*, Newark, N. J.

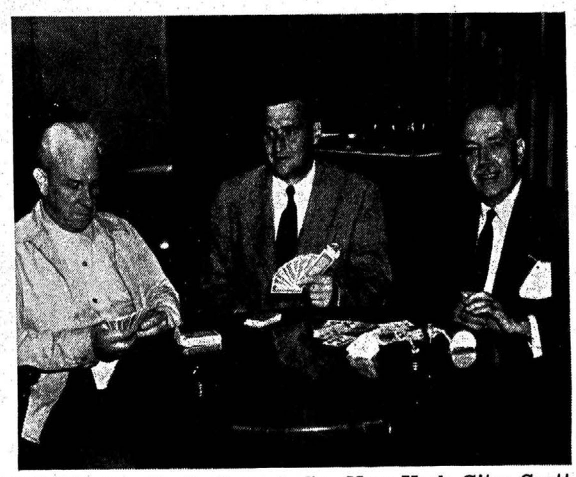
Fred J. Brown, *White, Weld & Co.*, New York City; Joe F. Rush, *Reynolds & Co.*, New York City; George J. Heath, *Bank of Montclair*, Montclair, N. J.; Gilbert L. Morse, *Bank of Montclair*, Montclair, N. J.; R. Paul Welzmiller, *J. B. Roll & Co., Inc.*, New York City



Charles H. Henninger, *Nugent & Igoe*, East Orange, N. J.; J. E. Egner, *Clark, Dodge & Co.*, Newark; W. Deane Pruden, *MacBride, Miller & Co.*, Newark, N. J.



James Gilbert, *Hornblower & Weeks*, New York City; Richard Whitcomb, *Phelps, Fenn & Co.*, New York City; Grady Wells, *Andrews & Wells, Inc.*, New York City



Bill Mezger, *G. C. Haas & Co.*, New York City; Scott Russell, *Glore, Forgan & Co.*, New York City; Richard F. Saffin, *Boland, Saffin & Co.*, New York City

Chick Spring, *Outwater & Wells*, Jersey City, N. J.; Jim Currie, *Troster, Currie & Summers*, New York City; Jay Richardson, *Halsey, Stuart & Co. Inc.*, New York City; John J. Harris, New York City

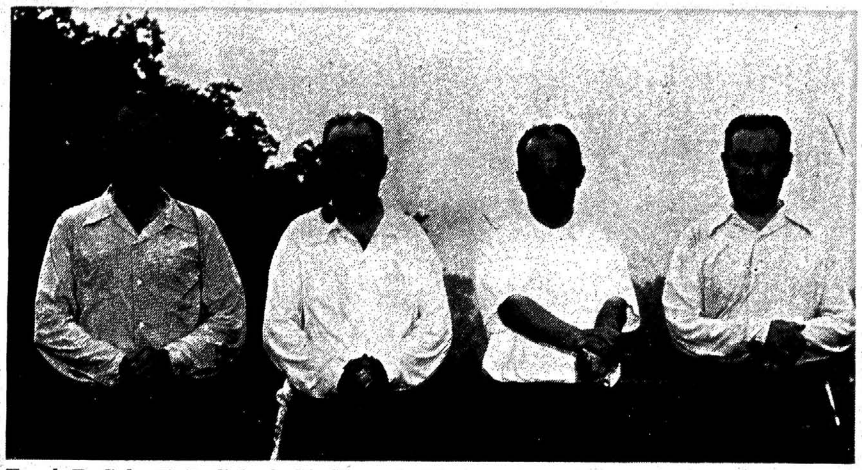
Dick Rand, *Rand & Co.*, New York City; Ed Purcell, *Commercial Trust Co. of New Jersey*, Jersey City, N. J.; Harry Zimmer, *Commercial Trust Co. of New Jersey*, Jersey City, N. J.

H. C. Brewster, *Allen & Company*, New York City; Jack Clark, *Chase National Bank of New York;* Kirk Hopper, *Equitable Securities Corporation*, New York City; Horace Sylvester, *Northern Trust Company*, New York City

Jim Ransom, *Harris Trust & Savings Bank*, New York City; Norton P. Rogers, *Rogers, Gordon & Co., Inc.*, New York City; Wilbert Campbell, *Campbell & Co.*, Newark; Banks Moyer, Washington, N. J.

At Montclair Golf Club

Norman Brassler, *Paterson Savings & Trust Co.*, Paterson, N. J.; Archie C. Barbata, *Bank of Nutley*, Nutley, N. J.; H. L. Rost, *Peoples Bank & Trust Co.*, Westfield, N. J.; Howard F. Graham, *Stone & Webster Securities Corporation*, New York City



Frank R. Cole, *F. R. Cole & Co.*, Newark; Monroe V. Poole, *Geo. B. Gibbons & Company, Inc.*, New York City; Daniel E. Fitzpatrick, *Phelps, Fenn & Co.*, New York City; L. Walter Dempsey, *B. J. Van Ingen & Co. Inc.*, New York City

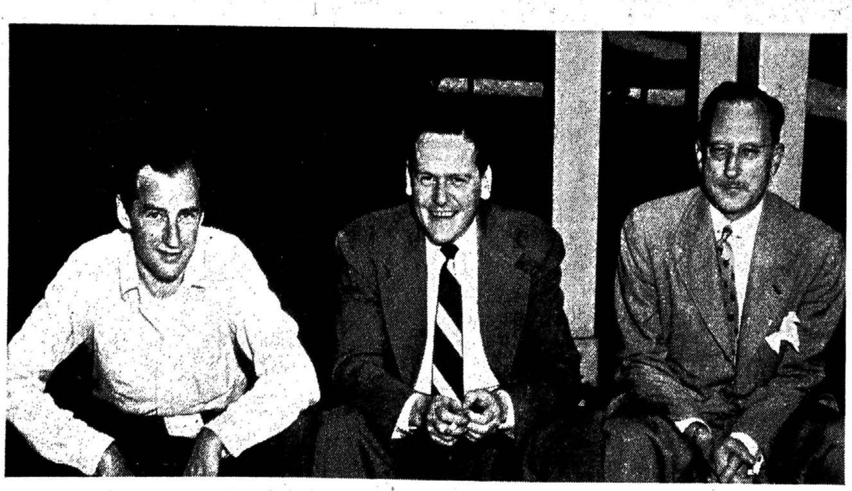
Tom Aitken, *Peoples National Bank & Trust Co.*, Belleville, N. J.; Al Luscombe, *Peoples National Bank & Trust Co.*, Belleville, N. J.; John J. Roe, *Hudson City Savings Bank*, Jersey City, N. J.

Al Milloy, *First Boston Corp.*, New York City; Frank Cullum, *W. C. Langley & Co.*, New York City; Dick Cleary, *First Investors Corporation*, New York City

O. D. Griffin, *Griffin, Kuipers & Co.*, New York City; Henry Rost, *Peoples Bank & Trust Co.*, Westfield, N. J.; Randall M. Keator, Jr., *Lord, Abbett & Co.*, New York City

Warren K. Van Hise, *Parker & Weissenborn, Inc.*, Newark, N. J.; Daniel L. Reiber, *National State Bank*, Newark, N. J.; Richard H. Monaghan, Newark, N. J.; J. Albert Williams, *Nugent & Igoe*, East Orange, N. J.

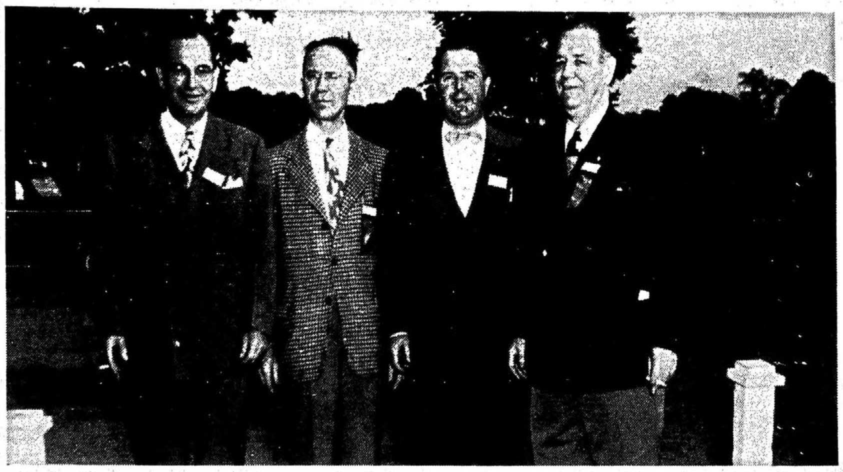
J. W. Kress, *Howard Savings Institute*, Newark, N. J.; Stewart R. Terrill, *J. D. Topping & Co.*, New York City; Jas. G. Campbell, Jr., *W. E. Wetzel & Co.*, Trenton, N. J.; W. L. Maude, *Howard Savings Institute*, Newark, N. J.



Wm. H. Boland, *Boland, Saffin & Co.*, New York City; Walter F. Coss, *B. J. Van Ingen & Co. Inc.*, New York City; Robert W. Lane, *MacBride, Miller & Co.*, Newark, N. J.

Charles B. Schubert, *Emanuel, Deetjen & Co.*, New York City; Tom Benton, *Benton & Nicholas*, New York City; Rudolph H. Deetjen, *Emanuel, Deetjen & Co.*, New York City; Jos. M. Byrne, *Merchants Manufacturers Fire Insurance Co.*, Newark, N. J.

New York Security Dealers Association



Mortimer W. Landsberg, *Brickman, Landsberg & Co.*, Chairman of the Board of Governors of the New York Curb Exchange; George A. Searight, *Eisele & King, Libaire, Stout & Co.;* John J. Mann, Vice-Chairman of the Board of Governors of the New York Curb Exchange; John J. O'Kane, Jr., Chairman Entertainment Committee, *John J. O'Kane, Jr. & Co.*

Philip C. Kullman, Jr., *John J. O'Kane, Jr. & Co.;* Charles M. Kaiser, *Grady, Berwald & Co., Inc.;* John F. Burke, *Merrill Lynch, Pierce, Fenner & Beane;* Harry D. Casper, *John J. O'Kane, Jr. & Co.*

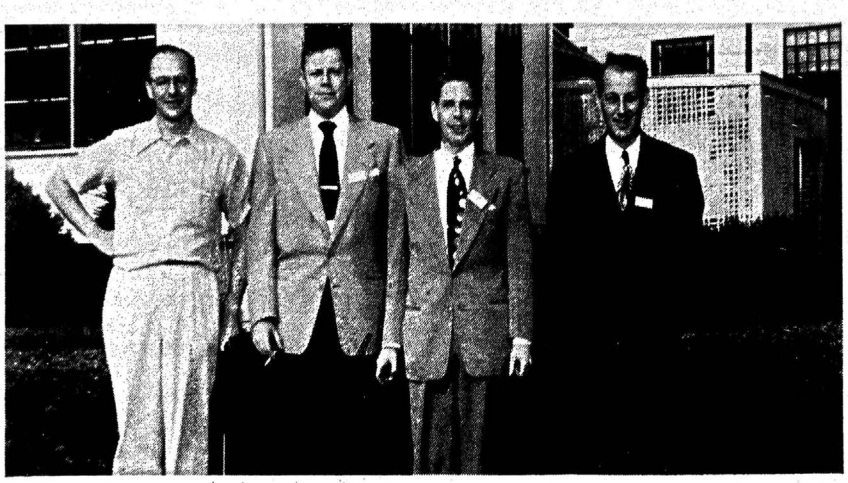
Leslie B. d'Avigdor, *d'Avigdor Co.;* Harry MacCallum, Jr., *MacCallum & Co.*, Mt. Vernon, N. Y.

Roy R. Larson, *H. D. Knox & Co., Inc.;* Jim B. Durnin, *H. D. Knox & Co., Inc.*

George L. Collins, *Geyer & Co., Inc.;* Joe S. Alberti, *Walston, Hoffman & Goodwin*

Harold B. Smith, *Pershing & Co.* (and his trusty Chevrolet)

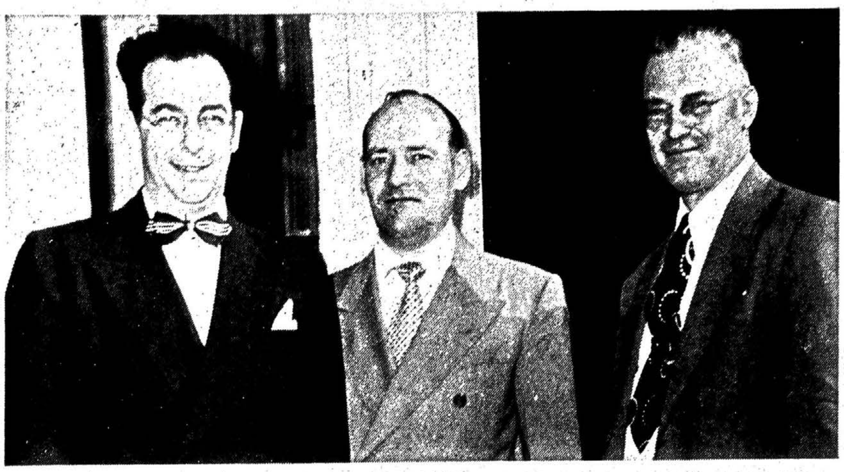
Arthur A. Winner, *Hettleman & Co.;* Bill Frenkel, *J. F. Reilly & Co., Inc.;* Herbert Singer, *Singer, Bean & Mackie, Inc.*



Lou Singer, Walter Filkins, Bert Pike, and Sidney Woolwich, all of *Troster, Currie & Summers*

Howard P. Frey, *Howard P. Frey & Co.;* Ken Howard, *J. A. Hogle & Co.;* Ted Plumridge, *J. A. Warner & Co., Incorporated;* John F. McLaughlin, *McLaughlin, Reuss & Co.*

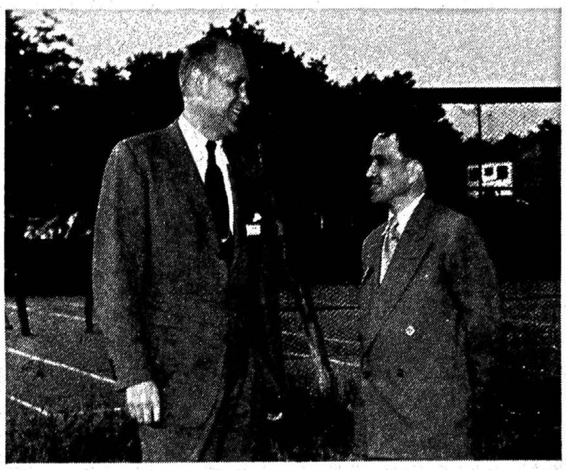
Annual Summer Outing, June 23rd



Arnold J. Wechsler, *Ogden, Wechsler & Co.;* Sidney Jacobs, *Sidney Jacobs Co.;* George V. Hunt, *Starkweather & Co.*

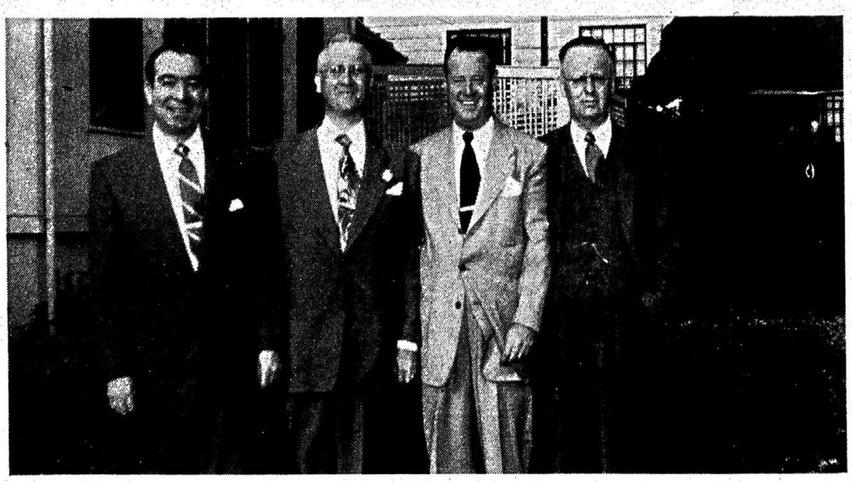
Jay Duga, *Merrill Lynch, Pierce, Fenner & Beane;* Arthur Marx, *Wilson & Marx, Inc.;* A. H. Nollman, *Berk & Company;* Gus Schenck, *Hicks & Price*

Allan Friedel, guest; Jules Bean, *Singer, Bean & Mackie, Inc.*

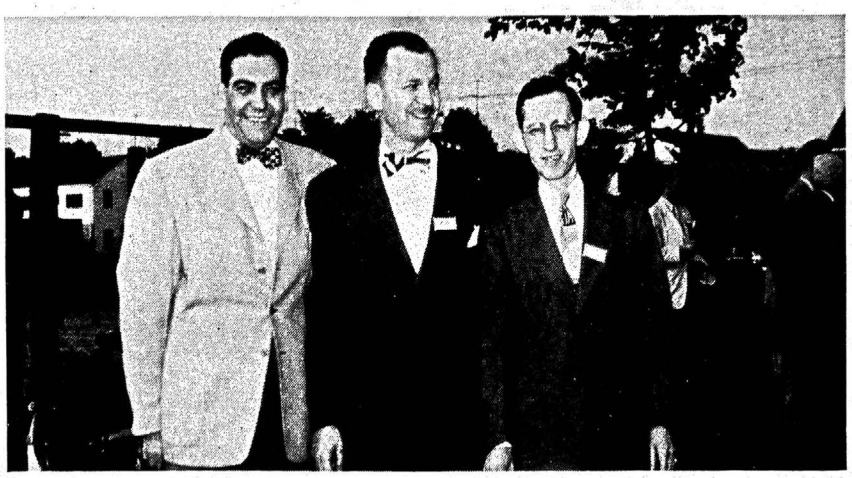


Arthur J. Burian, *Daniel F. Rice & Company;* Kurt Wechsler, *Heimerdinger & Straus*

Harold Allen, *Allen & Company;* Larry Wren, *Allen & Company*



Edward Ruskin, *Ward & Company;* M. K. S. Altman, *H. Hentz & Co.;* Robert Dowling, *Pulis, Dowling & Co.;* Al Schmitt, *Hay, Fales & Co.*



Herman Frankel, *Singer, Bean & Mackie, Inc;* Henry B. Gersten, *Gersten & Frenkel;* Frank San Filippo, *Gersten & Frenkel*

Mel S. Wien, *M. S. Wien & Co.;* Bob Franklin, *M. S. Wien & Co.;* Gene Stark, *Merrill Lynch, Pierce, Fenner & Beane*

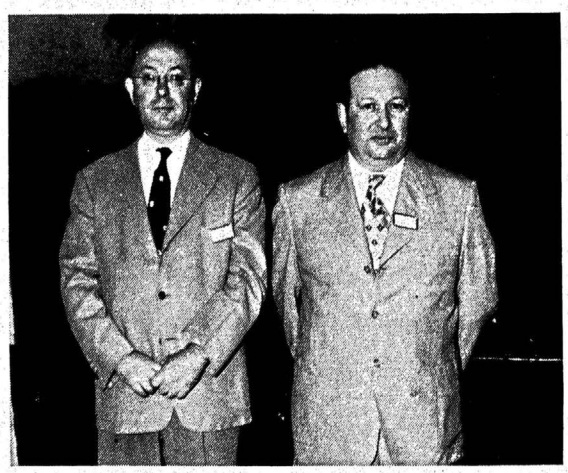
Charles M. Zingraf, *Laurence M. Marks & Co.;* Arthur Schwartz, *Bache & Co.;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* James Jones, *Courts & Co.*

At Hempstead Golf Club

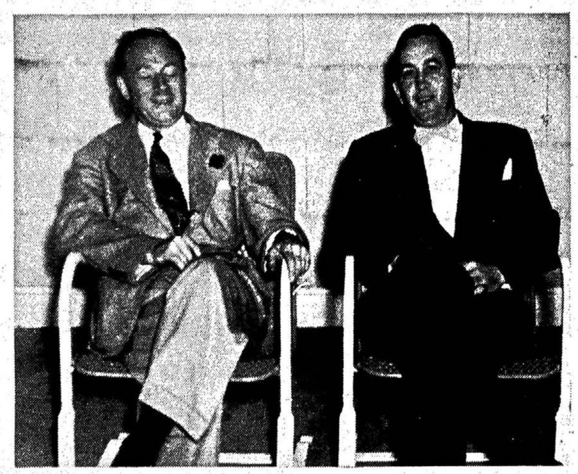
Gerard F. Hulsebosch, *Herzog & Co., Inc.;* Frank Dunne, *Dunne & Co.*

H. D. Knox, *H. D. Knox & Co., Inc.;* Ely Batkin, *Batkin & Co.*

Edward J. Enright, Executive Secretary of New York Security Dealers Association



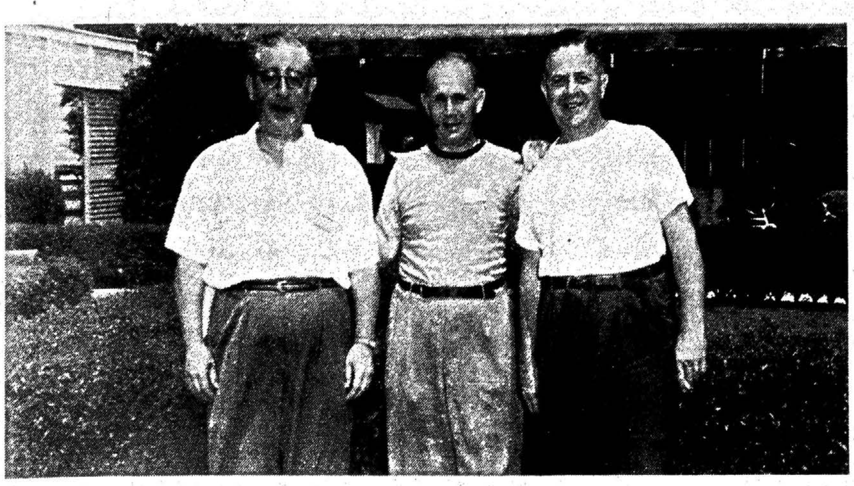
Irving Ittleman, *Frank Ginberg & Co.;* Frank Ginberg, *Frank Ginberg & Co.*



Frank W. Aigeltinger, *Aigeltinger & Co.;* Philip G. Volpe, *Bendix, Luitweiler & Co.*

Alfred J. McGowan, *Seligman, Lubetkin & Co.;* T. Reid Rankin, *R. M. Horner & Co.;* H. E. Kuehner, *Joyce, Kuehner & Co.*

Abe Strauss, *Joseph Faroll & Co.;* J. M. Berk, *Berk & Company;* Jack Feinsinger, *Schafer, Miller & Co.;* Joseph Flanagan, *John J. O'Kane, Jr. & Co.*

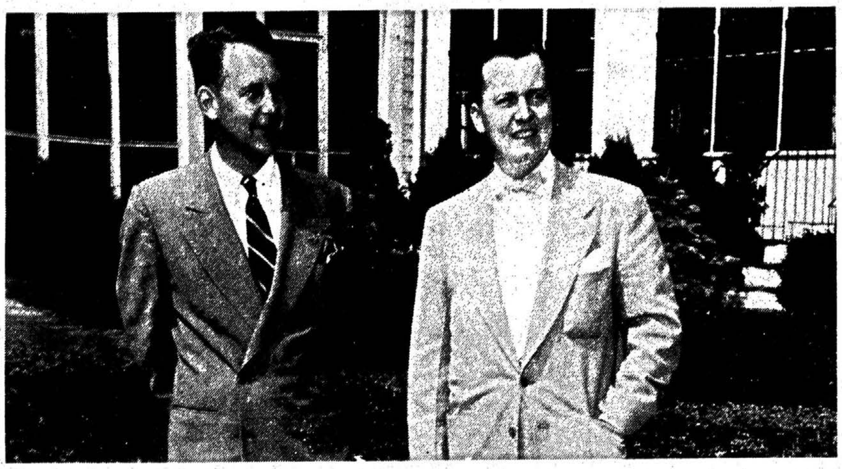


Sam King, *King & King Securities Corp.;* Jack Bloom, *Public National Bank & Trust Co.;* Harry A. Michels, *Allen & Company*

Ken Leibert, Irving L. Feltman, and Robert E. Eble, all of *Mitchell & Company*

Pronounced Huge Success

Leroy Klein, *Lebenthal & Co.;* Fred J. Rabe, *F. J. Rabe & Co.;* L. A. Gibbs, *Laird, Bissell & Meeds;* Fabyan R. Saxe, *Gearhart, Kinnard & Otis, Inc.*



Soren D. Nielsen, *New York Hanseatic Corporation;* Philip F. McManus, *New York Hanseatic Corporation*

H. R. Schmitt, *Pulis, Dowling & Co.;* A. P. Morris, *Estabrook & Co.*

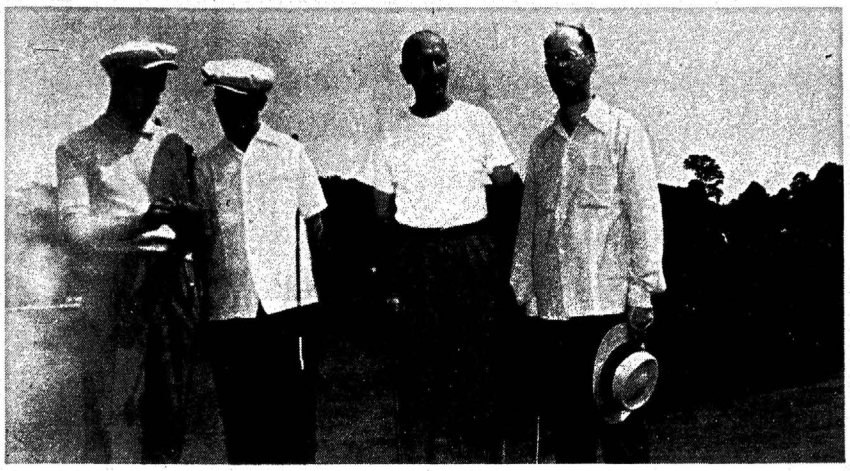
John F. Crawford, and John H. Stevenson, *Ward & Company*

Nat Krumholz, *Siegel & Co.;* Ted Young, *Theodore Young & Co.*

Sam Weinberg, *S. Weinberg & Co.;* Robert M. Topol, *Greene and Company;* Irving Allen Greene, *Greene and Company;* Samuel D. Mallin, *Frank Kiernan & Co.*

R. J. Beall, *Wellington Fund;* John Hawkins, *Amott, Baker & Co., Inc.;* Harry R. Amott, *Amott, Baker & Co., Inc.;* John S. Reitenbaugh, *Goodbody & Co.*

Jack Maloy, *d'Avigdor Co.;* Charles Kearns, *Kearns & Williams;* J. William Kumm, *Dunne & Co.;* J. Arthur Warner, *Kearns & Williams*



Arthur T. Hamill, *Lee Higginson Corporation;* Charles H. Dowd, *Hodson & Company, Inc.;* Stan Roggenburg, *Roggenburg & Co.;* Joseph Monahan, *J. A. Hogle & Co.*

Railroad Securities

New York, Chicago & St. Louis

Bulls on railroad securities have been having a pretty sorry time of it this year. Every time there appeared to be good reasons for expecting a sharp price advance something has come along to cloud the picture. First there was the deterioration in the coal situation and the long strike in that industry. Loss of confidence in the stocks of the major coal carriers, which not so long ago ranked as the prime investments in the field, produced a severe psychological shock. Unfavorable weather conditions in the Pacific Northwest and late opening of the Great Lakes resulted in a reduction in the Great Northern dividend, another long-time investment favorite. This action halted what had appeared as a most promising advance in rail equities.

Labor difficulties and strikes within the industry itself have exerted a further sobering influence on the investing and speculating public. On top of all of these deterring market factors, railroad stocks were hard hit by the wave of selling that hit the market early this week, on the weekend news from Korea. Based on Dow, Jones averages the rail stocks did not do much worse percentagewise than did the industrial stocks. Nevertheless, at the end of the first day of selling the average had broken through to a new low for the year, the lowest level reached since last December.

What is particularly discouraging is that the wave of selling, stemming from causes totally outside the strength or weaknesses of the industry, came at a time when it was hoped that excellent May earnings comparisons would provide a powerful stimulus on the upside. These earnings began to appear in the press late last week and those so far released have almost without exception shown improvement over a year ago. In some instances the year-to-year earnings gains have been of really sizable proportions. Once the selling brought about by nervousness over foreign developments has subsided, it is to be hoped, and is quite generally expected, that the rail market will begin to give a more realistic appraisal of the current and prospective earnings levels.

One stock that has been moving particularly erratically this year has been the New York, Chicago & St. Louis (Nickel Plate) common. Not long ago it was selling at 111, the highest level reached since the depression of the early 1930s and just about double last year's low. On Monday it dropped seven points to 97, a new low for the year. One thing that has affected this stock has been the recurring hopes and rumors that some plan was being devised to eliminate the accumulated dividends of $68.50 a share on the road's 6% preferred stock. Such a step would put the common in direct line to benefit from, and participate in, current exceptionally high earnings—the stock should earn more than $50 a share in 1950.

Sources close to the company hold out little hope that any plan is in the offing. It is known that serious consideration was being given earlier this year to a proposal whereby the preferred accumulations would be satisfied through issuance to holders of the stock a like amount of a new preferred. Previous proposals to pay off at least part of the arrears in common or a convertible preferred had been dropped. However, the I.C.C., in its Maine Central and Katy decisions, has not looked kindly on the issuance of new securities to satisfy preferred or contingent interest arrears. Therefore, it is believed that Nickel Plate would not be allowed to consummate any similar plan. Rather, the more protracted alternative of gradual elimination of arrears through cash payments is expected.

Given the incentive, it is believed that the management could eliminate the arrears fairly rapidly through cash payments. The road is an excellent operation, its status has been improved materially by lease of Wheeling & Lake Erie late last year, earnings are high, and prospects are good. One of the strongest aspects of the picture, and an important contributory factor in the high earning power, is the inherent efficiency of the property. It is consistently among the leaders of the industry in point of profit margins.

May showed a gratifying improvement in earnings, more than sufficient to offset earlier modest year-to-year declines attributable to the bituminous coal strike. For the five months through May net income amounted to $8,077,533 ($22.40 per preferred share) compared with combined net income of $7,902,723 a year ago. For the full year earnings on the preferred should at least approach $60 a share which would allow substantial progress toward elimination of the arrears. As mentioned above common share earnings are expected to top $50 a share. On a longer-term basis, granting eventual elimination of the preferred arrears, the common obviously has considerable appeal.

Winners in Golf Meet At Curb 5 & 20 Outing

Harold J. Brown of Brown, Kiernan & Co. won the Curb Exchange members' Five and Twenty Club golf trophy by scoring an 80 over the Wheatley Hills Golf Club course in East Williston, L. I. The Five and Twenty Club held its fourth annual golf tournament and outing with about 175 Curb Exchange members and guests present.

Low gross prizes for members were also won by Joseph Reilly, last year's champion, Van Adriance, Adriance & Finn, and Mortimer Landsberg, Brickman, Landsberg & Co. Low gross for the guests went to John Humm.

E. E. Haussler and Leonard Totten tied for low net score among the Curb members with net 72s, and Mr. Haussler won a match-off. The award for fewest putts was won by C. V. Quayle and the hole-in-one contest went to George DeMartini. Walter Kimm, Jr., Kimm & Co., took the prize for the lowest total score on the par three holes.

The golf trophy and prizes were awarded at a dinner in the evening at which James J. Hopkins, President of the Five and Twenty Club, presided. Among those present were Mortimer Landsberg, Curb chairman; Francis Adams Truslow, President of the Exchange, and Col. William A. Lockwood, general counsel for the Exchange.

Seligman, Lubetkin NYSE Member Firm

Lloyd E. Lubetkin, a member of the New York Stock Exchange, Charles Friedman, Alvin W. Seligman and Otto Jensen announce formation of the partnership of Seligman, Lubetkin & Co., 41 Broad Street, New York City, members of the New York Stock Exchange. The former firm of Seligman, Lubetkin & Co. Inc., which with its predecessors has been in business since 1929, has been terminated.

Lloyd E. Lubetkin

The new firm, the partners said, will continue the over-the-counter business of the former corporation and in addition will broaden its activities to include the execution of orders and trading on the New York Stock Exchange. Offices of the firm will be located at 41 Broad Street.

Mr. Lubetkin, who is the member of the New York Stock Exchange, started his business career with Lubetkin, Stroock & Co. in 1929 and has been connected with all the subsequent firms to date. He is the former President and Director of the Ritz Tower Hotel and former officer and Director of Midtown Enterprises which at one time owned the Warwick Hotel and the Ziegfeld Theatre and several other properties. At the present time he is President and a director of the 32-story twin-tower Majestic Apartments at 71st to 72nd Streets and Central Park West.

Mr. Seligman has been associated with the firm since 1931 and prior to its dissolution was President and Director of Seligman, Lubetkin & Co. Inc.

Charles Friedman attended the University of Pennsylvania Wharton School of Finance and Commerce, Class of 1924, and served as a Major with the 10th Air Force in India and Burma. He was Commanding Officer of 332nd Airdrome Squad, in the last war, and was awarded the Bronze Star Medal. He is a director of Consolidated Gas Utilities Corp. and Berwin Paper and Manufacturing Corp.

Otto Jensen started his business career in Wall Street in 1912. He is a member of American Legion, Masonic Order and Royal Arcanum.

Piper, Jaffray Co. To Admit Partner

Piper, Jaffray & Hopwood of Minneapolis, members of the New York Stock Exchange, will admit R. Colgate V. Mann, a member of the Exchange, to partnership on July 1. Mr. Mann, who has recently been active as an individual floor broker and prior thereto was a partner in Schirmer, Atherton & Co., makes his headquarters in New York City.

David E. Graham to Be Gruss & Co. Partner

David E. Graham will become a partner in Gruss & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on July 6th.

With Inv. Service Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — George C. Perry has been added to the staff of Investment Service Corporation, Security Building.

Proposal to Speed-Up Collection of Corporate Income Taxes Termed Unsound

Maurice Austin describes proposal in Congress for a six-month forward shift of dates on which taxes are due, as "merely borrowing from the future."

According to Maurice Austin of New York, First Vice-President-elect of the New York State Society of Certified Public Accountants, the House Ways and Means Committee proposal for the five-year speed-up in collection of corporation taxes is a basically unsound approach to the problem of balancing excise tax reductions.

Maurice Austin

Speaking at the Society's 17th Annual Conference, Mr. Austin, who is currently a Vice-President of the American Institute of Accountants, termed the proposal "merely borrowing from the future."

The six months forward shift of dates on which corporate taxes are due, Mr. Austin pointed out, in most cases will bring payments into an earlier governmental fiscal year, and will have the effect of increasing revenues an estimated $800 million each year from 1951 to 1955. "However," he explained, "after that date, annual revenue collections will drop by the same $800 million."

"As a fiscal expedient, Mr. Austin added, "this measure can be justified only if present Federal deficit conditions can properly be regarded as temporary. Since recent history sheds considerable doubt on any assumption that present budgetary conditions are temporary, it seems clear that balancing the excise tax reductions by real revenue increases from other sources or by other means would be the sounder approach."

The acceleration device, he said, is merely a postponement of the day when additional revenues will be required if budget expenditures and revenue collections remain otherwise at present levels.

Mr. Austin also stated that the measure would effect substantial changes in the financing arrangements both of corporations and of the government.

Sheridan, Brown Head Curb Nom. Comm.

Jerome F. Sheridan has been appointed Chairman of the newly elected Nominating Committee of the New York Curb Exchange, it is announced. Joseph H. Brown was appointed Vice-Chairman of the Committee. Both are regular members of the Curb Exchange.

With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Joseph P. Ferriter has joined the staff of Davies & Mejia, Russ Bldg., members of the New York and San Francisco Stock Exchanges.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

With international relations in a precarious state of balance, it is possible that political considerations will become a more dominant factor in the determination of market prices of equities.

Under such conditions we would expect an increasing amount of attention will be devoted to the possible position of different corporations in the kind of economy that will result from any material change in the present status of our armament program. The foreign situation is changing rapidly but conditions should stabilize within a few days at which time a more accurate appraisal of the possible course of future developments can be made.

In the meantime the interest of bank analysts and investors will be occupied with the New York City banking statements to be published within the next few days.

Present expectations are that indicated earnings will be well maintained in the current six-months period compared with a year ago and in those banks issuing statements on net operating earnings, the showing should also be relatively favorable.

Of course there will be individual exceptions from the general experience with earnings higher than a year ago by as much as 8%-10% in some cases and in some instances lower by a smaller amount. On the whole, a slight increase in earnings is expected.

The primary factors responsible for the better earnings showing are much the same as those that have been in evidence since the end of last year. Earning assets are higher than a year ago as a result of lower reserve requirements and a small increase in deposits.

Reserve requirements so far this year at Central Reserve City banks have been maintained at 22% for demand deposits and 5% for time deposits. During most of the same period last year demand deposits required 26% reserve and time deposits 7½%. It was not until the first part of May of a year ago that the Federal Reserve reduced the requirements to 24% and 7% respectively. While they were lowered again later in the year to the present level, the banks did not receive the benefit from this action until the last half.

Deposits also have shown a slight increase over a year ago. While the change has not been large, most banks should show a higher average level of deposits than in 1949.

The combination of lower reserves and higher deposits has meant that the banks have had a larger volume of funds available for loans and investments.

A large part of the additional funds have been used to purchase U. S. Government securities. There has also been a small increase in the holdings of other securities such as tax-exempt municipals.

Total loans are also expected to show some improvement over the level of a year ago. While the average for the six-months period may not be so high as in 1949, the volume at the end of the period should make a favorable comparison.

Last year during most of the period the banks were going through a rapid liquidation of loans. The decline in business which began around the end of 1948 was accompanied by a considerable amount of inventory liquidation. This in turn was reflected in the repayment of bank loans on a large scale.

The run-off of loans began in March and continued into the third quarter. This year there has been only a small contraction in loan volume due to seasonal considerations. In fact during the past few weeks there has been an increase reported in the loan volume by the 22 weekly reporting member banks in New York City.

While there has been some variation in interest rates, on balance they have been fairly steady. Changes in earnings have been more a reflection of changes in the volume of funds employed.

Expenses for most banks have been well controlled and some benefit realized from increased efficiencies. As there has been no change, as yet, in FDIC assessments and as taxes are at the same rates as a year ago, the effect upon earnings from such changes will be no different than last year.

Combining these various factors, it is expected that earnings statements next week will reflect a gradually improving level of operations.

William B. Murphy With Robert W. Baird & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—William B. Murphy has become associated with Robert W. Baird & Co., 110 East Wisconsin Avenue. He was formerly co-manager of Mason, Moran & Co.'s Milwaukee office.

L. M. Bainbridge

Lawrence M. Bainbridge died at the age of 68 after a long illness. Mr. Bainbridge prior to his retirement was a partner of Bainbridge & Ryan and had previously been connected with the National City Company and N. W. Halsey & Co.

Reports Uneven Profit Trend

National Bureau of Economic Research study reveals larger profits are being made by fewer companies.

The large increase in profits of industrial corporations during the first three postwar years benefited a diminishing percentage of corporations after the third quarter of 1946, Thor Hultgren of the staff at the National Bureau of Economic Research reports in a paper just made public by the National Bureau.

Thor Hultgren

In that quarter, the research bureau reports, 70% of the 341 companies whose quarterly statements were studied had higher profits than in the preceding quarter. By the end of 1946 the percentage was down to around 50, and it never recovered its former high level. Aggregate profits continued to grow until late in 1948 because the rising earnings of the diminishing group of corporations that remained on the upgrade more than offset the falling earnings of the growing group of companies on the downgrade. Even the aggregate, however, increased less rapidly after 1946 than before.

The report containing these findings is published by the "Nation Bureau under the title Cyclical Diversities in the Fortunes of Industrial Corporations."

Larger Profits for Fewer Companies Late in Boom

The profit experience of the companies studied in the 18 years from 1920 to 1938 suggests that such a sequence of events is typical of peacetime business cycles, Mr. Hultgren believes.

"When economic activity at large begins to rise, the number of companies with improving profits is rising and continues to rise during the earlier stages of business expansion," he says.

"Long before the decline in economic activity at large, however, the number of companies with improving profits begins to diminish. The fall in the number continues to the end of the expansion in business and on into the earlier stages of the following contraction. Long before economic activity revives, however, the number of companies with growing profits again begins to increase."

Yet there was no consistent lead and no consistent lag between the turning point in aggregate profits and the turning point in business activity as a whole. They coincided in five instances. The turning point in aggregate profits preceded that in business by one quarter in 1921 and 1937 and by two quarters in 1932-33. The former followed the latter by one quarter in 1929.

In three of four business expansions which took place between 1920 and 1938, the peak in the percentage of companies with increasing profits ushered in a period of less rapid growth in the aggregate profits of all companies studied. Similarly, in three of the four periods of business contraction, the trough in the percentage of companies with increasing profits was followed by a less rapid decline in the aggregate profits of all companies.

Mr. Hultgren says the sequence of events is about what the late Wesley C. Mitchell, former Director of Research of the National Bureau, had surmised in 1913, in his book on "Business Cycles."

"The early declines we find in the profits of some companies, however, do not necessarily reflect a squeeze between costs and prices," Mr. Hultgren points out. "An early rise in cost per unit of goods sold, unaccompanied by an equal or larger rise in the price received for it, will, to be sure, reduce profit per unit and may reduce the aggregate profits of a company.

"On the other hand, an early decline in the physical volume of goods a company sells will reduce its aggregate profit even if there is no change in unit profit and may reduce the aggregate even if profit per unit increases. We know that in every expansion the sales of some industries reach peaks at various early dates, then decline. The scattering of turning points in the sales of individual enterprises is doubtless more pronounced. The early declines in the profits of some corporations may reflect early declines in production sold, pressure of costs against prices, or both."

Profit Story Different in Wartime

The history of corporate participation in profits during the wartime boom, the data indicated, was markedly irregular.

Probably because of conversion to war production and changes in taxation of corporate profits, as well as for other reasons, Mr. Hultgren reports, the percentage of companies with rising profits fluctuated most irregularly through 1942. It was fairly stable, around 50 to 55%, in the period of high war activity from early 1943 to early 1945. It fell a little in the middle quarters of 1945, before climbing to its postwar peak in 1946.

Always Some Exceptional Companies

At every stage of the business cycle the fortunes of some companies, temporarily at least, ran counter to the main stream.

The quarter by quarter data indicate that in the quarter with fewest rises during the great 1929-1937 depression, 26% of the corporations had rising profits. In the quarter of the 1920's most favorable to profits, 23% had diminishing earnings. When minor fluctuations are disregarded, exceptions are fewer but still not infrequent.

In the case of every business turn except 1933, some firms had no corresponding turn in their net income. About one-fifth did not have any turn corresponding to the 1926 business peak, and almost one-third missed the business trough in 1927. Sometimes this was because the profits of a company grew in both contraction and expansion, sometimes because profits declined in both.

Forecasting Difficult

Mr. Hultgren examines at length the possibility of using his approach for forecasting business conditions. He concludes that changes in the percentage of companies with rising profits do not forecast business conditions with "respectable precision."

"But people who are obliged to make decisions in which the prospective course of business is a factor might nevertheless weigh information of this character together with other information," he says.

"Further research, too, may yield an explanation of variations in the length of lead. If it does, the forecasting or identifying value of data on the distribution of changes in profits among companies will be enhanced."

There was no consistent difference in the experience of companies which primarily are producers of durable goods and that of those which are producers of nondurable goods, Mr. Hultgren reports. In some cycles producers of durables had earlier turns than producers of nondurables, but in other cycles it was the latter who had the earlier turns.

Mr. Hultgren derived his findings from an anlysis of quarterly data on profits of individual companies compiled by the National City Bank of New York (and some additional data compiled by Harold Barger) from profit and loss statements reported by The Commercial and Financial Chronicle and Moody's Investors Service.

Lewine 50 Years With H. Hentz & Co.

Jerome Lewine, the senior partner of H. Hentz & Co., 60 Beaver Street, New York City, one of the old-line commodity and security brokerage houses (having been established on Nov. 15, 1856) is celebrating his 50th year of association with that firm.

Jerome Lewine

Mr. Lewine's early life was spent in Waco, Tex., where he remained until 1900, when he came to New York and secured a position with the firm he now heads.

In June, 1915, Mr. Lewine became a partner in H. Hentz & Co. On May 1, 1918, the firm which was very actively identified with practically all of the commodity futures markets which were in existence at that time, and Baruch Bros., who were principally in the Stock Exchange business, joined hands.

Mr. Lewine is a member of the New York Stock Exchange, Midwest Stock Exchange, and the Detroit and Boston Stock Exchanges, as well as of the New York, New Orleans and Liverpool Cotton Exchanges, New York Coffee and Sugar Exchange, Commodity Exchange, Inc.; New York Cocoa Exchange, Inc; New York Produce Exchange, the Chicago Board of Trade, and the Chicago Mercantile Exchange. He is a former President of the old New York Silk Exchange, and Commodity Exchange, Inc., and has served on the governing boards of the New York Cotton Exchange, New York Coffee and Sugar Exchange and the New York Produce Exchange, as well as the Association of Stock Exchange firms.

Last night Mr. Lewine's partners gave him a surprise cocktail and dinner party at the Harmonie Club. Among the distinguished guests present were elder statesman Bernard M. Baruch, former Ambassador to the Hague; Herman B. Baruch, C. C. Anderson, director of Allied Stores; Benjamin H. Namm, and Charles A. Cannon.

With First California

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Cal.—Sebastian E. Reinhard, Jr., has been added to the staff of First California Company, Central Bank Bldg.

Hamilton Managem't Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Jack B. Guss and Howard E. Purdy have joined the staff of Hamilton Management Corp., Boston Bldg.

With Walter J. Hood

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Paul M. Berry is now associated with Walter J. Hood Co., 415 Congress Street. He was previously with Carl K. Ross & Co., Inc.

Can France Return To Gold Standard?

By PAUL EINZIG

Dr. Einzig contends gold reserve of Bank of France is not sufficiently large to enable French Government to return to gold standard as set up in prewar period. Sees, however, return of confidence in franc that will go long way toward restoring normal currency conditions.

LONDON, ENG.—There has been much talk in recent weeks about the possibility of France returning to the gold standard. Those who suggest it do not as a rule explain what form of gold standard they have in mind, but it is safe to assume that they do not envisage a full gold standard with free convertibility of notes into coins. What they probably envisage is a form of gold bullion standard under which gold would be freely available for international purposes. The forecasts of a return to that system are attributable to the wave of optimism caused by the fall in the price of gold in the Paris market. There has been de-hoarding on a fairly extensive scale, and, but for official buying, the price of gold would have fallen even further. It is widely assumed, therefore, that confidence in the franc is sufficiently established to enable the government to go a long way towards restoring normal currency conditions through relaxing exchange control and through restoring a certain degree of convertibility.

Dr. Paul Einzig

It is of course obvious that the gold reserve of the Bank of France is not sufficiently large to enable the government to return to a gold bullion standard or gold exchange standard, in the prewar sense of the terms. The French balance of payments in relation to hard currency areas is strongly adverse, and France depends on Marshall Aid for balancing the gap. Marshall Aid will come to an end in 1952 and nobody knows if and to what extent it will be replaced by some other form of dollar aid. From this point of view the position of France is substantially the same as that of Britain.

In one respect, however, France is in a very advantageous position. There is in France a very substantial unofficial gold reserve, consisting of the gold hoards of the public. Hoarding of gold coins and other forms of gold is very prevalent in France, and the total gold held privately must be very considerable. In addition, hundreds of thousands of French citizens have undeclared foreign balances and investments held in Switzerland or other hard-currency countries. In the past, on more than one occasion, a restoration of confidence in the franc was followed by the wholesale surrender of this privately-held gold and foreign assets to the authorities. In the late '20s, for instance, following on M. Poincare's successful efforts to strengthen the franc, there was a spectacular increase in the French gold reserve, and official French balances in London assumed embarrassingly large proportion. Conceivably, history might repeat itself. If all Frenchmen were to surrender their gold and hidden foreign assets the French Government would be well in a position to risk a return to some limited form of gold standard.

It remains to be seen, however, whether there will be on the present occasion de-hoarding on a scale comparable to that witnessed in the late '20s. Admittedly, many French holders of gold or foreign currencies have been frightened into selling by the downward trend of the price of gold and of unofficial exchange rates. Possibly this process may continue. Nevertheless, high taxation, economic uncertainty after the termination of Marshall Aid, and above all political uncertainty will induce the majority of hoarders to retain their hoards irrespective of the trend of gold prices and exchange rates. For this reason it does not seem likely that the French authorities will be able to secure sufficient gold to enable them to risk a return to the gold standard, unless it would be such a limited form of gold standard that it would hardly deserve that name.

If the French Government, emboldened by the manifold evidence of improvement in monetary and economic conditions in France, should risk a return to the gold standard at the present stage, the new system would be at the mercy of political and economic changes. The trade boom in the United States, which has helped France and other European countries to improve their balance of payments, might come to an end at any moment. It would be rash to play on the assumption that it will continue. That factor alone makes a return to the gold standard rather risky. In any case, uncertainty of the prospects after 1952 is in itself sufficient to prevent a return of full confidence in the franc. If no form of American assistance should take the place of Marshall Aid in two years' time, it is highly doubtful whether the French gold reserve would be able to stand the drain of the dollar gap. Above all, the political horizon is full of clouds. The position now is substantially the same as it was during the late '30s when everybody assumed that a war with Germany was a mere question of time. The name of the potential enemy has changed in the meantime, but otherwise the prospects appear to be the same as they were 12 years ago.

Quite possibly the pessimists may prove wrong, and there will be no war for a long time to come. Even so, there are bound to be major war scares. And a major war scare would be sufficient to drive France off her newly established and precariously maintained gold standard. If the term has any meaning at all, it means that the franc would be convertible to a sufficient degree to be exposed to a flight due to war fears. It seems unlikely that the French gold reserve would have a sufficient safety margin to enable the government to view such a flight with equanimity. A suspension of the new gold standard as a result from a war scare would undermine faith in the system, for the possibility of repeated war scares must be obvious.

A premature French experiment in returning to the gold standard might induce other countries to follow the example. In particular, Britain would find it difficult, for considerations of prestige, not to follow the French example; indeed, the British Government is already urged to forestall the French Government and set an example rather than follow the French lead. Admittedly the immediate result of a return to the gold standard by a number of countries would be to strengthen the system which could be maintained more easily in a large number of countries than in one or two isolated countries. Nevertheless, the reasons why the system would be precarious in France would hold good also in Britain and other European countries. They would all be exposed to a trade recession in the United States, to the termination of American aid in 1952, and to war scares. So while it would undoubtedly give widespread moral satisfaction to witness a return to the gold standard by a number of countries, quite possibly the price paid for that satisfaction would prove to be very heavy in the long run.

World's Business Leaders Call for Freer International Trade and Currency Convertibility

Resolutions adopted at International Chamber of Commerce meeting in Paris holds Europe has recovered sufficiently from war dislocations to permit removal of quantitative restrictions, free exchangeability of currencies and reduction of tariffs.

Top business leaders from 24 countries, including the United States, met under the auspices of the International Chamber of Commerce in Paris on June 13-14 to arrive at a policy recommendations that might improve world economic conditions. One of the Chamber's contributions was a policy statement on steps to freer trade and currency exchangeability. Another one dealt with the subject of financing international economic development.

The world business leaders represented at the meeting agreed that the economies of Europe have sufficiently recovered from the dislocations caused by the recent war to permit removal of quantitative restrictions, free exchangeability of currencies and reduction of customs tariffs in the immediate future.

In its resolution regarding the financing of economic development in Europe and elsewhere, the ICC stated:

"There can be no expansion of international investments on the scale required today unless currencies are made freely exchangeable and transferable. That is the first point the ICC must again emphasize from its earlier statements. On the economic plane, the non-transferability of currencies is at present undoubtedly the major obstacle to foreign investments. But, although it is true that a substantial increase in capital movements is inconceivable without transferability, it is equally true that transferability would itself be made easier were there an ample flow of funds from one country to another and particularly from creditor to debtor areas. There must therefore be action on both planes simultaneously. While every effort is made to bring about as rapidly as possible world-wide transferability of currencies, there must at the same time be a policy of active encouragement to international investments. This twofold policy calls for a liberal interpretation of the definition of 'current transactions' contained in the Bretton Woods Agreements. Should this definition nevertheless prove to be too narrow for foreign investment purposes, it may be necessary at an appropriate moment to consider revising the actual terms of the Bretton Woods Agreements.

"Secondly, in present-day conditions, the prime responsibility for encouraging private capital movements must rest on the capital importing countries. Even with free transferability of currencies, private capital will still refuse to venture abroad unless it can be sure of fair treatment along the lines of the ICC's proposed code. Whatever may have been the case in the past, today it is the exporter of capital who needs protection and reassurance against arbitrary and discriminatory policies; the capital importing countries are fully armed to defend their interests against abuses by the investor or his government. This does not mean that the ICC in any way minimizes the rights of the investee country or the grace social responsibility resting on the foreign investor particularly in the underdeveloped areas. The ICC represents the importer as well as the exporter of capital. Investing abroad is a matter of give-and-take, but it is simply common sense that if a country needs private capital for its development, it is for it to remove obstacles and make the conditions attractive in much the same spirit as a country adopts a policy of attracting, and not repelling, the foreign tourist.

"These two points are basic to the ICC's whole approach to the problem of economic development through international investment. There can be no sound solution, except against the background of a general system of multilateral trade and payments. And equally, there can be no sound solution until government policy creates the climate of confidence private capital and private enterprise need if they are to make their full contribution to economic development."

Regarding the need to restore multilateral trade and payments, the resolution adopted by the ICC contained the following:

"(1) The prime objective of economic policy today should be the rapid restoration of a smoothly working system of 'multilateral' trade and payments over as large an area of the world as possible, in other words of a vast international network in which goods and services are freely interchangeable and in which a balance is struck and settlements are made, not within each pair of countries, not even between groups of countries, but between all the innumerable commercial and financial transactions concluded throughout the whole area.

"(2) Few can realize as acutely as the businessman actually engaged in international trade what the lack of such a 'multilateral' system means in wasted effort and frustration. He knows from experience that bilateral barter, exchange control, quantitative restrictions, and all the other expedients of present-day restrictionist policy spell for him missed opportunities and relative stagnation. He feels himself to be producing less efficiently less of the earth's goods than he could if he were working under the spur of market incentives and with more elbow-room for expansion and initiative. It is therefore for him a matter of the greatest urgency to return to the mobility and freedom of a multilateral system of trade and payments.

"(3) The ICC also believes that this return would be facilitated if greater reliance were to be placed on the flexibility and adaptability of natural economic forces, without excessive emphasis on statistical estimates based on past data.

"(4) The time is ripe today, the ICC believes, for a decisive move towards this greater freedom in international economic relations. What might be called 'the reconstruction period' is largely over. Almost everywhere economic conditions have immensely improved. There are of course difficulties and obstacles, but these should not be allowed to prevent action even if they inevitably restrict its full effects."

The U. S. Council, the American section of the International Chamber of Commerce, was represented in Paris by the following:

H. J. Heinz II, President H. J. Heinz Company of Pittsburgh and Chairman of the United States Council.

William B. Chadburne, Chadburne, Hunt, Jaeckel & Brown.

W. R. Herod, President International General Electric Co.

C. D. Jackson, Publisher "Fortune" Magazine.

William A. Mitchell, President Central Trust Company of Cincinnati.

Laurence Marks to Admit

On July 6th Carl C. Brown will become a partner in Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

The recent momentous developments accentuate the importance of Canada's immense wealth of readily exploitable natural resources and enormous capacity for further dynamic industrial expansion. The Dominion has also the great advantage of its proximity to the manufacturing centers of this country and its intimate political and commercial relations with both the United States and the British Commonwealth. In essence, therefore, Canada can aptly fill the role of a potent arsenal of democracy.

It is necessary only to look back on the Dominion's record of achievements during World War II to appreciate the extent of the Canadian economic potential in any future emergency. In the course of four years Canadian industry experienced an amazing transformation which under normal conditions would probably have taken half a century. At the end of the war the Dominion had progressed from the stage of a primarily agricultural country to become one of the world's leading industrial nations. Before hostilities ended hundreds of brand new plants were producing on such a scale that output finally had to be curtailed. Canadian production covered the entire range of war requirements from small arms to tanks, warships, aircraft, and radar equipment. Canadian explosives were used on all war-fronts and in the field of metals Canada contributed to the common cause 94% of the United Nation's nickel, 32% of the aluminum, 20% of the zinc, 10% of the copper, and 75% of the asbestos. As far as forestry products were concerned it is difficult to conceive how the Allied Nations could have met their requirements for lumber, pulp, and other wood products without the vast supplies furnished by the Dominion.

For any future emergency the Canada of today is capable of playing a still more valuable role. Since the war following the spectacular discoveries in Alberta Canada has become one of the world's major oil producers with promise of even greater preeminence in this field. In time of need, moreover, Canadian oil is more strategically situated than South-American and Near Eastern sources of supply. Should necessity arise pipe-lines could be completed in short order to meet requirements either south of the border or in Alaska.

Also since the war the value of the Great Bear Lake and other Canadian pitchblende deposits have assumed more vital importance in view of developments in the field of atomic fission. Canada likewise has just commenced to exploit with U. S. assistance the rich ilmenite deposits in the Province of Quebec. This ore is the source of the new wonder metal, titanium, which is likely to become indispensable in the construction of advanced forms of aircraft. This by no means exhausts the list of postwar mineral developments in the Dominion. New uranium discoveries have been made in Saskatchewan and Ontario and important copper deposits have just been located in the Gaspe Peninsular, in addition to valuable extensions of already exploited base-metal mines in Ontario and Quebec. The results of recent intensive prospecting amply demonstrate the almost boundless potentialities for mining development in Canada's fabulous two-million square mile area of Laurentian Shield.

During the past few years also the joint enterprise of U.S./Canadian mining interest has brought nearer the time when the rich extensive Labrador iron-ore fields will enter the production stage. World War II caused vast inroads to be made in the reserves of the Mesabi iron ranges which had previously appeared adequate to fill U. S. iron-ore requirements for generations to come. The necessity to find fresh reserves has recently become acute even for the satisfaction of normal peace-time demands; in the event of war the need for new and accessible sources of supply would be imperative. Although U. S. steel interests have recently secured important new ore reserves in South America their value in war time conditions would be seriously impaired. In case of emergency on the other hand the Quebec-Labrador fields could be rapidly brought to the production stage, and railroad connection to tidewater on the St. Lawrence could be likewise expedited.

The experience of World War II clearly illustrates the ease with which the almost complete meshing of the U.S./Canadian economics can be achieved. There is little doubt that this efficient wartime economic partnership would be reestablished immediately in similar circumstances. In that event Canada would be in a position to surpass even her amazing achievements of the last war.

During the week of the international news had curiously little effect on the external and internal sections of the bond market which remained inactive and virtually unchanged. Free funds were also steady at 9⅜% but the corporate - arbitrage rate weakened slightly to 15¾%-15%. Stocks on the other hand took the full impact of the news and before staging a moderate rally, Western oils dropped 13 points, the industrials 12 points, the base-metals 7½ points, and the golds 7 points.

Frank Wright Thomas

Frank Wright Thomas, retired broker, died June 15 at the age of 80. Mr. Thomas, who retired in 1929, was a former governor of the New York Stock Exchange and former President of the Chicago Stock Exchange.

Milloy President of N. Y. Municipal Forum

The election of Albert J. Milloy as President of The Municipal Forum of New York took place June 28 at the annual meeting held at the Lawyers Club. An Assistant Vice - President of The First Boston Corp., Mr. Milloy had served as Vice-President of the Forum during the past year. As President, he succeeds Robert T. Veit, partner of Shields & Co.

Albert J. Milloy

Edward D. McGrew, Vice-President of The Northern Trust Co., was elected Vice-President for the coming year. Winthrop S. Curvin of Smith, Barney & Co. was elected Secretary and E. Joseph Scherer of B. J. Van Ingen & Co., Treasurer.

Daniel B. Goldberg, Senior Attorney with the Port of New York Authority, and Rudolph J. Harper of Fiduciary Counsel, Inc., were elected to three-year terms as governors. George T. Ragsdale of Lehman Brothers was elected a governor for one year.

Morgan Stanley; Glore, Forgan Underwrite Spencer Chemical Stk.

Spencer Chemical Co. is offering to holders of its common stock rights to subscribe at $100 per share to 85,000 shares of new 4.60% cumulative preferred stock (par $100) at the rate of .085 share for each share of common stock held of record on June 26, 1950. The subscription rights expire on July 3, 1950. The company is also extending to the holders of the presently outstanding 5% cumulative preferred stock (par $10) the right to exchange their shares for such portion, if any, of the new preferred stock as is not subscribed for through the exercise of rights. The exchange offer will expire on July 3, 1950. Any unexchanged shares of old preferred stock will be called for redemption. The offering is being underwritten by Morgan Stanley & Co. and Glore, Forgan & Co. and associated underwriters.

Proceeds of the sale of the new preferred stock together with other cash funds of the company will be used principally in connection with the acquisition of the Ohio River Works and certain improvements thereto and at the Charlestown Works, for the completion of a prilling plant and storage facilities at the Jayhawk Works and for the purchase of redemption of any unexchanged shares of old preferred stock.

The new preferred stock is subject to redemption at $105 per share if redeemed on or before June 30, 1951, and thereafter at prices decreasing to $101½ per share if redeemed after June 30, 1956. It also has the benefit of a 3% sinking fund commencing July 1, 1952. The initial sinking fund redemption price is 102 and decreases to 100 if redeemed after June 30, 1958.

Joins George McDowell

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John Pierce has joined the staff of George A. McDowell & Co., Buhl Bldg., members of the Detroit Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the directors of **City Bank Farmers Trust Company of New York,** held on June 20, Henry W. Whitney was appointed an Assistant Trust Officer. While mention was made in our issue of June 22, page 2583, of the appointment of the new Assistant Trust Officer, we are referring to it here because of a typographical slip in the spelling of Mr. Whitney's name.

* * *

Harold H. Helm, President of **Chemical Bank & Trust Company of New York,** announces the appointment of Peter J. Brennan, formerly Assistant Manager of the Foreign Department, as Assistant Vice-President and of John C. Sturgis as Assistant Secretary. Mr. Brennan is associated with Amos B. Foy, Vice-President in the handling of the bank's Latin-American business and Mr. Sturgis is associated with William S. Renchard, Vice-President in the handling of the bank's business in Ohio and Indiana.

Walter M. Ross has been appointed an Assistant Vice-President of Chemical Bank & Trust Company according to a later announcement made available this week by President Helm. Prior to the war Mr. Ross was on the staff of the General Motors Acceptance Corporation in the Louisville district. Following his discharge from the Army as a Lieutenant Colonel in 1945, he entered the First National Bank of Louisville, Ky., becoming a Vice-President in 1947. He has been specializing in the handling of that bank's business in the Louisville area and elsewhere. At the Chemical Bank, he will be associated with Howard W. McCall, Vice-President in the handling of the bank's business in various states.

* * *

Following a meeting of the directors of the **Bank of the Manhattan Company of New York,** held on June 22, Lawrence C. Marshall, President, announced that William G. F. Price had been appointed a Vice-President and will be attached to the bank's Midtown Executive Staff. Mr. Price has had experience in both the banking and textile business; he was connected in an executive capacity with the National City Bank at 34th Street and 7th Avenue, and following this was President of Belding Heminway Company Inc., from which he resigned to reenter the banking business. Mr. Price has served as President of the New York Chapter of the American Institute of Banking, the 475 Club, a textile credit men's group, and has been active in the Small Business Committee of the American Banker's Association.

President Marshall of the Bank of the Manhattan Company also announced the following promotions: Herbert H. Weekes, former Assistant Vice-President, to Vice-President; Hillyer M. Condit, C. Joseph Kennedy and Robert W. Selle, former Assistant Treasurers to Assistant Vice-Presidents. Frank E. Anderson, John F. Cunningham and Daniel D. Dickey were appointed Assistant Treasurers.

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Arthur S. Kleeman, President of **Colonial Trust Company of New York,** announces the appointment of LeRoy T. Tanfield as Vice-President. Mr. Tanfield, formerly an Assistant Vice-President, has been with the banking house since 1929. He will continue his activities at the bank's Rockefeller Center office.

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on June 27, E. Newton Cutler, Jr. and John I. Pearce were appointed Vice-Presidents; Eben W. Pyne Assistant Vice-President and Herbert Holden, Jr., Assistant Cashier. Mr. Cutler and Mr. Pearce were formerly Assistant Vice-Presidents and Mr. Pyne was formerly an Assistant Cashier.

* * *

Edgar B. Landis, Trust Officer of **Chemical Bank & Trust Co. of New York** since 1927, died on June 23. He was 58 years old. Mr. Landis was a graduate of the Wharton School of the University of Pennsylvania, with a B.S. in Science and Economics. He was a member of the Alpha Phi Rho fraternity of which he was National Vice-President. He had been elected to the honorary fraternity of Zeta Gamma Sigma for his studies in Business Administration and was formerly President of the New York Alumni of this fraternity. Mr. Landis was for many years a lecturer on Trust Problems at the American Institute of Banking and was a member of the Trust Functions Committee of the New York State Bankers Association.

* * *

Robert C. Glazier, dean of the Hartford bankers, has resigned as Chairman of the Board of Trustees of the **Society for Savings of Hartford Conn.,** bringing to an end 62 years of banking, it was noted in the Hartford "Courant" of June 16, which further stated:

"Mr. Glazier served as President of the National Association of Mutual Savings Banks and the Savings Banks Association of Connecticut. He saw the Society for Savings grow in deposits from $12 million to $130 million under his administration." The same paper stated that Mr. Glazier was guest of the officers and trustees of the Society for Savings at a dinner at the Hartford Club on June 15 (the day he retired), from which account it is learned that John C. Traphagen, Chairman of the Board of Trustees of the Bank of New York and Fifth Avenue Bank of New York City and William S. Maude, President of the Howard Savings, Institution at Newark, N. J., long time friends of Mr. Glazier attended the dinner."

Likewise, from the "Courant" of June 16 we also quote:

"Charles L. Allen, Executive Vice-President of the Aetna (Fire) and subsidiary companies and Alfred E. Hanbury, realty developer and building contractor were elected to be trustees at the annual meeting of the Society for Savings on June 15, Edward J. Sipples, Assistant Treasurer, was promoted to be Assistant Vice-President [of the Society for Savings] and Charles A. Buck was elected Assistant Treasurer and will become manager of the bank's second branch bank on Barry Square when it is opened next fall."

* * *

Kelley Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.,** announced on June 22 the appointment of August H. Lages and Philip J. Leopold as Trust Officers of the bank. Mr. Lages joined the bank in 1935 and in January, 1948 was appointed Assistant Trust Officer. Mr. Leopold in

1936, after 12 years of trust work at the Guaranty Trust Company, New York, entered the service of the First National Bank of Jersey City; he was appointed Assistant Trust Officer in June, 1948.

* * *

An increase in the capital of the **First National Bank of Carmichaels, Pa.,** as of June 13 is reported by the Office of the Comptroller of the Currency—a stock dividend of $100,000 having raised the capital from $50,000 to $150,000.

* * *

The retirement on July 1 of Carl W. Fenninger as Vice-President of **Provident Trust Co. of Philadelphia** was announced on June 27 at a luncheon at the Union League, given in his honor by his fellow officers. Associated with the Provident since 1909, Mr. Fenninger served for many years as senior officer of the trust department. He will continue as a member of the board of directors, to which he was elected in 1948. As to Mr. Fenninger's banking affiliations he was President of the Pennsylvania Bankers Association in 1936-1937; President of the Trust Division of the American Bankers Association 1940-1941; and served as Chairman of the ABA Committee on Common Trust Funds from 1933-1938. Mr. Fenninger's other banking organization Presidencies include Philadelphia Chapter, American Institute of Banking 1919-1920, Philadelphia Chapter, Robert Morris Associates 1926-1927, and Corporate Fiduciaries Association of Philadelphia which he helped organize. Throughout his banking career Mr. Fenninger has also played an active role in civic affairs.

* * *

J. Warren White, Jr., of Norfolk, Va., has been elected a member of the Advisory Board of **The Bank of Virginia in Norfolk.** Mr. White is Secretary and Treasurer of the Old Dominion Paper Company; President of the Southeastern Paper Trade Association; and a Director of the National Paper Trade Association of America.

* * *

L. L. Murphy has been elected President of **Calumet National Bank of Hammond, Ill.,** according to the Chicago "Journal of Commerce" of June 23, which added:

"Formerly Executive Vice-President, he succeeds the late Joseph E. Meyer. Mr. Meyer's son, Edward, succeeds his father as a director and has been named Executive Vice-President and Cashier. Walter J. Meyer has been elected Chairman."

* * *

R. J. Winninger has been named Assistant Vice-President in charge of personnel and bank operations at **Lincoln National Bank of Chicago.** In noting this in its issue of June 17, the Chicago "Journal of Commerce" reported that V. R. Allegrini has joined the bank staff as Auditor, the post formerly held by Mr. Winninger.

* * *

The name of the **La Salle National Bank & Trust Co. of La Salle, Ill.,** has been changed to the **La Salle National Bank of La Salle,** effective July 1.

* * *

The plans heretofore referred to, to increase the capital of the **First National Bank in Dallas, Texas,** from $7,500,000 to $12,000,000 were ratified on June 12 by the stockholders. As indicated in our issue of June 8, page 2377, the surplus will likewise be increased to $12,000,000; a further item in the matter appeared in these columns June 15, page 2496.

Continued from page 5

Observations . . .

in lieu of the past tense, we can appreciate the great fundamental changes that have occurred in the Exchange's status.

Are Past Speculative Foibles Really Extinct?

An interesting question posed for sophisticates is to what extent speculators' past foibles have continued on to the present. One of these is the "power of the tape," that is, the influence of the ticker. After citing former Stock Exchange President Simmons' fastening of major blame for the 1929 crash on the public's miscomprehension of the investment trusts' operations, Mr. Neill observes: *"We might sympathize with Mr. Simmons for his regret that wider publicity did not exist concerning investment trusts if it were not for the fact that the public in the latter months of 1929 did not bother its buzzing, ticker-symbol head about such little matters as 'assets and earnings.' If a symbol on the tape rose in price that symbol was bought and who cared what it represented?"*

To which our author adds the following very wise commentary and query: *"In retrospect, 1929 is a most entertaining psychological study. When next the urge to buy 'symbols' strikes us, shall we remember 1929? Probably not."*

Possibly the truth lies in compromise between the two distinct alternatives of following, or completely abstaining from, the behavior of the 1920s. Today's published volume figures may perhaps be regarded as the counterpart of the old-time ticker as an instrument for drawing the public's participation into specific issues.

Industry Mania

Another important instance where history is more likely to be repeated than discarded, exists in national speculative manias for particular industries. Mr. Neill traces in interesting detail the craze for speculation in the nation's new railway mileage of the 1860s. The query coming to the present-day reader's mind is whether the same proclivity with excesses is in the process of being repeated in the current speculation in *television* shares?

There are several other items touched on which are still open issues. For example, market *selectivity* was all-important even in the 1920s. Mr. Neill, giving a table for the prices of leading shares in 1923, 1929 and 1932; shows the great importance of the *what* over the *when* even during that all-time record market boom and crash.

Again, we must ponder whether the "New Era" psychology of the 1920s, which excused price earnings multiples of 200, may possibly be on the verge of repetition today in the guise of the steadily increasing investment consumer's acceptance of "inflation" psychology, and his faith that equities will provide a defense against ever-increasing depreciation of the dollar (irrespective of the timing element).

Of unquestion current validity is the fallibility of forecasting, examples going back to the Buttonwood Tree days being cited by Mr. Neill.

The book offers profitable as well as easy peacetime (?) summer reading!

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues on the defensive, with volume and the price decline accelerated somewhat. The bank issues joined the recession due to switching and certain amount of outright selling. Prices were pushed down in all long treasuries, with "quoting down" being responsible in some measure for the drop. The market is a very uncertain affair and this has made buyers cautious. The decline has now created the feeling that buying should be done only when necessary and then only in small amounts and on a scale basis. This is because the outlook seems to indicate lower quotations, provided the complicated international situation does not alter the picture.

Bank Obligations Join Downtrend

While the ineligibles continued to recede as they have been doing in the past, the bank obligations also were on the down side, which is contrary to recent market action of these securities. The general market uncertainty and the wide price spread between the eligibles and the taps caught up with long bank issues, at last, and they too went the way of all flesh. The short-term issues firmed under sponsorship of the Central Banks.

A somewhat faster rate of decline in prices of long treasuries, this time the eligibles as well as the ineligibles, has created a definitely cautious attitude in the government market. Volume has pick-up but is still not to be classified as heavy. Buyers are not showing their hand, which means that bids are small and largely of the scale variety. The feeling seems to be "let's see how far this decline is going to go." Federal started all this and they are supposed to have the situation under control. Nonetheless, if institutions should continue to liquidate treasuries, especially the longs, in order to acquire higher-income nongovernment obligations, the Central Banks may have a bear by the tail. Also it is pointed out, those that are interested in acquiring long-term governments are not of the "hero variety" and they are quite willing to let the market make a bottom, before more than scale buy orders are entered.

How Low Can the Taps Go?

Selling of the taps has been rather general, with a large life insurance company, trust and pension funds and municipalities letting out these securities, so as to use the proceeds for other purposes. The insurance company, trust and pension funds were liquidators because they were acquiring mortgages or corporate bonds. The buyers were other life insurance companies, mainly small mid-Western institutions, fire and casualty companies, and other pension funds and union funds. However, the continuous decline in quotations of the tap bonds is beginning to make buyers of these securities more than a little bit cautious, and they are not as aggressive in their acquisitions now as they were in the recent past. Should this feeling be expanded, and institutions become more sizable sellers of treasuries, in order to take on higher-income nongovernment obligations, who will be the buyers of the ineligibles that are being liquidated?

To be sure, it would have to be Federal, but the Central Banks are sellers to themselves because they want to keep the credit base from expanding. How far and how sharply will prices be allowed to decline, under outside pressure, before there is a change in policy? Will there be support by Federal, as in the past at levels just above 100 or will prices be allowed to go below par with only minor interference by the Central Banks to keep the market orderly?

Prices Under Pressure

The government market is full of questions with no ready answers and this always spells out uncertainty. With this lack of certainty comes the pulling of bids and buyers take to the sidelines. While it is full well realized Federal is in a position to halt the decline, the very important unknowns are when, and where. The general feeling seems to be the market will go lower (unless changes are made due to the war fear) and this in itself will bring in some selling. This keeps pressure on prices without Federal doing all the pressing.

Short-End Market Protected

The long end of the government market is on the run, but the short end has been protected (despite some intermittent weakness) to help the refunding operation. With this out of the way what is going to happen to the shorts? Will Federal allow yields of the near-term issues to increase and in this way put greater pressure on the money markets? What about the Treasury and deficit financing which must be done one of these days? According to reports, the authorities are still at 6s and 7s over money rates, and the Treasury has no greater love now for higher interest rates than it had in the past. How will this be worked out?

Latent Demand for Bank Eligibles

The longer eligibles were put on the skids due to the combination of larger offerings and smaller bids. When these bonds showed up in the market and bids were hit, buyers rushed to the sidelines. There is a sizable potential demand around for these securities, but it won't be a real demand until there is more definiteness in the whole picture. Volume has not been heavy but it has been larger than was the case here recently. And that is not saying very much either because the volume in the higher-income bank issues has been rather light for some time. Switches from the 1967/72s into the Vics on less than a four-point basis are being made and more are in the offing. Savings banks, trust companies and insurance companies have been sellers of the 1956/58s. New York City banks, it is indicated, have been among the important buyers of longer eligibles which have come into the market.

L. L. Strauss Becomes Financial Adviser to Rockefeller Family

Former investment banker, Rear Admiral, and member of Atomic Energy Commission, appointed consultant and financial adviser to Rockefeller Brothers.

Lewis L. Strauss has become associated with the Rockefeller brothers as consultant and financial adviser, it has been announced by Laurance S. Rockefeller, President of Rockefeller Brothers.

Lewis L. Strauss

Mr. Strauss formerly was a partner in Kuhn, Loeb, and Co., and a member of the U.S. Atomic Energy Commission.

Mr. Strauss will make his office with the Rockefeller brothers at 30 Rockefeller Plaza. He will continue various personal and public interests, including business directorships and his activities as president of the Institute for Advanced Studies, Princeton, N. J., as trustee of Hampton Institute, Memorial Center for Cancer and Allied Diseases, the Metropolitan Opera Association, Congregation Emanu-El and other institutions.

In World War II Mr. Strauss was a Rear Admiral in the United States Navy. In 1917-19 he was secretary to Herbert Hoover.

The Rockefeller brothers, and their sister, Mrs. Abby Rockefeller Pardee, are associated through Rockefeller Brothers as an investment organization and in various research and development projects.

The brothers are John D. Rockefeller, 3rd, Nelson A. Rockefeller, Laurance S. Rockefeller, Winthrop Rockefeller and David Rockefeller.

Hanrahan Co. Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Bernard J. Bagdis is now affiliated with Hanrahan & Co., 332 Main Street, members of the Boston Stock Exchange.

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What Is a Growth Company?

which, in turn, were above 1929 levels.

Application of "Growth Situation"

Usually, the term "growth company" is applied to an enterprise in a new line of activity that apparently is beginning a period of significant expansion. In somewhat the same sense, we may apply appropriately the term "growth situation" to (1) a company which is developing aggressively new products via important research programs; (2) to a company which has been returning to its business a substantial portion of the cash flow of earnings to develop and to exploit more intensively its established lines, and (3) to a company which is growing through the acquisition of profitable units in related or new fields, provided the capital structure is not expanded disproportionately.

To my mind, every successful company goes through three separate phases of development — although the lines of demarcation between each of these phases are not always defined sharply at the time of transition. The initial phase usually covers the first five years or so of the company's history—when it is not always apparent whether the company will be successful or not—whether it has the necessary managerial skill, adequate financial resources, and the product to make the grade or not.

Here, in the infancy stage, the opportunity for capital gain is the greatest, but let me emphasize in the same breath, that here also is the risk—and I mean risk of loss—the greatest. For every one venture that develops into a truly successful enterprise, there are probably more than a thousand that fail or become mediocre enterprises. Using hindsight, which is so accurate arithmetically in our business, but so completely valueless so far as profit-making is concerned, we can easily name now numerous examples of those businesses which have developed into outstandingly successful enterprises—but to have made that decision when these businesses were in their initial period of development is something else again. For every General Motors and Chrysler in the automobile business, there have been a dozen or more Marmons, Jordans, Hupmobiles, Stutz, or even Wintons and Stanley Steamers.

To look at the current industrial and stock market picture, we all know how the rapidly growing television industry has captured the fancy of speculators this year. With more than 100 factories now producing television receivers, one does not have to be too cynical to realize that some of these are going to fall by the wayside and vanish from the scene, just as they did in the automobile, the radio, and the aircraft manufacturing industries over the last 30 years.

By the same token, the more ably managed and stronger factors in this currently booming industry are almost certain to survive, and no doubt, their stocks will prove profitable holdings for those shrewd enough—or lucky enough—to select these survivors-to-be in advance. Whether such companies, to name a few from the recent television stock offerings, as Muntz TV, Pacific Mercury Television, Kaye-Halbert, Trav-Ler Radio, or Olympic Radio and Television, will be among these survivors-to-be will require some extremely able appraisal on our part at this time.

I never look at the 11 thick volumes of the Marvyn Scudder-Robert D. Fisher Manuals of Obsolete Securites, with their thousands upon thousands of closely printed names of companies that have vanished from the American business scene, without thinking of the lost hopes and lost dollars, that have vanished with them. Most of these dollars, and companies, vanished during this first stage of company operation, due to incompetence, lack of sufficient financial resources, a poor product, and in some cases, it must be admitted, due to dishonesty.

Establishment of Good Growth Pattern

Let us examine the second stage in the development of a successful company. The company has now weathered its initial period of trial and tribulation, and we find that the management has solved the problems of administration, production, financing and marketing. At this point, we can probably detect the establishment of a good growth pattern. Importantly, here the risk is substantially less than it was during the initial phase, but profit potentials are still inviting. We can appraise the ability of the management more accurately, and it should never be forgotten that management is, by all odds, the prime factor. A sound balance sheet, and an excellent income account, are simply the reflection of able management. In the final analysis, it is management alone that is responsible for the success or failure of any business.

Indicative of this, we know of companies which have lost money, even though they operate in growing industries, while other companies, operating in industries which appear to have reached a state of maturity, have continued to display a strong growth factor. General Electric and General Motors are good examples of companies in this latter classification, while Northwest Airlines might be a pertinent example of an enterprise in the first category.

To complete the picture of the three phases of a company's growth, the third phase is, of course, when the company has apparently reached maturity. It is soundly established, in a strong financial position, and obviously, well managed. Its products enjoy a well known trade name, with a high degree of customer acceptance. Its common stock has acquired a seasoned investment rating, and it will be found among the common stock holdings of the well known investment trusts. The appeal of the common stock is now more for income stability than for its price appreciation possibilities. In this group today, we find most of the great American corporations with long dividend records. For example, there are the soundly established public utility equities, such as Pacific Gas & Electric, Southern California Edison, Consolidated Edison, and similar issues.

In the industrial category, we find the leading tobacco shares, such as American, Liggett & Myers and R. J. Reynolds; the larger variety chain enterprises, such as F. W. Woolworth and J. C. Penney; the food stocks, such as National Biscuit, National Dairy Products, Borden and Corn Products Refining; some of the investment grade oils, such as the Standard Oil equities and Texas Company. Many of these stocks are leaders during periods of general market strength, and are naturally enough, profitable holdings during bull markets, but they have completed rather well their period of dynamic growth, which is the phase which concerns us in this discussion.

Advice on Selecting Growth Situations

In selecting growth situations, we should concentrate attention on those companies which appear to be in their second phase, the period during which growth is the most rapid, with the substantial risks of the initial phase behind the company. Except for the extremely shrewd, or the extremely lucky, the risks inherent in the first phase of a company's development period are disproportionate to the profit possibilities. At the other extreme, those companies which appear to have reached maturity, or the third phase, have their basic appeal to the long-term investor who is primarily concerned with stability of earnings and dividends, combined with a strong financial position.

What we are looking for is a stock now rated as a so-called "business man's investment," but with the inherent qualifications to develop later into an investment grade equity, the so-called "blue chip." If it is to have these qualifications in later years, some indications of them should now be visible to a capable analyst. What are those qualifications for the "blue chip" classification? First, the company must have competent management. Next, it should occupy a well entrenched and important position in an industry that is growing. Third, it should have a superior record of expanding sales and profits over its history.

The dividend record at this time is not especially important, because management is more concerned with reinvestment of the profits back into the business until it has reached a period of maturity. We may expect dividends to be relatively small in relation to per share earnings during this period of growth. Hence, many growth stocks characteristically sell on a rather low-yield basis, and also at a relatively high price-earnings ratio. This is a premium that stock buyers have been willing to pay for able management and good growth possibilities. Pricewise, 1950 levels for growth stocks are substantially above those for 1929, which is not true of the general market.

An excellent example of a growth situation may be found in the Minnesota Mining and Manufacturing Company. With its common stock currently selling around 125½ on the New York Stock Exchange, earnings per share on this issue amounted to $7.07 last year, and dividends totalled $2.60 per share. At this price, the stock yields 2.07% on the basis of last year's dividends, and is selling at 17.8 times last year's per share earnings.

Growth Industries

Having in mind what we should look for, let us examine first those industries which may be considered as growth industries at this time. I would include the following groups in this category: Airline transportation, air-conditioning, certain new components of the building industry, such as plywood, chemicals, ethical drugs (especially the anti-biotics), electronics, insurance, certain specialties in the machinery and office equipment field, natural gas, perhaps the oil and paper industries, plastics, rayon and television.

Obviously, this does not mean that all companies operating in these fields qualify. There perhaps are some who would argue that few of the airline stocks would qualify, that the paper industry is more a cyclical industry than a growth one, or that the oil industry has already reached its period of maturity. At any rate, all are worthy of some discussion, and there are many special situations which are true growth enterprises, that do not fit neatly into the foregoing classifications.

The air transport industry certainly qualifies as a growth industry. There is still a large growth potential inherent in air transportation but this does not mean that the airline stocks, as a group, have been profitable holdings. The difficulties encountered by almost all airlines in recent years are too well known to merit repetition, but there has been one outstanding exception to the poor profits showing recorded by the industry as a whole. That exception, of course, is Eastern Air Lines, which meets all our basic qualifications for a good growth stock. First, it has able and efficient management, with excellent cost control; secondly, it serves a fine traffic generating area over favorable terrain; third, the retention of earnings in the business over a long period has built up ample cash and working capital, and the dividend policy has been conservative. Competition has increased along its routes, but the company has maintained its position by economic operation.

The air-conditioning industry appears to have completed its initial phase of development, and seems to be well into its second period, that of dynamic growth. The potential demand for air-conditioning equipment is huge. Some authorities have estimated the possible sales volume as high as $1 billion annually, with the replacement market estimated at $350 million annually. It would certainly appear that the saturation point is far distant. Such volumes are in sharp contrast to prewar levels, when industry sales failed to exceed $100 million in any one year.

Manufacture of air-conditioning units for normal commercial purposes was prohibited during the war, but there was an important increase in the number of installations in industrial plants (making chemicals, precision instruments and textiles) where proper temperature and humidity control are essential to precision manufacture. These industrial applications will continue to be important, but probably will be outranked by the value of commercial installations in the near future. Possibly of greatest long-term importance is the tremendous market now being opened in the large medium-income residential field by the practical development of small, standardized conditioner units.

Air-conditioning equipment is made by a relatively small number of independent specialists, of which Carrier, York, Trane and Frick are the most prominent, and also by the operating divisions of some large corporations engaged primarily in other activities, such as Chrysler (Air-Temp) and General Motors (Frigidaire) in the automobile industry, General Electric and Westinghouse Electric in the electrical equipment field, and Worthington Pump in the machinery field.

The building industry has correctly been regarded by security analysts as a cyclical one, with the full range of each cycle extending over a period of about 17 years in the past. This long range of the cycle is not correlated closely with changes in national income, but is due more to such factors as deferred demand arising from major wars, changes in the marriage and birth rates, population movements and the longer term shifts from lower to higher income brackets. It is significant to note that the building industry today is more closely connected, directly or indirectly, with Federal Government policies than are many other businesses. Public building (including Federal, State and municipal) is now understood to comprise about 25% of the total construction program, and it is expected that this percentage will increase over the next several years. However, through the activities of the Federal Government in the field of lending, guarantee and regulation, Federal policies today influence to considerable degree the activity in this important field.

New Construction and Chemical Products

Within the construction industry, the plywood component appears to qualify as a growth industry. Aptly termed "the wood of a thousand uses," new applications for plywood are being developed constantly, not only in residential building, but also in the commercial and industrial fields. Plywood is used by house builders, factory and commercial building contractors, furniture makers, radio and television manufacturers, farmers, the Government itself, and from individual home makers who want to make repairs or additions to their homes. The industry has recovered sharply from its readjustment period of last year. Most of the stocks in this field must be rated as speculative, but interesting situations appear to be U. S. Plywood, Georgia-Pacific Plywood and Lumber, M. & M. Woodworking and Harbor Plywood.

So far as the chemical stocks are concerned, some observers now question whether the major chemical companies have reached a period of maturity. They certainly have been growth situations in the past, and when one looks at the size of such huge chemical enterprises as duPont, Union Carbide & Carbon, Dow Chemical, Monsanto Chemical and others, it does seem reasonable to assume that their rate of growth in the future perhaps will not be quite so rapid as it has been in the past. While the rates of earnings and dividend increases may well slow down in the future, nevertheless this industry still gives indication of continuing growth. The most interesting situations in this category appear to be duPont, Dow Chemical, Monsanto Chemical and American Cyanamid.

The ethical drug field is so close to the chemical industry that it should be considered along with it. Because of the essential nature of the products, operations of ethical drug manufacturers are affected to only a minor degree by fluctuations in the business cycle. Plant investment is relatively small, manufacturing methods are highly mechanized, and the costs of labor and raw materials are relatively moderate, so that profit margins in this field have been quite satisfactory. The market for drugs has increased tremendously in the past decade, reflecting primarily the addition of newly developed products, resulting from productive research in the field of chemo-therapy.

As we all know, such new products in the anti-biotics field as penicillin, streptomycin, aueromycin and chloromycetin, have quickly found wide acceptance, and the wider use of synthetic vitamins has also done much to augment the earning power of the leading companies in this field. American Cyanamid, ranking as the fourth largest chemical concern, has done noteworthy research in the field of pharmaceuticals and biologicals in recent years, and can be regarded as one of the leading pharmaceutical enterprises which could continue the profitable development of new antibiotics and other drugs. Among other enterprises in this group which qualify for the "growth" label, in my opinion, are such concerns as Abbott Laboratories, Merck & Co., Parke, Davis & Co., Sharp & Dohme, Inc., E. R. Squibb & Son, and Charles Pfizer. American Home Products has been a growth situation so far as sales have been concerned. Net sales have increased from $35.3 million in 1940 to $148 million last year, but the 1949 per share profits of $2.77 on the common stock do not represent a proportionate gain over the common share earnings of $1.77 reported for 1940. This is primarily because American Home Products has accomplished its expansion to a large degree through the acquisition of other enterprises; this program, begun in 1936, has resulted in the acquisition of about 30 established businesses.

Electronics Field

World War II spurred the rapid development of the electronics field, which has also captured the speculative imagination. Nowadays, there is the tendency to hang the "electronic" tag on any device that plugs into a wall-socket. Electronics has been defined roughly as the science and art of applying the potentialities of radio and electronic tubes to a variety of purposes other than broadcasting and wireless communications. Of the many companies involved in this work, Raytheon Manufacturing does the largest volume of business in the purely electronic field, but other companies doing important work in electronics include General Electric, Westinghouse, Zenith, Sperry Corporation, P. R. Mallory, Philco, Radio Corporation, Sylvania Electric, DuMont, Hazeltine and Weston Electrical Instrument. It would appear that the longer term growth potentials in this field are almost unlimited.

The insurance business has grown rapidly in the United States, and this country is believed to have more insurance in force than all of the rest of the world combined. An indispensable part of modern economic life in this country, the insurance business has shown a strong growth trend because of (1) the increase in the number of people making use of the existing forms of insurance, and (2) the expansion of the extent of the coverage provided. The insurance business is fundamentally sound because it is based upon wide diversification and the law of averages. We do not have the time to discuss in detail the growth and operation of the insurance industry, but I believe that it still has excellent growth potentials ahead of it. The most satisfactory investments for the average stock buyer are to be found in the fire insurance group, among such stocks as Aetna, American. Continental, Fidelity-Phenix, Insurance Company of North America, Great American, Home, Springfield Fire, and Fireman's Fund.

In the field of specialized machinery, certain companies appear to afford interesting growth possibilities. For example, Black & Decker Manufacturing, the world's largest maker of portable electric tools, has recorded an uptrend in sales from less than $7 million in 1940 to $24½ million last year, but this has not been a steady year-to-year increase. Cooper-Bessemer Corporation, rated as the leading producer of gas-engine driven compressors, should be an important beneficiary of the expanding natural gas industry. This company is also the sixth largest factor in the heavy Diesel engine field, which has also been a good growth industry in recent years. Cooper-Bessemer sales have expanded from the $3 million reported for 1938 to over $35 million reported last year. Food Machinery & Chemical Corporation produces an expanding line of labor-saving machinery and equipment for the food processing industry, and also affords interesting growth possibilities through its large and increasing chemical activities.

In the field of office equipment, the outstanding growth situation, to my mind, is International Business Machines. Gross revenues of this outstanding maker of business machines have expanded from the $46 million reported for 1940 to $183.5 million last year. Admittedly, in its price class, around 237, and with an indicated cash yield of less than 2% (based on the $4 paid last year), the appeal of the stock is strictly limited to a small class of investors but it certainly has been a growth situation in every sense of the word, and I think that it will continue to be a growth situation. It is, by far, the dominant factor in its field, and has been both aggressive and successful in the practical application of electronics to business machines.

Natural Gas Industry

The natural gas industry has expanded rapidly over the past 20 years, and still has a well defined period of growth ahead of it. The significant factor here has been that the status of the industry has changed from a regional to a nationwide business. This was made possible by the discovery of huge natural gas reserves in Texas, along the Louisiana Gulf Coast, in the Mid-Continent fields, and of course, out here in the West. These discoveries have been accompanied by the necessary technological improvements in the manufacture and laying of steel pipe, and in the essential facilities for the long distance transmission of natural gas.

At present, a vast network of pipelines serves practically every section of the country, with the exception of the New England States, the Pacific Northwest, and certain regions along the Atlantic Coast. I hardly need to add that plans have been formulated by the leading factors in the industry to supply these regions just as quickly as possible. The outstanding feature of the industry has been its continuous growth in recent years. Note here the favorable factors of the product offered, its low cost, its cleanliness, and the absence of a storage problem, as well as the low labor costs, and relatively stable expenses.

Here again, we find the market characteristics of growth stocks. Of the four leading transmission systems, only Tennessee Gas Transmission is on a dividend basis, while the other three: Texas Eastern Transmission (which operates the "Big Inch" and "Little Inch" pipelines), Texas Gas Transmission and Transcontinental Gas Pipeline are not yet paying dividends. In fact, the Transcontinental Gas Pipeline system is not scheduled for completion until later in the year. Obviously, none are available at a low price-earnings ratio. Among integrated systems, United Gas and El Paso Natural Gas are well worthy of inclusion in a growth company list.

Today, the oil industry ranks as our fourth largest industry, in terms of capital investment, being exceeded in size only by the broad classifications of agriculture, railroads and public utilities. Hence, it is not surprising that some observers regard the petroleum business as having reached maturity. When we witness the recurrent periods of over-production and price cutting, there are many who, logically enough, regard this field as being quite cyclical in character. Yet the growth of the industry has been characterized by a strong underlying secular trend. While petroleum consumption tends to follow general industrial activity, yearly variations have not been so marked, and demand appears to be resistant to depression influences. Expansion of automobile usage has been the most important contributor to this growth, but other significant influences include increasing residential and industrial applications of oil-heating devices, wider adoption of farm mechanization and the tremendous development of aviation. Petroleum, as a fuel and a lubricant is essential to modern living, and the major product, gasoline, ranks in importance in our national economy only after the basic necessities of food, clothing and shelter. I think that the underlying growth trend of the oil industry will continue over the years ahead, abetted by such favorable basic factors as population growth, increased transport requirements, expansion of residential construction, and the increasing application of Diesel power to railroad, industrial and agricultural uses.

Often called "the chemical industry of the future," the most intriguing field within the oil industry would appear to be that of petroleum chemistry. Important discoveries in the field of hydrocarbons, accelerated during four years of war, have created an effective foundation for a new synthetic organic chemical industry, using oil and natural gas for raw materials. For these reasons, selected oil stocks, in my opinion, qualify as growth stocks, and in addition, large underground reserves give these issues attraction as inflation hedges. I think that the better grade oil stocks possess worthwhile capital gain possibilities, combined with satisfactory yields. Among the more interesting stocks in this group, are such issues as Standard Oil of California, Richfield Oil, Lion Oil, Amerada, Humble Oil & Refining (72% owned by Standard Oil of New Jersey) and Phillips Petroleum.

Some security buyers, whose financial memories go back for 15 years or so, may be surprised to see the paper industry regarded as a growth field. They recall the excessive plant capacity, the keen competition and the rather ruthless price cutting that followed the tripling of productive capacity in the southeastern section of the United States in the 1929-1939 decade. However, over the past ten years the per capita consumption of paper has increased from 244 pounds to 358 pounds, certainly an indication of growth. New markets for paper and paperboard products have been developed aggressively. Current capacity in the paper industry is now above 25 million tons, more than 47% above 1939 levels, and about 20% above that of five years ago, when the war ended. Population growth, and new uses for paper products, have justified this increase in capacity. Paper containers, for example, have a definite cost advantage over other container materials, such as glass and metal, and there is no question but what paper containers have permanently captured some markets served exclusively by glass and metal in the past.

Rayon and Plastics

Another interesting growth field served by some paper and pulp companies is the rayon industry. Highly purified bleached sulphite pulp is the raw material for practically all rayon yarn and staple fibre produced by the viscose process, and about 83% of the total production of rayon yarn and staple fibre is made by the viscose process. Formerly, cotton linters had been used almost exclusively in the manufacture of acetate yarn, but present acetate manufacturing methods can use either cotton linters or wood pulp, either exclusively, or in any proportion. Leading producers of the dissolving wood pulps used in rayon, cellophane and other non-paper products are International Paper and Rayonier. Container Corporation is the leading manufacturer of fibre cans, folding cartons, corrugated and solid fibre shipping containers and other paperboard products. Crown Zellerbach is an interesting West Coast paper situation. One word of caution here—the paper industry appears to be a growth industry, but it will be sensitive to changes in the general economy, and any serious recession would probably find reflection in the paper industry in the way of lowered demand and prices.

Discussion of the plastics industry perhaps should have followed my comments on the chemical industry, since the large and important factors in this field are, for the most, enterprises that manufacture a variety of other chemical products, such as duPont, Dow, Monsanto, American Cyanamid, Union Carbide, Atlas Powder and Hercules Powder. However, we also find some other interesting names in this plastics grouping; for example, Eastman Kodak, through its Tennessee Eastman operation, Libbey-Owens-Ford (through the Plaskon Co.), and in the closely related synthetic fibres division, Firestone Tire & Rubber's velon, Goodrich Tire & Rubber, and Owens-Corning's fibreglass. General Electric is in the phenolic resins field, and Westinghouse Electric and Masonite are in the laminated products division. Durez Plastics and Chemical is a comparatively small but fast growing maker of phenol-formaldehyde molding powders, utilizing the low-cost phenol process.

Output of plastics has increased steadily, with new production records established in recent years, and plant capacities have been expanded substantially since the end of the war. The plastics industry has too many ramifications to discuss within our time limit here; there is a long list of plastics now available commercially, and new ones are being developed constantly. Lately, there has been increased emphasis on quality, and greater discrimination on the part of customers in selecting more carefully the types of plastics best suited for their requirements. Competition is, of course, keen, and here again one comes back to the first requirement, competent management, when representation is selected in this group.

The textile manufacturing industry has always been important to the American economy, and of the three basic necessities: food, clothing and shelter, textiles and apparel rank second to food and allied products. The overall textile industry has been about as cyclical an industry as you can find, due primarily to over-capacity in the cotton and woolen producing trades, which in the past, have accounted for about 90% of domestic textile fibre consumption. However, development of the synthetic fabric, rayon, and its public acceptance at the expense of other textiles has been astounding. A chemically developed product, rayon's basic raw material is cellulose derived from either cotton linters or wood pulp.

Originally introduced as a substitute for silk, rayon has since received consumer acceptance on its own merits, and public acceptance of rayon has grown so rapidly that demand has frequently outrun production. This has led, naturally enough, to a steady increase in productive facilities, and heavy wartime requirements for rayon greatly accelerated the rate of expansion. To illustrate this, output of viscose yarn for tire manufacture increased from 9.6 million tons in 1940 to 227.5 million tons in 1947. An important market for viscose yarn has been developed in the tire cord field, where it has demonstrated its qualities of superior heat resistance, greater flexibility and higher impact strength in comparison with cotton.

Surprising as it may seem, the rayon industry was founded in this country in 1911, but the acetate process has been developed rapidly only since 1930. This process gives a yarn that is better adapted for sheer goods, and the demand for it for use in dress materials has grown sharply in recent years. In 1923, rayon accounted for less than 1% of the total yarn consumed in the textile field; the percentage today is above 15%. Acetate yarn is noted for its softness of feel and draping qualities, while viscose is outstanding for its strength and creping qualities.

Research, which has improved appreciably the quality, strength and dyeing properties of rayon, is still opening new fields for both acetate and viscose rayons. Much of rayon's growth has been the result of widening the scope of its markets through research with its development of new fabrics, which otherwise would not have been developed. Interesting media for participation in this growth industry are: American Viscose, our largest rayon producer; and Celanese, the largest acetate producer, which is also interested in the field of chemicals and plastics.

Television

The most conspicuous growth industry on the scene today, as I have already mentioned, is the television industry, and your estimate of the number of sets that will be produced and sold this year probably will be as accurate as mine. At any rate, we certainly have had a variety of them this year, and it would seem that the latest opinion of the newest authority is even more optimistic than that of the last industry leader who was quoted the day before in the newspapers. However, it is already apparent that it will not be all smooth sailing on a quiet sea. We hear already that a seasonal factor is starting to appear so far as sales of television receivers are concerned, and such problems as color television and the use of ultra-high-frequency channels, now before the Federal Communications Commission, remain to be resolved. The industry will have its growing pains in due course, and as I mentioned early in this address, I am afraid that some of the Johnny-come-latelys will fall by the wayside. The established and important manufacturers of television receiving and transmitting equipment should be able to survive whatever ordeals there are ahead, and in this category, I would include such companies as General Electric, Westinghouse Electric, Philco, Zenith and Columbia Broadcasting. Other likely survivors are Admiral Corporation, Emerson Radio, DuMont and Motorola. Sylvania Electric is worthy of consideration as an important factor in television tube production, in addition to its activities outside the field of television.

You can see from these comments that this growth field is a broad one, and I have painted the picture with some rather broad strokes. Certainly my remarks can not be considered all-inclusive, and I rather imagine that everyone in the investment field has his own favorite growth stock situation. We certainly have enough of them here in California, and I wish that I had the time to discuss many of them with you.

For example, Consolidated Engineering is a growth stock favorite here and back East. Lane-Wells is another California growth situation of real merit, and it is one of my favorites. The important services rendered to the oil industry by this distinctive company are reflected in its unique growth record, with the volume of business increasing each year since Lane-Wells was originally organized in 1932. Gross income in 1949 was at a record high—at almost $16 million—six times that of $2.7 million reported for 1939. Physical capacity has been expanded consistently, and the services rendered have been improved. Per share profits have grown from $1.30 in 1945 to $6.32 in 1949 on the 360,000 shares of $1 par stock outstanding. In addition, the quarterly dividend has been raised at each of the three last meetings, from 40 cents to 50 cents to 60 cents, thus placing the stock currently on an annual $2.40 basis.

In conclusion, I would like to emphasize that there are still many attractive growth situations available to the common stock buyer, which will prove to be profitable investments, and which, over a period of years, will greatly outperform the general market. Shrewd selection and patience are the two primary requirements. My final comment is that I am convinced that carefully selected growth stocks should be included in every well-balanced investment portfolio.

Continued from first page

As We See It

year's documents have some observations of value, but considered in the large, this deliverance is "political," too, and is far from free from the modernistic jargon of the day about economics and business.

Consider the following extract from the minority views:

"The undertaking on the part of the Federal Government to use all reasonably practical means to promote maximum employment, production and purchasing power is not to be taken . . . lightly. Fortunately, the ability of the government to make good on these declarations (reiterated assertions that the Administration knows how to prevent depressions and assure continued growth and expansion of business) has not yet been severely challenged. Postwar demands and business expansion have postponed that day. The interim affords an opportunity to examine and test the machinery available to government by which the ends of the Employment Act of 1946 may be furthered.

"Thoughtful and competent economists recognize the inadequacies of even the best 'tools' available to government for maintaining economic stability. Honesty on the part of the Joint Committee demands that it recognize this and that the problems cannot be solved by omission or exhortation."

We in common, we are certain, with many others are a little wary of the notion of "testing" governmental machinery in the interim, but there is a good deal of hard sense in what is here said. But see what immediately follows:

"In general there are two conflicting views as to the proper approach of government to the solution of these problems. First, there is the approach which relies upon detailed controls, a 'planned' economy, and a detailed attack upon prices, bottlenecks and 'needs.' The other concept of the government's role in economic affairs places greater reliance on broad climactic policy in the monetary, fiscal, monopoly, and investment fields. Each year since the Employment Act was enacted, reports of the Council of Economic Advisers and policies of the President have consistently adhered to the first of these alternatives. We have as consistently adhered to a preference for the second method of dealing with economic problems.

"The broad tools of monetary, fiscal and monopoly policy which truly liberal economists regard as the only means of promoting stability while maintaining a free government have received little support from those presently in government positions of economic power and responsibility. The most useful tools have been thrown away; the most effective weapons spiked by deliberate choice."

What It Comes Down To

What this comes down to is, of course, a full agreement that it is the duty of the national government to maintain full employment and banish recurrent economic depressions, and disagreement only as to procedures to be employed for that purpose. One insists upon what might be termed "direct" intervention often by fiat; the other is more inclined to Keynesian, pseudo-Keynesian, and neo-Keynesian nostrums. It is our considered opinion that either is certain in the end to lead to something very close to disaster. Evidence that the minority is deeply tarred with the more "modern" economic fallacies is clearly shown from the following sentences taken from its recommendations:

"The government (should) continue its control of general banking and credit policies through the Federal Reserve Board in a such a manner as to check tendencies which have developed toward inflation or deflation."

"We recommend that the public works program be varied also in relationship to the general economic situation, expanded if there appears to be too great a deflation, and restrained if other construction appears to be normal."

"We still consider that a support-price program for farm prices is highly desirable to prevent the development of a depression through a complete collapse in agricultural prices. The administration of this program should be directed not as a relief measure or a guaranteed income equality for individuals, but as a major weapon against distortion between urban and rural incomes which could bring collapse to the entire nation."

"We renew our recommendation that the government take an active interest in the development of housing, particularly in the stability of the housing industry and the reduction in cost."

Possibly the next suggestion may not be wholly modern, but it is no less ominous for that reason. It is:

"We believe that within a short time American industry will face the problem of increasing imports at steadily decreasing prices which may interfere with full employment in the United States. The whole problem of exports and imports and their effect on a stable economy during the next two or three years is a serious one, and our Committee should proceed immediately to consideration of that subject."

Majority and Minority Alike

We believe we do no one injustice when we assert that majority and minority alike—and we could as well include the President and his entourage—take as their ideal a "continuously expanding economy." That is to say the earlier New Deal notion of economic maturity is completely and tiresomely repudiated, and to that repudiation is attached the ambition of banishing the business cycle.

And all this the national government must accomplish by its own actions or by actions it induces among businessmen! And no one knows what causes depressions—except a few politicians, and they cannot agree among themselves!

Continued from page 4

How Much Government?

that reward and encourage idleness.

To call a national program "welfare" does not assure its being for the national welfare. Unemployment insurance, loosely granted, is against human welfare. Government is unjust when it uses one man's taxes to pay another to loaf.

Today in America with our freedom of hand-outs in agriculture, in housing, in relief, and old-age and unemployment assistance, all supported by the taxes of the thrifty and energetic, we have gone a long way towards slowing down the forward drive which has made America great. Enterprise is a tough human quality; no one knows just how much abuse it can stand. But we are testing it severely now.

These four reasons added together point the dangers of big government. Even when considering projects which we may believe government can do better than private enterprise, we ought to think carefully before we adopt them and make big government still bigger. We ought instead to be cutting it back to an efficient administration of limited functions. The danger of its very bigness should be offset against the advantage of any single service which it might render.

Weighing Every Proposal

The American people have not deliberately chosen big government; few have voted for the Socialist Party. The major steps in promoting big government have been rather the action of selfish groups. Under business influence, the tariff was held at excessive levels long after any justification in protecting "infant industries." It was the farmers seeking special favors, and the politicians seeking favor with farmers, who put the government into the price support business, and as a direct result into the business of regulating farm production and paying people for not producing. With one hand, government raises prices of meat and eggs and butter. With the other, it raises wages and taxes, and takes away the farmer's gain. Both actions squeeze the school teacher, the nurse, the doctor, the clerical worker. So we might go through the whole range of expanded government activity; and we will find that new inroads of national government on private enterprise and state and local government are largely the result of efforts of some group, often very reputable, to feather its own nest by making the government its agent. The net result of all this is our present unwieldy bureaucracy, growing bigger every year, and moving toward a government which is in danger of smothering the enterprise which built America.

The first rule for intelligent people who don't really want State Socialism is to make sure that they and their associates are not themselves guilty of expanding the powers of government in their own selfish interest. The questions we should ask about each and every such legislative proposal are: First, is it necessary? Second, could someone else do it? Third, what would be the long-term results of government intervention?

This rule applies, by way of illustration, to the banking business. Today the present session of Congress is debating proposals in the banking area which in my judgment would move us nearer to State Socialism. There is, for example, the proposal to set up further government mechanisms for loans, loan guaranties, or for capital advances to small business. Some bankers are supporting these proposals, since they would give banks the benefit of government guaranties on high risk loans.

Suppose we apply the suggested tests. First as to necessity, a report on "Volume and Stability of Private Investment," issued March 23, 1950, by the Subcommittee on Investment of the Congressional Joint Committee on the Economic Report, includes an extended comment on the experience of organized venture-capital groups designed to finance small concerns promoting new products or processes:

Perhaps the outstanding experience of these companies, according to their testimony, is the great shortage not of funds but of soundly conceived projects.

On this point, J. H. Whitney & Co. stated that they had looked at approximately 2,100 propositions in the last four years. 35% were rejected at once because outside the firm's purpose, or clearly lacking in merit. Another 52% were rejected after initial review. A further 12% were rejected after full consideration. Only 17, or 1%, resulted in investments, most in the range from one to five hundred thousand dollars, achieving 10 to 40% minority interest.

Of the 17 proposals, two have been extremely successful, five moderately so, two will involve moderate loss, four may possibly involve total loss, one definitely is, and three are in the early stages, incapable of appraisal.

These facts are illustrative of the difficulties which all organizations must face whether private or governmental, which seek to achieve constructive results in tne venture capital field. They suggest emphatically a type of operation for which government is not only ill-adapted, but almost adversely equipped to try to handle. As the location of plants demonstrated even during the last war, no public agency can allocate funds or select ventures with complete freedom from political influence. Government does not have the know-how required to make a venture enterprise succeed and lacks the fortitude to say "no" or to liquidate, especially at times when, or in areas where, such decisions might be fraught with administrative or political difficulties.

The subcommittee further reported that it found no general shortage of funds, even equity funds, except in the case of small business requiring between $50,000 and $500,000 of new money. It said that at no time in our history has private saving and private capital investment been as high as in the last five years, and that at no time has the business birth rate been higher and failures lower. It said: "It is altogether probable that postwar inflation would have been worse had there been still higher levels of investment."

Second, could someone else do it? The answer is that it is now being done. There are private agencies, ready, competent and eager to make sound loans. In short and medium-term credit, the banks are doing it. The average bank loan in this country, as shown in a recent survey of representative banks, is about $2,300. In the field of longer-term credit, the insurance companies are making large amounts of loans of such size in relation to worth that they may fairly be termed capital loans. They are searching eagerly for more such loans. The field is far from vacant. By a lowering of taxes, large additional amounts of money would be made available for businessmen themselves to put back into business.

Testifying recently before the Senate Banking and Currency Committee, Harvey J. Gunderson, Director of the Reconstruction Finance Corporation, is reported as stating: "Small business needs tax relief far more than it does additional governmental loans. . . . There is plenty of venture capital available to go into small businesses; but with the tax laws as they are, an investor knows that even if the small enterprise proves an outstanding success, the Internal Revenue Department will take most of the money away."

Third, what would be the long-term results of government intervention? Some few worthy cases might get help; but there would be more cases like Lustron and Waltham, where the taxpayer pays for the bureaucrat's mistakes. Legitimate business would have the unfair competition of government-subsidized business. Just as has been the case with the RFC, lending would be subject to political pressure. New bureaus would be created which we might never get rid of, and the unscrupulous leader would have at his hand a mechanism to take over the banking business from the private banks.

A vote for these lending proposals is a vote for bigger government, for high taxes, and less freedom of enterprise. It may be a vote for government banking to replace the chartered banks.

There are other proposals before this Congress about which much the same comment might be made. The Congress has already extended the power of the RFC to provide a secondary market for mortgages. They have voted a housing bill, better than earlier drafts, but a further encroachment of government on enterprise, a further encouragement of unsound ventures.

At a time of inflation and rising prices, when other government agencies are preaching restraint, these proposals add to their other faults that of bad timing.

Thus, on a thousand separate battlefronts, minor engagements are being fought in the conflict between private enterprise and socialistic government. Each one of these engagements may seem minor, but added together they determine which way this country is to move.

Positive Program for Human Welfare

Up to this point, we have been talking in largely negative terms. That is not enough. People who are just against things don't win friends and influence people. They usually belong to unhappy minorities afflicted with stomach ulcers.

Let us therefore think in positive terms of the kind of country we want for the greatest welfare of our children and their friends. What do we want of government, of business, and the community?

We want, I believe, more than all else a climate of opportunity, in which all will be tempted to live at their best. For our own children we think first of education, then of vocational opportunity, and the chance to save something, and back of it all a community in which a man and woman can live in peace with certainty of justice and order.

The greatest contributions government can make are first of all the establishment of justice and order. There are many people in this country who are not sure of justice and order. Goon squads still exist, and lynchings.

High in the rank of government duty is maintaining a stable value of money, so that savings from today's toil retain their worth. Only government can do this; and the instruments are sound fiscal policy with balanced budgets, and sound monetary policy free of political domination. We don't have these today.

Again government can create an atmosphere in which people with energy, skill and wisdom will be allowed and encouraged to create new goods and services for their fellow men. This means fewer government regulations and lower taxes.

But most of the essentials for human welfare are of a nature which government, and especially national government, cannot administer well and should not undertake to provide. Such activities should be left to private initiative, and to local and state governments.

Making Business a Better Servant of Human Welfare

Private enterprise as we have known it has not been perfect. The greatest recent impetus for bigger government came from the depression and unemployment of the '30s. The enterprise system is not something that works automatically, and its success is dependent upon the wisdom and the courage and the enterprise of many people. Its greatest virtue is its extraordinary vitality. That very vitality may lead to instability, so that the system needs constant self-restraint and self-criticism to see that people don't get crushed in the forward rush of the economic machine. Those of us who believe in it must guard it.

The great secret of the enterprise system is that people are rewarded in accordance with their skill, wisdom and energy; and the rewards usually go roughly in proportion to the constributions individuals make to the growth of economic well-being. This is right and wholesome. But economic success carries with it social responsibility. Too often success has meant conspicuous spending which arouses envy and resentment—the prime emotions played upon by the Socialists. The enterprise system will work best and with least friction if the economically successful live modestly and without ostentation and with a clear sense of public responsibility.

Another danger of the enterprise system is that big business should itself grow bureaucratic and monopolistic. One of the must fortunate interferences of government with business was the Sherman Anti-Trust Act, which pointed the way to competitive enterprise rather than government controls. The Act itself needs clarification and less punitive administration, but it needs also to be supplemented with a business morality which keeps in mind these pitfalls.

No economic system works by itself; and while we believe that the enterprise system is the best system there is, we must all endure its quality by constant and rigorous attention.

Economic Education

One painful fact is that despite the large expenditures for public education in this country and the high average level of education, a large percentage of our people don't understand how our economic system works. Among our school and college teachers and ministers, in particular, there is a widespread lack of understanding of business, and a widespread belief that life would be improved by bigger government. If we are going to keep our democracy, we must teach it to people. Other groups are teaching their ideas; notably, the labor union groups.

There is no easy method of curing this disease. You can't convince people in the mass by great publicity campaigns. People will learn about democracy and our economy as they learn other things—through the schools, and books, and papers, and radio, and through their daily experiences. Many good things are being done in economic education through the work of such agencies as the National Bureau of Economic Research, the Brookings Institution, the National Industrial Conference Board, and others, which are establishing the basic data of economics on a solid basis; the increasingly informative and well-written reports of business corporations; a higher standard of knowledge on the part of many newspapers and magazines; and perhaps most of all, the coming of a new generation in business which understands the theory, as well as the practice, and is able to tell other people about it.

We are making progress, but the real question is whether we are moving fast enough to head off the wave of ignorance and prejudice which is sweeping forward toward the enlargement of the powers of the state.

It Can Be Done

In the face of the growth of big government here and elsewhere, the apparent apathy of the American people to what seem to us the principles at stake, many intelligent people are today greatly discouraged about the outlook. Reading historians like Toynbee, they wonder if the tides of men are not beyond our control, so that there is no use in trying. This spirit of defeatism seems to me utterly wrong and contrary to the facts. Let's look at the record.

The American enterprise system, otherwise known as capitalism, is now at flood tide. With the exception of the Soviet Republic and its satellites, the world looks to America for leadership. The extraordinary fruitfulness of American industry turned the tide in the first World War. It turned it again in World War II. It has created a standard of living in the United States far ahead of that in any other country in the world. The average man lives better in America than he has ever lived anywhere before.

One secret of this is American machinery and the use of that machinery which has extended the arm of the individual so that one man by the use of machinery can accomplish more than 100 men some years ago. These machines and the organization and education and freedom of our society to use them and distribute their product through the population are responsible for our high standard of living.

Most of these machines are not owned by the government, but are owned by private individuals, either as partners in enterprise or as shareholders. The society known as Capitalism is a method by which the wealth of millions of individuals is gathered up and applied to the production of goods that people need. This process is being carried out more efficiently today in America than ever before, anywhere. The results are the envy of the world.

Countries that want to improve their standard of living send commissions to the United States to study how we do it, or they send to this country for engineers or economists. Even the Russians are doing their best to imitate our industrial mechanisms. But they are making slow progress because their whole philosophy of government forbids them from using the inner secret of American success. The secret of it is Capitalism, and they are opposed to Capitalism. When they organize government corporations to own the machinery and operate it, they lose the secret, for the efficiency of operation of American machinery lies in the organization of business in an extraordinary flexible way for the purpose of making profits. Under this system, the machinery has to be used in such fashion that it produces what other people want at a price they are willing to pay.

In the '30s there was a group of economists who said that America had stopped growing. It was the theory of the mature economy. They have been proved wrong; and as far as we can see, the present floodtide can go a great deal further if the people of this country are wise enough to recognize the advantages they enjoy, wise enough to analyze the reasons and see that we keep on with the methods that bring good results.

There are two questions about our ability to capture the full tide of American enterprise and let it carry us forward to new achievements and new standards. The first question has to do with the danger from without; whether our civilization will become involved in a war with totalitarian Russia which would destroy the fruits of our enterprise and our mechanism for achieving prosperity. That is a grave danger, and the only way to avoid it appears to be for this country and the countries allied with it to maintain such military strength that Russia or any other power will hesitate to make war against us. It is, of course, our hope that in the long run our way of life will prove so much better in terms of human satisfaction that peoples over the world will follow it rather than Communism. But that is a long-term hope and not a present one. For the present we must remain strong in the military sense.

The second danger, and the more insidious one, is that our very prosperity may undermine our energy and our initiative and our wisdom, and we will lose the secret of our great success. This danger at the moment arises in the form of the school of thought which would introduce in this country the mechanisms and motives of Marxian Socialism, which have never succeeded, in the place of the mechanisms and motives of Capitalism, which have been brilliantly successful. The thinking does not usually go all the way, but takes the form of increasing the powers of government for this or that immediate selfish advantage. This is today the great economic issue in America. This is the moving tide, and we must choose which way it will carry us.

The movement of the tide is today in our favor. We have the results; others have theories, and these theories are not working well in practice. In Australia and New Zealand and Germany, where people have free choice, they are electing our way of life. In England, Socialism has been checked. This is no time for despair or slackening. It is the time for confidence and redoubled effort.

"There is a tide in the affairs of men
Which, taken at the flood,
Leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a sea are we now afloat;
And we must take the current when it serves,
Or lose our ventures."

With First Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred G. Zuccaro, Jr., has been added to the staff of the First Boston Corp., 75 Federal Street.

Bond Club of N. J. Elects New Officers

At the annual election of the Bond Club of New Jersey, C. Wallace Smith, Smith, Barney & Co., New York City, was elected President, succeeding Courtland B. Parker. R. W. Pressprich & Co. Harry D. Miller, Nugent & Igoe, East Orange, was named Vice-President; Fred J. Brown, White, Weld & Co., Secretary; and J. William Roos, McBride, Miller & Co., Newark, Treasurer.

C. Wallace Smith

Elected to the board of governors were: Mr. Parker, Edward S. Hinckley, J. S. Rippel & Co., and Edward J. Kezer, B. J. Van Ingen & Co.

William H. Johnson

William H. Johnson of New Castle, Pa., an associate of Johnson & Johnson of Pittsburgh, died on Tuesday, June 20th.

Morton, Hall Adds

LEWISTON, Maine—Rupert F. Aldrich has been added to the staff of Morton, Hall & Rounds, Inc., 226 Main Street.

Securities Salesman's Corner

By JOHN DUTTON

If you have been thinking about a method of keeping in touch with your prospects and customers between calls made by your salesmen, consider the advantages of using a penny postal card for this purpose. The addressing problem is simplified. There are no stamps to attach to each separate mail piece as would be the case if you were sending out a small-sized mailing in an envelope. You can arrange to have your message printed on the cards in an attractive manner, and at a low cost.

But it is important that you make your message look attractive and, if possible, also important. A postal card is a very informal method of approaching anyone. For this reason great care must be used in preparing such an advertisement, especially in the securities business. But here is where ingenuity and some planning can do the job. It is important that what you say is said in a different manner than most of the postal-card advertising which is hastily prepared and poorly printed.

Here is an example of what we mean: Baron G. Helbig & Co. of New York City used the following card in a recent mailing. At the top (running lengthwise on the card) was the legend, "The Plan's The Thing." Under this heading was printed a floor plan of a house, the type with which everyone is familiar. Then the copy, as follows: "Plan your investments as you plan your house. Failure to Plan your investment program invites loss and disappointment. Our book, 'How to Plan Your Investment Program' is available FREE." Then appeared the company's signature and address, and again at the bottom of the card in italics appeared the slogan, "Planned Investment Programs." The entire card was printed in neat blue ink, and it not only was easy to read but was also very compelling and impressive.

No matter how many times you send mail to clients and prospects, they always like to see your name and hear from you. The more often you put your name before your customers and prospects the better it is for your business. It makes selling old customers easier and it eventually brings in new customers. But it is important to keep a high standard of quality in your mailings. Don't be afraid to be different, providing you are on solid ground, should be the slogan of every advertiser in the securities business. There is the most dramatic and compelling story in the world which centers around people's money. It is the very core of their hopes and fears, and it is about time that the entire securities business took off the wraps and began to approach these problems in a manner that people will not only read, but will also feel and understand. When Helbig & Co. send their prospects and customers a card with the plan of a house upon it, and they compare investment planning to house planning, they are telling a story that even a school boy could grasp. That is what you must do when you are selling intangibles such as securities, if you are going to GET ACTION.

You could plan a whole program of educational information that you could pass along to your own mailing list which would help you do more business, if you worked out a series of ideas along these lines. You could send these postal-card messages out at regular intervals, and it would still be a very inexpensive method of building confidence and goodwill, which are the two ingredients necessary if you are going to move ahead in the investment securities business.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Anything I write today will become obsolete before it even gets into print. The fighting which has broken out in Korea makes that almost a certainty.

* * *

We've been in a cold war for a long time. At first it was disquieting; later we became accustomed to it like a man with a chronic nail in his shoe. As of this writing, this cold war has burst out into a shooting war. The latter was inevitable. But up to this writing there is nothing to go by to indicate if this shooting will be continued or will spread.

* * *

The stock market, a mirror of hopes and fears, acted accordingly. The first shock of any major unsettlement, a violent change in the status quo, is reflected in the mass retreat from common stocks, or for that matter any form of securities. It is on second thought that the retreat is stemmed and the prospects of mass destruction gives rise to hopes that huge replacements will mean equally large corporate profits which will be shown in stock movements.

* * *

Monday's market showed the heaviest losses in a long time. The war drums thumping assured that. As this is written (Tuesday) there's a mild recovery going on, though the underlying nervousness is painfully evident. I think that before the succeeding column will be written there'll be more ups and downs, some equally violent as the one of Monday. In the long run, however, I think stocks will go higher for elementary reasons.

* * *

The main sobering thought, irrespective of the moral questions involved, is that any hope of cutting the budget must now be discarded. A cold war economy is one thing; a shooting war is something entirely different. Where new taxes will fall is a problem that will engage us all.

* * *

The single bright star in this dismal array—and again I deliberately disregard moral arguments—is that heavy industry is bound to benefit and such benefits are bound to seep down to the lesser lights.

* * *

Summing it all up, stocks should go higher on practical considerations even if scare headlines, rumors and "radio interpretations" cause initial unsettlements.

* * *

Readers are still long of three stocks, Certain-teed at 18, stop 15; Flintkote at 33, stop 29, and Timken Detroit Axle at 17, stop 14. Of these three, the second, Flintkote, broke through its 29 stop when it went to 28½. The others are still holding firm. Until they break their respective stops the suggestion is that positions be maintained.

[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.]

Geo. Burgess Joins With A. W. Dougherty

George S. Burgess

PHILADELPHIA, Pa. — The Philadelphia municipal bond firm of A. Webster Dougherty & Co., 1421 Chestnut Street, announces that George S. Burgess has become associated with them in their trading department. Mr. Burgess was formerly with H. G. Kuch & Co., Wurts, Dulles & Co. and Butcher & Sherrerd.

With Luckhurst & Co.

BOSTON, Mass. — Robert H. Hughes has become connected with Luckhurst & Co., Inc., 50 State Street.

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The Security I Like Best

ties in general will only return the principal plus interest at a meager rate which will be more than offset by the decrease in the true value of the dollar.

His only recourse is to buy and hold real estate, provided he can make a wise selection, or preferably shares in corporations which grow as the country grows and which are in a position to adjust the price of their services or merchandise as conditions warrant. The securities best meeting these conditions are, in my opinion, the stock of insurance companies, property, casualty-surety and life. And the best of these are life insurance company shares.

Among my reasons for preferring the life over other insurance stocks is that these carriers do a profitable and constantly increasing business which progresses as the country grows but at a faster rate as greater insurance protection is necessary to provide the desired purchasing power to keep pace with depreciating dollars. The life companies business is uniform because in this kind of insurance there are practically no ups-and-downs or loss cycles. Their reserves for liabilities are more than adequate and their assets are invested most conservatively with less than 5% in preferred and common stocks.

Life companies are especially recommended to such investors as prefer growth of principal to large cash dividends which bear heavily on income tax returns. Life insurance companies usually reward their shareholders with stock dividends (not taxable) rather than by large payments in cash.

Of this latter group of insurance carriers, the investment which I like best for future progress and profit is the stock of the Lincoln National Life Insurance Company of Fort Wayne, Ind. Incorporated in 1905, the company began business with a capital of $110,300, which was increased from time to time until 1928 when it reached $2,500,000 with assets of $30,254,000.

In 1943 its capital was increased to $3,500,000 by the declaration of a stock dividend; again, in 1946, it was further increased to its present amount, $5,000,000 by another stock dividend. There are presently outstanding 500,000 shares of $10 par value. As of Dec. 31, 1949, assets were $424,478,000 and unassigned surplus $34,659,600. Earnings in 1949 were $18.89 per share. Present price of the stock is 116.

The company, under superb management, has made rapid progress, partly because of its substandard business to which higher rates apply, and partly because of its large income from the reinsurance of many other life insurance companies. It operates in all states (except Alabama, Georgia, New York, South Carolina, Vermont and Wyoming) and in the District of Columbia, Hawaii, Puerto Rico, Philippine Islands, and Panama Canal Zone.

If we are to judge the future by the past, and that may not be an adequate expectation, great things may be expected of Lincoln National—"The Security I Like Best for the Future." The stock is traded over-the-counter.

STEPHEN J. SANFORD

Manager, Investors Research Dept., Amott, Baker & Co., Incorporated, New York City

(Suburban Propane Gas Corp.)

Naturally, we all have our favorite securities, both for trading as well as investment purposes.

It has occurred to me, however, that instead of making a selection on the basis of prejudice and then attempting to justifying it, a better method might be to list a set of prerequisite standards and then determine if any of the stocks to which I am partial could qualify.

The company whose security I like best must:

(1) Have a capable management, both progressive and alert.

(2) Operate in a field where there is room for further expansion.

(3) Have an earnings trend strongly upward.

(4) Have demonstrated a willingness to increase dividend payments.

(5) By the nature of its business offer certain reasonable defensive characteristics in the event of a sharp economic recession.

(6) Possess geographical diversification.

(7) Be selling on a reasonable price-earnings ratio.

Electric utilities, as a group, probably come closer to fulfilling the standards of these requirements than any single industrial group. But if the companies are hydro, the vagaries of the weather offer a problem. If the companies use coal or fuel oil, there is always the spectre of John L. Lewis or rising oil prices. Companies using natural gas under long-term contracts are in an enviable position, but for the most part they are concentrated in the southwestern part of the country.

It is true that these companies can seek rate increases to compensate for those higher costs, but there is usually a regrettable time lag of several months before such increases can be put into effect.

Suburban Propane Gas Corp., without any reservation, appears to meet my seven requirements.

A comparatively new company, formed only in 1945 to acquire the liquefied petroleum gas business of Suburban Gas Co. and the 13 eastern distribution districts of Phillips Petroleum, it serves rural areas along the Atlantic Seaboard from Massachusetts to Virginia. Since formation, additional independent companies have been acquired. An alert and progressive management has not failed to expand by acquiring desirable established properties whenever advantageous opportunities were presented, and undoubtedly this policy will continue.

Growth there has certainly been. In the three years, from the end of 1946 to the end of 1949, the number of installations has increased from 95,128 to 141,755 or 44%, revenues are up 94%, dividends have risen 99%, net income has more than doubled at 136%, and working capital has pyramided the rather astonishing amount of 464%!

The advent of natural gas should not hurt the company appreciably. Obviously gas can be piped only where there are existing mains, and Suburban serves those rural areas where the population density does not warrant construction of such lines.

While the company provides a service in the same sense that utilities selling manufactured or natural gas do, it nevertheless is not subject to the jurisdiction of state public utility commissions, and its margin of profit is therefore determined solely by competitive factors.

In view of indicated earnings for 1950 of around $2.50 per share, an increase in the current quarterly dividend rate of 21 cents is expected this fall.

Suburban Propane Gas Corp., selling at less than six times estimated earnings for 1950, appears to be an overlooked bargain at current levels. It has no long record behind it, but if the showing compiled since 1945 is any criterion, investors should never have cause to regret a commitment in the stock made now.

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Consumer Loan Problems

sumer loan service. It was obvious, however, that such intervention would not prevent a rise in the true rates of charge, which would be composed of the apparent rate and the increased taxes needed to cover the subsidy or the losses of government operation. The taxes would have to come out of the pockets of the beneficiaries or of the lower middle class since the multiplication of the government's social welfare programs was exhausting other tax sources. In addition, there were serious political and economic implications in social intervention of the types mentioned.

In the end, it appeared that the most direct and effective solution to the urgent problem of holding down operating cost ratios, and thereby rates of charge to consumers, in the case of the consumer finance companies would be to increase the average size of their loans. To make this possible, wise social legislation would be necessary to raise the legal loan limit of the companies from the old $300 maximum to a higher limit, without increasing the rates of charge previously permitted on loans up to the $300 figure, and with lower rates prescribed for loans exceeding this figure.

Then if the companies found a demand for their services in amounts exceeding $300, they could make some of these larger advances and thereby increase the average size of their loans. It was hoped that, because of the increased average size of their loans, the gross income of the companies would expand fast enough to cover the rise in their costs of operation caused by inflationary forces.

Social Intervention to Raise Loan Limits

During the past decade social intervention enabling consumer finance companies to meet the needs of consumers for advances in excess of the old $300 maximum established by the Uniform Small Loan Law of 1916 has taken several main forms.

First, states which have recently enacted legislation based upon the Uniform Small Loan Law have specified maximums higher than the old $300 limit. Thus, the California Act (1939) set no limit, the Washington Act (1941) prescribed $500 and the Nebraska (1943) and Ohio (1943) Acts, $1,000. (No limit was set in the Ohio Act as originally passed, but the maximum was later fixed at $1,000.)

Second, in some of the states which adopted legislation based on the Uniform Small Loan Law many years ago, a trend has begun to raise the old $300 limit by amending the loan maximum section of the law. By such amendments the limit was raised to $500 in the States of Illinois and Michigan in 1947, in New Jersey in 1948, and in Connecticut and New York in 1949.

Third, in some of the states named and in others (Colorado, Indiana, Louisiana, Maryland, Massachusetts, New Hampshire, Oregon, Pennsylvania, Rhode Island, Utah, and Wisconsin) there are now additional statutes under which consumer finance companies may qualify so as to satisfy needs of consumers for financial assistance in excess of $300. This statutory system permits loans larger than $300 to be made at rates which are commensurate with the risk and expense involved in consumer lending. In some of these states consumer finance companies, after they have submitted adequate proof of necessity, may be granted authority to operate discount companies to handle their applications for loans of more than $300, thereby supplementing their loan service.

However, in such cases a consumer finance company must organize subsidiary companies, keep separate and different kinds of books and records for the offices of the company and the offices of the subsidiaries, make separate reports, and so on. The first two types of social intervention discussed (enacting new legislation based on the Uniform Small Loan Law and providing therein for adequate loan limits, or simply amending the loan maximum section of the state's existing small loan act) avoid this duplication and constitute much more wise social legislation.

Conclusion

During the past decade consumer finance companies, which for a generation have constituted one of the major sources of consumer credit, were brought face to face with a crisis compounded of high costs and rates of charge, with steadily increasing competition and strong inflationary forces acting against fixed limits to sizes of loans and rates of charge set by law.

This problem was solved by wise social legislation which neither subsidized the industry at the expense of taxpayers nor froze loan limits and rates at the social cost of black markets and shortage of financial facilities for millions of American families, but which limited its intervention to simply removing an obstacle to the satisfactory functioning of private enterprise in serving the needs of the people. Moreover, the solution adopted of raising the legal maximum loan limits not only avoided a threatened rise in charges to consumer borrowers (either through increase in legal rates or growth of unlicensed lending); it actually brought about a reduction in the rates required for consumer finance company operation.

The solution is, of course, neither complete nor permanent. It is not yet complete because some of the states have not thus far provided for higher loan maximums or have provided for smaller increases than are socially necessary and desirable under today's conditions. Indeed, some states have no effective small loan law at all. It is not a permanent and final solution because tomorrow's consumers and consumer finance companies may face another period of inflation.

All of this leads to the conclusion that the discarding of the old $300 maximum loan limit principle, sacred in small loan theory for a generation, has marked a sort of revolution in the thinking of social workers and students of consumer credit; that it is now considered unrealistic to regard some certain fixed maximum, whether it be $300 or $500 or some other figure, as a "basic principle" or a fetish; that the maximum for consumer loans must be adjusted to fit the realities of the changing world in which consumers live.

Joins Waddell & Reed

(Special to The Financial Chronicle)

PEORIA, Ill.—Joseph P. Kelly, III is with Waddell & Reed, Inc. of Kansas City.

King & Co. Adds

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Chas. W. K. Mills is with King & Co., Michigan National Bank Bldg.

Continued from page 5

The State of Trade and Industry

when a 14-year peak was established. Failures of all sizes except those in excess of $100,000 were more numerous in May than in the previous month, but only the smaller casualties having liabilities under $25,000 exceeded last year's level. Concerns failing with liabilities less than $5,000 rose to their highest total in the last six months.

All industry and trade groups had more casualties than in April.

Steel Output Set at Record Level for 11th Week

In the midst of international uneasiness this week the American steel industry had reached its highest production and capacity level in history, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. There is no doubt that the country's major basic industry can meet any demand that might be made upon it. Even allowing for summer shutdowns the industry is threatening to surpass its best previous record of 89,641,000 tons produced in the war year of 1944 and it has a good chance to reach the mythical 90 million ton-year for the first time in history. Steel plant expansions and additions are multiplying so fast that by the end of next year total capacity will be in excess of 104 million tons, the magazine notes.

Steel's customers are hammering out some new records of their own and are consuming steel faster than ever before in history. The pressure for hot- and cold-rolled sheets is as intense as ever. Cold-finished bar demand has taken on more steam in recent weeks. Hot-rolled bars are still under quota control on a month-to-month basis and pipe producers are sold out for the balance of the year, except for tonnage held back for jobber's allotments. Orders for first quarter delivery on buttweld, lapweld and seamless are now being taken, declares this trade paper.

Structural fabricators are predicting one of the best years in the history of the industry. Some of them face order backlogs extending from two to five months. Fabricators other than structural report that business is running at a high level. They are having difficulty getting steel and are resorting to conversion and premium priced steel where the profit margin on finished products permits.

The record tempo of steel consumption in Detroit is continuing. It is now evident that auto production will tail off for model changes later than usual this year with an average delay of about two months. The reason, of course, is glowing sales reports. Most Detroit forecasters now look for a new all-time production peak during August. After that production totals are expected to fall noticeably, declares "The Iron Age."

The price trend in steel is still up, although a general base price increase is still not expected in the immediate future.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steelmaking capacity for the entire industry will be 101.2% of capacity for the week beginning June 19, 1950, unchanged from last week.

The current week the steel industry enters upon the eleventh week of the greatest production cycle in its history.

This week's operating rate is equivalent to 1,929,100 tons of steel ingots and castings for the entire industry. A month ago the rate was 101.5% and production amounted to 1,934,900 tons; a year ago it stood at 79.9% and 1,473,000 tons.

Electric Output Hits New Historical Peak

The amount of electrical energy distributed by the electric light and power industry for the week ended June 24 was estimated at 6,102,288,000 kwh., according to the Edison Electric Institute.

Output this week reached a new historical peak. The previous high level was reached during the week of Feb. 4, 1950 when output totaled 6,062,095,000 kwh.

It was 90,614,000 kwh. higher than the figure reported for the previous week, 636,119,000 kwh., or 11.6%, above the total output for the week ended June 25, 1949, and 845,590,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Score 24.1% Advance Above Year Ago

Loading of revenue freight for the week ended June 17, 1950, totaled 805,680 cars, according to the Association of American Railroads. This was on an increase of 9,828 cars, or 1.2% above the preceding week.

The week's total represented an increase of 153,329 cars, or 24.1% above the corresponding week in 1949, but a decrease of 100,951 cars, or 11.1%, below the comparable period in 1948.

Auto Output Hits New High Record

According to "Ward's Automotive Reports" for the week ended June 17, motor vehicle production in the United States and Canada advanced to an estimated total of 205,820 units, compared with the previous weeks' total of 204,704 (revised) units.

Total output for the current week was made up of 163,349 cars and 33,286 trucks built in the United States and a total of 6,729 cars and 2,456 trucks built in Canada.

The week's total compares with a combined output of 153,001 units produced in the United States and Canada in the like 1949 week.

Business Failures Fall to Low Point of Year

Commercial and industrial failures declined to 147 in the week ended June 22 from 178 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level yet reached in 1950, casualties were 25% less numerous than last year when 196 occurred, but they remained above the 111 in the comparable 1948 week. Less than half as many businesses succumbed as in the similar week of prewar 1939 when 310 failures were reported.

Casualties involving liabilities of $5,000 or more were considerably lower than those which occurred a year ago. Small failures, under $5,000, were slightly below last year's total for this size group.

The week's decline appeared in all industry and trade groups except manufacturing. Against the general decline, manufacturing casualties rose, but were slightly below their corresponding 1949 total. All lines had fewer failures than last year with the Pacific States accounting principally for the weekly decrease.

Food Price Index Turns Slightly Upward in Week

Following last week's rather sharp dip, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose two cents to stand at $5.96 as of June 20. This represented an advance of 4.9% above the 1949 level of $5.68.

The index represents the sum total of the price per pound of 31 foods in general use.

Commodity Price Index Reflects Irregular Trend

Fluctuations in leading commodity markets were irregular last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., trended downward most of the week, but turned higher toward the close to finish at 265.43 on June 20, or about unchanged from the 265.46 of a week ago. Last year at this time it stood at 241.59.

Grain markets were unsettled with prices trending easier largely as a result of recent government forecasts indicating higher than expected crop yields and favorable weather for harvesting and growing.

Cash wheat at Chicago held comparatively steady with few actual sales noted. Export trade and inquiry in wheat was relatively slow, reflecting more favorable European crop propects. The June 1 estimate of the Department of Agriculture placed the winter wheat crop at 710,156,000 bushels, about 20,000,000 bushels above the May forecast, but about 190,000,000 bushels short of the 1949 harvest.

Although firm at times, prices for corn worked lower due to larger offerings and good growing weather. Export business in corn remained in small volume. Oats weakened on reports of competition from Argentine offerings at prices considerably below the relatively high domestic market.

Trading in coffee was more active with prices trending upward. Leading coffee roasters announced an advance of two cents a pound in their wholesale prices, a reflection of the recent increases in green coffee prices. Domestic lard prices moved irregularly lower in sympathy with weakness in grains and soybeans. Liquidation in the July lard contract was a feature. Hog prices fluctuated unevenly in the Chicago livestock market.

Closing values were moderately higher for the week following a rather sharp dip at mid-week.

Cattle prices were steady throughout the period. Spring lambs developed a firmer undertone at the close.

After touching new seasonal highs early in the week, cotton prices trended steadily downward to register the first net declines in five weeks. The easiness was attributed to the continued high level of repossessions of 1949 loan cotton with indications that the supply position may not be as tight as had been anticipated. Demand was limited mostly to mill and export price-fixing.

Reported sales in the ten spot markets declined sharply to 100,500 bales in the latest week, as compared with 176,900 bales in the week preceding.

Loan repayments of 1949 crop cotton during the week ended June 8 totalled 149,200 bales. This was the largest for any previous week this season and compared with 120,300 bales a week earlier.

Retail and Wholesale Trade Up Slightly for Week

There was a further rise in consumer spending in the period ended on Wednesday of last week, as favorable weather came to much of the nation. Overall retail dollar volume remained slightly above the level for the similar week in 1949 with widespread promotions of summer merchandise partly responsible for the increase in sales volume, states Dun & Bradstreet, Inc., in its current summary of trade.

Consumers bought more house-furnishings in the aggregate last week than in the previous week; dollar sales were moderately above those for the similar period in 1949. Furniture, of both upholstered and summer varieties, was in noticeably increased demand. The interest in television sets was generally unchanged. The purchasing of housewares and large appliances was desultory.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from unchanged to 4% above that of a year ago. Regional estimates varied from last year's levels by the following percentages:

New England and Midwest 0 to +4; East and South +3 to —1; Northwest +2 to —2; and Southwest and Pacific Coast +1 to +5.

Wholesale ordering increased moderately in the week as summer markets opened for durable goods and the advance bookings in some soft lines continued to accelerate. The number of buyers attending various wholesale centers rose slightly from the figures of last week and 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 17, 1950, rose 6% from the like period of last year. An increase of 5% was recorded in the previous week from that of a year ago. For the four weeks ended June 17, 1950, sales showed a rise of 3% from the corresponding period a year ago, but for the year to date a drop of 2%.

Retail trade in New York last week suffered from wet weather which prevented dollar volume of department stores from showing a gain for the period. Compared with a year ago sales were about even.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 17, 1950, show no change from the like period of last year. In the preceding week an advance of 2% (revised) was registered from the similar week of 1949. For the four weeks ended June 17, 1950, a decrease of 1% was reported from the like week of last year. For the year to date volume decreased by 5%.

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)	July 2	101.2	101.2	101.5	79.9
Equivalent to—					
Steel ingots and castings (net tons)	July 2	1,929,100	1,929,100	1,934,900	1,473,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	June 17	5,347,400	5,305,450	5,117,250	4,922,450
Crude runs to stills — daily average (bbls.)	June 17	¶5,565,000	5,524,000	5,477,000	5,171,000
Gasoline output (bbls.)	June 17	19,034,000	19,029,000	18,580,000	17,998,000
Kerosene output (bbls.)	June 17	2,033,000	1,916,000	2,140,000	1,530,000
Gas, oil, and distillate fuel oil output (bbls.)	June 17	7,065,000	6,961,000	7,068,000	5,228,000
Residual fuel oil output (bbls.)	June 17	7,467,000	7,307,000	7,435,000	7,693,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 17	116,374,000	119,249,000	124,669,000	116,403,000
Kerosene (bbls.) at	June 17	19,507,000	18,499,000	14,648,000	22,504,000
Gas, oil, and distillate fuel oil (bbls.) at	June 17	48,039,000	45,230,000	39,432,000	61,445,000
Residual fuel oil (bbls.) at	June 17	40,740,000	39,192,000	39,330,000	65,594,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 17	805,680	795,852	743,307	649,351
Revenue freight received from connections (number of cars)	June 17	655,076	637,154	655,938	576,465
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 22	$256,200,000	$277,411,000	$291,190,000	$215,170,000
Private construction	June 22	141,592,000	180,447,000	159,839,000	84,840,000
Public construction	June 22	114,608,000	96,964,000	131,351,000	130,330,000
State and municipal	June 22	88,598,000	75,547,000	63,579,000	83,963,000
Federal	June 22	26,010,000	21,417,000	67,772,000	46,367,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 17	10,515,000	*10,605,000	9,610,000	2,190,000
Pennsylvania anthracite (tons)	June 17	886,000	863,000	979,000	121,000
Beehive coke (tons)	June 17	130,400	137,600	106,100	19,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 17	302	302	275	235
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 24	6,102,288	6,011,674	5,893,782	5,466,169
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	June 22	147	178	214	196
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 20	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	June 20	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	June 20	$39.00	$39.58	$34.17	$20.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 21	22.200c	22.200c	20.200c	15.700c
Export refinery at	June 21	22.425c	22.425c	20.425c	15.925c
Straits tin (New York) at	June 21	76.875c	78.000c	77.500c	103.000c
Lead (New York) at	June 21	12.000c	12.000c	12.000c	12.000c
Lead (St. Louis) at	June 21	11.800c	11.800c	11.800c	11.850c
Zinc (East St. Louis) at	June 21	15.000c	15.000c	12.000c	9.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 27	101.95	102.18	102.57	101.72
Average corporate	June 27	115.24	115.63	115.63	113.12
Aaa	June 27	120.43	120.84	120.63	119.00
Aa	June 27	119.00	119.20	119.20	117.40
A	June 27	115.04	115.24	115.24	112.37
Baa	June 27	107.44	107.98	108.34	104.48
Railroad Group	June 27	109.97	110.52	110.70	107.62
Public Utilities Group	June 27	116.61	116.61	116.80	114.46
Industrials Group	June 27	119.61	120.02	120.02	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 27	2.35	2.34	2.31	2.37
Average corporate	June 27	2.89	2.87	2.87	3.00
Aaa	June 27	2.63	2.61	2.62	2.70
Aa	June 27	2.70	2.69	2.69	2.78
A	June 27	2.90	2.89	2.89	3.04
Baa	June 27	3.31	3.28	3.26	3.48
Railroad Group	June 27	3.17	3.14	3.13	3.30
Public Utilities Group	June 27	2.82	2.82	2.81	2.93
Industrials Group	June 27	2.67	2.65	2.65	2.78
MOODY'S COMMODITY INDEX	June 27	401.0	395.2	388.2	333.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 17	205,526	220,548	193,546	150,021
Production (tons)	June 17	209,448	214,497	209,234	167,196
Percentage of activity	June 17	93	94	92	78
Unfilled orders (tons) at	June 17	395,147	400,731	358,627	254,033
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 23	120.6	120.3	120.6	128.1
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 10	29,623	19,784	29,282	20,270
Number of shares—Customers' total sales	June 10	904,850	606,152	895,211	567,955
Dollar value	June 10	$41,289,592	$26,356,196	$38,005,059	$19,944,215
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 10	34,629	22,044	33,832	18,017
Customers' short sales	June 10	321	203	172	315
Customers' other sales	June 10	34,308	21,841	33,660	17,702
Number of shares—Customers' total sales	June 10	994,556	611,770	952,605	510,978
Customers' short sales	June 10	11,038	7,730	6,118	12,419
Customers' other sales	June 10	983,518	604,040	946,487	498,559
Dollar value	June 10	$39,737,085	$24,267,510	$36,163,276	$16,268,719
Round-lot sales by dealers—					
Number of shares—Total sales	June 10	342,130	175,300	319,910	157,870
Short sales	June 10	------	------	------	------
Other sales	June 10	342,130	175,300	319,910	157,870
Round-lot purchases by dealers—					
Number of shares	June 10	243,570	190,010	258,740	216,320
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 20	157.1	156.7	156.1	153.5
Farm products	June 20	166.2	164.5	165.3	167.3
Grains	June 20	167.9	168.7	170.9	156.4
Livestock	June 20	224.0	222.5	220.3	206.7
Foods	June 20	162.5	161.0	160.7	159.5
Meats	June 20	241.5	239.2	234.3	220.9
All commodities other than farm and foods	June 20	148.3	148.3	147.6	145.4
Textile products	June 20	135.9	135.8	135.6	139.2
Fuel and lighting materials	June 20	133.1	133.0	132.8	129.9
Metals and metal products	June 20	173.0	173.2	171.0	167.0
Building materials	June 20	201.0	200.7	198.5	190.1
Chemicals and allied products	June 20	113.9	114.1	116.2	116.2

*Revised figure. ¶Includes 432,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of April	58,024	58,747	54,076
Stock of aluminum (short tons) end of April	13,637	11,623	11,746
AMERICAN GAS ASSOCIATION — For Month of April:			
Total gas (M therms)	3,833,277	4,215,314	2,925,046
Natural gas sales (M therms)	3,487,520	3,829,027	2,626,031
Manufactured gas sales (M therms)	219,488	252,601	200,459
Mixed gas sales (M therms)	126,269	133,686	98,556
AMERICAN TRUCKING ASSOCIATION— Month of April:			
Number of motor carriers reporting	303	*303	303
Volume of freight transported (tons)	3,910,770	*4,237,277	3,313,848
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of May 31:			
Imports	$141,650,000	$157,392,000	$118,469,000
Exports	57,661,000	47,055,000	44,450,000
Domestic shipments	8,539,000	9,260,000	10,516,000
Domestic warehouse credits	6,713,000	8,466,000	6,380,000
Dollar exchange	28,000	25,000	27,389,000
Based on goods stored and shipped between foreign countries	16,558,000	14,596,000	12,381,000
Total	$231,149,000	$236,794,000	$194,585,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of April (000's omitted):			
All building construction	$918,711	*$855,618	$642,385
New residential	596,303	*563,873	354,060
New nonresidential	234,795	*205,704	204,500
Additions, alterations, etc.	87,613	*86,041	83,825
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of May:			
Manufacturing number	197	195	202
Wholesale number	109	93	101
Retail number	426	398	351
Construction number	80	76	63
Commercial service number	62	44	58
Total number	874	806	775
Manufacturing liabilities	$7,470,000	$7,980,000	$11,182,000
Wholesale liabilities	2,949,000	3,807,000	4,334,000
Retail liabilities	8,650,000	7,179,000	6,034,000
Construction liabilities	2,129,000	1,465,000	1,434,000
Commercial service liabilities	1,474,000	819,000	1,599,000
Total liabilities	$22,672,000	$21,250,000	$24,583,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of April 15:			
All items	167.3	167.0	169.7
All foods	196.6	196.0	202.8
Cereals and bakery products	169.3	169.0	170.3
Meats	227.9	227.3	234.4
Dairy products	179.3	182.4	184.9
Eggs	150.5	150.2	183.8
Fruits and vegetables	200.5	195.2	218.6
Beverages	307.6	311.6	208.2
Fats and oils	135.2	134.2	149.8
Sugar and sweets	175.2	176.9	176.2
Clothing	185.1	185.0	192.5
Rent	123.1	122.9	120.3
Fuel, electricity and refrigerators	141.4	140.9	137.4
Gas and electricity	97.2	97.1	96.8
Other fuels	195.6	194.4	187.8
Ice	146.6	146.6	140.5
House furnishings	185.6	185.4	191.9
Miscellaneous	154.8	155.0	154.6
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of May	305.6	309.4	299.3
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 27	23,101,000	23,113,000	23,782,000
Spinning spindles active on May 27	20,229,000	20,048,000	19,862,000
Active spindle hours (000's omitted) May	8,935,000	8,764,000	7,358,000
Active spindle hrs. per spindle in place May	473	473	325
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE=100—Month of May:			
Sales (average monthly), unadjusted	226	221	*227
Sales (average daily), unadjusted	221	225	*231
Sales (average daily), seasonally adjusted	226	235	*236
Stocks, unadjusted	231	237	*229
Stocks seasonally adjusted	228	230	*226
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION—Month of May:			
Contracts closed (tonnage) estimated	183,373	*152,429	116,975
Shipments (tonnage)—estimated	157,189	*161,335	171,101
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of April:			
Earnings—			
All manufacturing	$56.89	*$56.53	*$53.80
Durable goods	61.04	*59.78	56.86
Nondurable goods	52.24	*53.08	48.35
Hours—			
All manufacturing	39.7	39.7	38.3
Durable goods	40.8	*40.2	39.0
Nondurable goods	38.5	*39.2	37.6
Hourly earnings—			
All manufacturing	$1.433	*$1.424	*$1.401
Durable goods	1.496	*1.487	*1.467
Nondurable goods	1.357	*1.354	*1.321
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of May:			
Factory sales (number of units)	278,645	292,664	222,850
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of May (000's omitted)—			
Ordinary	$1,462,000	$1,352,000	$1,256,000
Industrial	479,000	445,000	431,000
Group	332,000	374,000	174,000
Total	$2,273,000	$2,171,000	$1,861,000

*Revised.

Continued from page 16

Over-Building of Office Structures

amount was paid in taxes on vacant space that exceeded the 10% level!

And during that trying 13-year period, when vacancies averaged far above 10%, the total tax bill on unrented offices in these test buildings amounted to almost $70,000,000.

This is the penalty for over-building. In May, 1934, figuring at the conservative rental rate of $2 per square foot, which was more or less the prevailing average at that time, those buildings were losing $27,355,000 on their rent rolls and paying out $7,557,000 in taxes on unrented space. This meant a total annual deficit of $35,000,000 without figuring interest and other fixed charges. It's a wonder that any private ownership survived.

To plot our course today on the basis of these past experiences is certainly just plain prudence.

In 1926 I had the honor of submitting an annual report to this Association in convention at Del Monte, Calif. As President of this Association at that time, I stated:

"I have faith in real estate and its possibilities, but I am old fashioned enough to believe that real property is worth no more than it can earn over a term of years."

That holds today just as well as it applied before we went through the depression. It means 13 lean years with 13 fat years.

Today, because building costs are higher than we could have imagined in the 1920's, rents in the newer buildings are ranging high. Even when you consider the 1950 dollar in comparison with the prewar dollar, the spread between new-building rentals and the rents in established buildings is much greater than it was in the late '20's. This is one danger signal.

In Chicago, Leo J. Sheridan was recently quoted on what new buildings should earn in order to yield a conservative return on investments. He estimated that an average of $6 per square foot would be required on a basis of 90% occupancy. I am told that he figured this on construction costs of $1.50 to $1.75 per cubic foot.

Well, in New York, where costs actually have turned out to be $1.10 and more per cubic foot, some of the new buildings will average a bit less than $5 per square foot.

The Chicago Situation

The significance of the Chicago situation recently was summed up by Dr. Homer Hoyt and Morton Bodfish in a joint statement as follows: "Since space in existing buildings is available at from $3 to $3.50 a square foot, with only choice space bringing $4.75 a square foot, it is hardly possible to secure sufficient rentals on new buildings to yield a fair return on the investment. Moreover, the competition of more office space would reduce even the present average rental rates in older buildings and increase vacancies in them. The final effect would be to push all office building income below present high operating costs."

These expert observers conclude that there is no economic justification for additional office building in Chicago. That city has had an experience very similar to New York's in over-production. Chicago's vacancy averages jumped from 4.6% in 1925 to 29.2% in 1934! Today they are reported around 2%.

And the picture is not so vastly different in other cities. A poll of 470 cities recently showed office space already balancing demand in 50% of the cities. The supply was still considered short in 44% of the cities. And an oversupply was reported in 6% of the cities.

However, the larger cities—those with more than half a million population, have caught up with their space needs even more than smaller cities have. Among the big cities, 73% reported having reached a balanced supply of office space. Seven per cent were already overbuilt, and only the remaining 20% still reported shortages.

Yet, the building boom appears to be continuing full steam ahead. J. Clydesdale Cushman gave you the clearest idea of the boom on Monday. His latest poll of the secretaries of this Association shows that 38 cities now have 126 new buildings completed or under way. These represent a total investment of close to $520,000,000. The total amount of space being provided is more than 20,000,000 square feet—approximately equal to the combined total in Philadelphia, Pittsburgh, Baltimore and Washington, D. C.

Approaching a Building Inflation

This expansion, coupled with the housing boom, is approaching new inflation in the opinion of the most astute economists. They point out that the overall urban mortgage debt has increased almost 100% in the past five years. In 1945 it stood at $31,000,000,000. Today it is $60,000,000,000. At the present rate of construction and financing the mortgage debt will top $70,000,000,000 by the end of next year.

It has been calculated that this debt, figured on a per-family basis and adjusted to modern price levels, is now very close to the peak of expanded credit that we had reached at the end of the boom of the 1920's. Any sudden drop in employment or income could create a critical credit situation. So here we have another danger signal in the financing of new construction.

It is true that the bondholders of the 1920's are not in the picture today. But what is the ultimate difference between a bondholder and a policy holder—or between a bondholder and a depositor? Large operations, whether they entail new construction or the maintenance of established properties, necessarily involve other people's money. Definite responsibilities of public relationship and socio-moral obligations are inherent in financing today.

And I can repeat exactly what I said in that 1926 report:

"What we want to stop is over-production, because there is a great and grave danger in it. Ours is not a selfish desire to protect our buildings, but to protect our entire communities."

In the light of all this past experience, why do we keep on erecting more office buildings? The answer, of course, is that we can rent them. Even under currently high construction costs, we can rent them at higher rates.

And why? Because these buildings are modern—modern in the mid-Century meaning of that word. Primarily they are air conditioned—climate controlled, they call it. The air conditioning plant in one of New York's newest structures cost $1,600,000! Largely because of this—and some other features, too—these buildings afford maintenance savings of 30 to 40% below some of the older buildings.

Air conditioning, minimizing dust and soot, results in definite labor savings. Radiant heat under sidewalks saves more labor in snow and ice removal. Among other features, aluminum window frames need no painting.

But one salient characteristic of the new buildings that cannot be adapted to old buildings at any price is their basic planning. They provide large blocks of space on one floor with great glass areas, better lighting, fewer courts and less waste space, new automatic elevator arrangements for fewer cars and faster service.

The new Crowell-Collier Building, adjoining Rockefeller Center on New York's Fifth Avenue, even has self-service elevators for use on Saturdays and after hours. This may be writing on the wall for elevator operators who leave tenants stranded during a strike.

Deeper floor areas, among other developments in design, result in as much as 80% of net usable space as compared with 65% in the buildings that were conventional 20 years ago.

Is it any wonder that large corporations are attracted to such setups? Yet, rental rates on some of the newest buildings in New York already are being adjusted slightly. Naturally, anybody in any location cannot hit the high score of exceptional $6.95 per square foot.

There is one building that was launched with visions of $4.50 to $5 rentals for its lower half. But before renting was attempted those rates were lowered to $4.12 to $4.50 for the same floors.

On the other hand, an ace in location and all other factors, with one year's head start, brought rentals such as these: $70,000 for 10,600 square feet; $50,000 for 7,200 square feet, and so on.

And rental policies have undergone a big change since the war. For a time—and undoubtedly in some cities you still do it — we could leave partitioning and other space planning up to the tenant. That has changed now. The newer buildings include partitioning, painting, electric light fixtures, and venetian blinds in the deal. It used to be that the cost of partitioning would figure out around $1 per square foot. Today it runs around $4. By the time you include venetian blinds and the rest of the services you have an expense of $5 per square foot—or virtually a year's rent.

One new building is advertising that the management will assist in planning the most efficient use of the tenant's floor space. This means special architectural service.

Many years ago I took part in breaking office building owners away from supplying light to tenants. Today that practice is back again. An insurance company in New York is supplying light to tenants in its new building.

Some years ago the Real Estate Board of New York established a standard practice under which corridor space would be included in the rentable area of a floor, but toilet space would not be included. Today toilet space is being counted in again—so that actual square foot rentals are being thrown off a bit.

One of the long-range factors that must be considered in office space today is the role of the modern business machine. Business machines are directly responsible for a decline in the per capita trend in the requirement for office space.

Old Building Owners Must Modernize

Now, what can the owner or manager of an older building do in the face of this competition from new buildings? Suppose vacancies do not show signs of increasing quickly. This could mean the attainment of a level of business that would justify still more new buildings. This would mean still more competition for owners and managers of older buildings.

So what can they do about it? They can and must modernize.

Undoubtedly most of you have read the handsome booklet prepared by this Association's Building Planning Service Council, entitled "Blueprint for Better Buildings." This excellent presentation sums up this entire problem in a nutshell. It says:

"Constructing a new building today costs about $25 per square foot of rentable area.

"Buildings built in the late '20's cost only $15 per square foot of rentable area—a difference of $10 per square foot.

"It is this difference in investment cost between new and old buildings that justifies capital expenditure for modernization.

"But spending a portion of this $10 differential, the old building can become as modern as the new building; and the increase in rentals secured will more than pay the fixed charges on, and the amortization of the cost of modernization."

But the first hurdle in any such a program is to modernize a frame of mind.

I recently discussed the possibilities of modernization in New York. My mere mention of the subject brought forth an irate letter from an owner of several older buildings adjacent to the downtown financial district. He said in part:

"We have a building which is 55 years old. Most of the tenants have been in that building for over 10 years. Each merchant has his own stand or office, many of them tiny, but they have developed an interplay associated with a common trade and interest. And we have many buildings like that."

Then he continued, "The remedy is not at all in the modernization, as you call it, of buildings that are thoroughly modern already, but which lack gadgets of one kind or another, the remedy lies in the lending institutions realizing that the larger part of their investments are already in the older buildings, which contain 60,000,000 square feet, as against the golden mirage of the new 6,000,000 square feet with the glamor of the new mortgage and the new commissions, and so forth."

Now here you have a state of mind to cope with. But you also have a real clue to the solution of the problem.

True modernization does not mean gadgets. It does not mean that you must have a chromium ceiling in the lobby. But it does mean certain expedient renovations, for example, acoustical treatment—which is an economical and profitable method of refinishing a ceiling. And it means individual aid conditioning for the comfort that tenants get in new buildings. And, as you all probably realize, modernization means redecorating for beauty through simplicity—the style of the times: new lighting, dressing up elevator cabs and lobby, streamlining and cleaning of exteriors.

Don't feel that you do not have to do this because you have held your tenants for 10 years. Of course you have held your tenants. Everyone has. The past 10 years have not been normal.

But, if you will do this you can put a more effective brake on new building than all the preaching you can do to lending institutions.

Your modernization and your preaching cannot stop new construction for large corporations which build their own structures when they do not find buildings with space big enough for them. But your modernization will hold your smaller tenants and thereby remove a demand for new buildings to house them.

However, if you sit back and inhale that old opiate that you have held your tenants for 10 years without lifting a finger, you will see many more new buildings tempting Model-T tenants to splurge on Cadillac space even though their old bus still runs all right.

I am convinced that the only sensible curb we can place on overbuilding is through keeping our older buildings in the running as long as possible through attractive and comfortable modernization.

Thos. Graham Heads Ky. Homecoming Com.

LOUISVILLE, Ky. — Thomas Graham, Bankers Bond Co., is Chairman of the Homecoming Committee and Kentucky Homecoming Commission of the Kentucky Chamber of Commerce which is in charge of the special Mid-century program being featured by the State. Programs are being planned at various historic sites in Kentucky throughout the summer and fall. A copy of the official calendar of events may be obtained by writing to Mr. Graham.

Thomas Graham

Chase Bank Announces New Appointments

Arthur Kunzinger, 2nd Vice-President in charge of the Madison Avenue branch of the Chase National Bank, was appointed a Vice-President by the bank's board of directors. After July 1 he will be associated in the management of the bank's Hamilton Trust branch at 191 Montague Street, Brooklyn.

At the same time, Burnett O. Doane, Gail F. Moulton, Paul H. Ramsay and Joseph R. Thompson received promotions to 2nd Vice-Presidents; John A. Collins, Harry R. Fey, James L. Hoyt, Joseph J. McGuire, Robert J. Park to Assistant Cashiers, and Joseph T. Pender to Assistant Manager at the 11 Broad Street branch.

The following employees were appointed to the official staff: William B. Bateman, Adam C. Heck, John S. Hejinian, Thomas Leonard, William J. Rieber and Harold V. Sullivan, Assistant Cashiers; Milton J. Redlich and Fred F. Voorhees, corporate trust officers, and Charles J. Boylan, Charles L. Flynn and Philip W. Smith, Assistant Managers in the consumer credit department.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Norman C. Bray has joined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Business Man's Bookshelf

Bonds of Organization—An Appraisal of Corporate Human Relations—E. Wight Bakke—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—Cloth—$4.

Taxes and Economic Incentives—Lewis H. Kimmel—The Brookings Institution, Washington, D. C.—Paper.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• **Aeroquip Corp., Jackson, Mich.**
June 21 filed 162,010 shares of common stock (par $1), of which 16,455 shares are offered by the company and the remainder by 45 selling stockholders. **Underwriter**—Watling, Lerchen & Co., Detroit. **Price**—To be filed by amendment. **Proceeds**—To pay for construction of a new plant for production and storage use. **Business** — Flexible hose lines.

• **Air Music, Inc., New York City**
June 23 (letter of notification) 556 shares of 4% cumulative non-voting preferred stock with a bonus of 2,780 shares of no par common stock. **Price**—At par ($100 per share) for preferred, each share being accompanied with a bonus of eight common shares. **Underwriter**—None. **Proceeds**—To expand operations, and purchase additional receivers and for working capital, etc. **Office**—10 East 40th Street, New York 16, N. Y.

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. (7/5)
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. Statement effective June 23. Expected after July 4.

American Cladmetals Co.
March 31 filed 480,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Graham & Co., Pittsburgh and Graham, Ross & Co., Inc., New York. **Proceeds**—To install additional facilities and for working capital. Statement effective June 22. Now being offered.

• **American Equipment Co., Inc., Atlanta, Ga.**
June 16 (letter of notification) 500 shares of 5½% preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To buy equipment and facilities to expand business, and to buy additional merchandise.

• **American Motorists Insurance Co., Chicago**
June 28 filed 100,000 shares of capital stock (par $5) to be offered to stockholders of record July 25 at rate of one new share for each three held. **Price**—At par. **Proceeds**—For general corporate purposes. **Business**—Casualty insurance.

• **American Radio & Television, Inc., North Little Rock, Ark.**
June 16 (letter of notification) 301,686 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriters**—Gearhart, Kinnard & Otis, New York City. **Proceeds**—For additional working capital. **Office**—Fifth and Cornish Streets, No. Little Rock, Ark.

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.

• **Bethany (W. Va.) Improvement Association**
June 19 (letter of notification) 933 shares of common stock at $25 per share. No underwriter. Proceeds to extend transmission and distribution mains.

• **Bond Investment Trust of America, Boston, Massachusetts**
June 23 filed 150,000 units of beneficial interest. **Distributor**—Colonial Associates, Inc., Boston. **Business**—Investment company.

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.

• **Canadian Superior Oil of California, Ltd.**
June 27 filed 2,150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Dillon, Read & Co. Inc. **Proceeds**—For geological and drilling operations in Canada. **Offering**—Expected about mid-July.

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.

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.

• **Consumers Power Co., Jackson, Mich.**
June 23 filed 499,903 shares of common stock (no par) to be offered present holders at the rate of one new share for each 10 held on July 12. **Underwriter**—To be named in an amendment, along with offering price. Five months ago an offering of 454,457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. **Price**—Expected to be not less than $33 per share. **Proceeds**—For construction.

• **Delaware Research & Development Corp., New Castle, Del.**
June 14 (letter of notification) 25,000 shares of capital stock at $10 per share, of which 5,000 shares may be exchanged for patent rights. No underwriter. Proceeds for capital assets and working capital. **Address**—P. O. Box 110, New Castle, Del.

• **Delvale Dairies, Inc., Baltimore, Md.**
June 19 (letter of notification) 500 shares of 6% series B cumulative preferred stock ($100 par) and 500 shares of common stock (par $10). **Price**—Par for preferred and $20 per share for common. **Underwriter**—None. **Proceeds**—To finance alterations and provide additional working capital. **Office**—2030 Hartford Road, Baltimore, Md.

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.

Eastern Stainless Steel Corp.
June 7 filed 100,000 shares of capital stock (par $5) to be offered to stockholders at the rate of one new share for each three held, with oversubscription privilege. **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. Offering postponed.

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 series A cumulative preferred stock (par $50) convertible into common stock prior to July 1, 1960, to be offered to common stockholders of record July 12 on basis of one preferred 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.

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.

• **Founders Mutual Depositor Corp., Denver, Colo.**
June 26 filed six series of income plan certificates. **Business**—Investment fund.

Front Range Mines, Inc. (7/6)
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 expired 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**—$15.38½ per share. **Proceeds**—To be applied to retirement on Aug. 1, 1950 of all 6% debentures not exchanged. No proceeds to Gatineau. Statement effective June 14.

General Finance Corp., Chicago, Ill.
May 26 (letter of notification) 50,000 shares of common stock (par $1) to be offered to employees. **Price**—$5.75 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—184 West Lake St., Chicago 1, Ill.

General Radiant Heater Co., Inc.
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 any day.

General Telephone Corp. (7/3-7)
June 12 filed 199,350 shares of common stock (par $20) to be offered to common stockholders in the ratio of one new share for each six shares held. The offering will include an oversubscription privilege. **Price**—To be filed by amendment. **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. Temporarily postponed to week of July 3.

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. **Price**—Expected at 101.75.

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.

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.

● **Harvill Corp., Los Angeles, Calif.**
June 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—6251 W. Century Blvd., Los Angeles 45, Calif.

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.

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.

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.

● **Kettle River Consolidated Mines, Inc., Cowiche, Wash.**
June 19 (letter of notification) 600,000 shares of non-assessable common capital stock. **Price**—At par (10 cents per share. **Underwriter** — None. **Proceeds**—To acquire and develop mining property. **Address**—Box 12, Cowiche, Wash.

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.

NEW ISSUE CALENDAR

June 30, 1950

Kansas-Nebraska Natural Gas Co., Inc. .... Pfd.

July 3, 1950

Caspers Tin Plate Co. .... Common
General Telephone Corp. .... Common
Transvision, Inc. .... Common

July 5, 1950

Allied Electric Products, Inc. .... Pfd. & Common

July 6, 1950

Front Range Mines, Inc. .... 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

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.

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.

● **Magnavox Co., Fort Wayne, Ind.**
June 19 (letter of notification) 5,500 shares of common stock (par $1). **Price**—$18 per share. **Proceeds**—To Richard A. O'Conner, President of the company. **Underwriter**—Francis I. DuPont & Co., Chicago. **Office**—2131 Bueter Road, Fort Wayne, Ind.

● **Merry Brothers Brick & Tile Co., Augusta, Ga.**
June 15 (letter of notification) 1,250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—Johnson, Lane, Space & Co., Inc. **Proceeds**—To Ernest B. Merry, Jr., Vice-President and General Manager, the selling stockholder.

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.

● **Moen Ladder Co., Inc., Spokane, Wash.**
June 16 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To buy materials for production of ladders. **Office**—1121 Paulsen Bldg., Spokane, Wash.

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.

● **Mutual Telephone Co., Honolulu, Hawaii**
June 27 filed $1,000,000 first mortgage bonds, series G, due 1980, and 100,000 shares of preferred stock, series C (par $10), the new preferred stock to be offered initially to common stockholders and employees of the company at rate to be filed by amendment. **Price**—Of bonds to be filed by amendment; of preferred, at par. **Underwriter**—Kidder, Peabody & Co. **Proceeds**—For construction and expansion program.

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.)

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.

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**—Farok & 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. Statement effective June 20.

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 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. Postponed temporarily.

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 con-

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struction. **Business**—Production and transmission of natural gas.

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.

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.

• **Public Service Co. of Colorado**
June 26 filed $7,000,000 of convertible debentures, due 1960, and 100,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding, along with prices, interest rate on debentures and dividend rate on preferred stock. 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**—For construction.

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.

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.

• **Resort Airlines, Inc., Pinehurst, N. C.**
June 19 (letter of notification) 13,547 shares of common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For 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.

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 ($1 per share). **Underwriter**—Stock offered by officers of company. **Proceeds**—To establish production facilities.

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.
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 common stockholders of record at the rate of one new share for each 10 held. 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. **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. **Offering**—Temporarily postponed.

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.

• **Sightmaster Corp., New Rochelle, N. Y.**
June 20 (letter of notification) 18,500 shares of common stock (par 5 cents). **Price**—20 cents per share. **Underwriter**—Butler, Moser & Co., 44 Wall Street, New York, N. Y. **Proceeds**—To selling stockholder. **Office**—111 Cedar Street, New Rochelle, N. Y.

• **Sightmirror Television Corp., New Rochelle, New York**
June 21 (letter of notification) 749,000 shares of common stock (par 1 cent). **Price**—40 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For payment of patents, etc., and for working capital. **Office**—111 Cedar Street, New Rochelle, N. Y.

• **Skiatron Corp., New York City**
June 22 (letter of notification) 2,500 shares of capital stock (par 10 cents) of which there will be presently sold 1,500 shares at $1 per share, the remaining 1,000 shares, to be offered later at $1.50 per share. **Underwriter**—d'Avigdor & Co., 63 Wall Street, New York City. **Proceeds**—To selling stockholder. **Office**—381 Fourth Avenue, New York City.

• **Southern Co., Atlanta, Ga. (7/25)**
June 23 filed 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.

• **Southern Electrical Corp., Inc., North Chattanooga, Tenn.**
June 21 filed 16,000 shares of 6% cumulative preferred stock (par $50) with 64,000 stock purchase warrants to buy 64,000 shares of common stock (par $3), and 15,000 shares of common stock with 15,000 warrants to purchase an additional 15,000 shares of common. The preferred stock is offered by the company with four stock purchase warrants offered wtih each preferred share. The common stock is offered by three stockholders, with an option warrant accompanying each share. **Underwriters**—Courts & Co.; The Robinson-Humphrey Co. and Clement A. Evans & Co., Inc., Atlanta, Ga. **Price**—$50 per share, plus accrued dividend from July 1 for the preferred with purchase warrants at 5 cents each; $8.25 per share for the common, plus 5 cents for each warrant. **Proceeds**—From the sale of the preferred, together with a $750,000 loan ,will be used to expand the company's operations. **Business** — Drawing aluminum and copper wire from rods and stranding aluminum, copper and steel wire into cable.

Spencer Chemical Co., Kansas City, Mo.
June 1 filed 85,000 shares of 4.60% cumulative preferred stock (par $100) being offered for subscription by common stockholders of record June 26 at rate of .085 shares of preferred for each share of common held; rights expire July 3. **Price**—$100 per share and accrued dividend. **Underwriters**—Morgan Stanley & Co. and Glore, Forgan & Co. **Exchange Offer**—Preferred shares not purchased by common stockholders are to be offered in exchange for outstanding shares of 5% cumulative preferred stock, par $10, on a 1-for-10 basis. 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.

• **Studio F, Inc., Boulder, Colo.**
June 19 (letter of notification) 600 shares of 6% cumulative preferred stock, with right to buy five shares of no par value common stock at $1 per share, and 5,500 shares of common stock. **Price**—For preferred $100 per share. **Underwriter** — None. **Proceeds** — To build and equip a new building, furnish working capital.

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 6, 1949, 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.

• **Tele-Tone Radio Corp., N. Y. City**
June 22 filed 135,000 shares of common stock (par $1). **Price**—$6 per share. **Underwriters** — Sills, Fairman & Harris; Straus & Blosser. **Proceeds**—To 15 selling stockholders.

• **Tele-Tone Radio Corp., N. Y. City**
June 22 filed 100,000 shares of cumulative convertible class A stock. **Price**—At par ($10 per share). **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds** — For additional plant facilities and for working capital.

• **Texas Illinois Natural Gas Pipeline Co.**
June 26 filed $12,000,000 of interim notes, due Jan. 1, 1952, payable upon maturity by delivery of cumulative preferred stock at the rate of one share for each $100 principal amount; 120,000 shares of cumulative preferred stock ($100 par) to be used in paying off the notes, and 1,750,000 shares of common stock (par $1). The common stock will be offered to holders of outstanding common at the rate of one new share for each 3½ shares held and will be sold 50% to Peoples Gas Light & Coke Co. and remainder to other stockholders, with Peoples taking up all shares not subscribed for. **Underwriters**—White, Weld & Co. nad Glore, Forgan & Co., will underwrite the notes. **Price**—Of common stock, $10 per share; of notes, to be filed by amendment along with interest rate. **Proceeds**—For construction of pipeline facilities. **Business**—Natural Gas pipeline transmission.

• **Texhoma Oil Corp., Oklahoma City, Okla.**
June 16 (letter of notification) 3,000 shares of $100 par value common stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — To drill additional oil wells in Kiowa County, Okla. **Office** — 619 Leonhardt Bldg., Oklahoma City, Okla.

• **Time Finance Co., Inc., Baltimore, Md.**
June 19 (letter of notification) 175 shares of class B ($20 par) common stock at $30 per share and 700 shares of 7% cumulative preferred stock ($100 par) at $100 per share. No underwriter. Proceeds to increase working capital. **Office**—339 S. Conkling St., Baltimore 24, Md.

Transvision, Inc. (7/3-7)
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.

• **Twentieth Century Oil Co., Beverly Hills, Calif.**
June 16 (letter of notification) 273,921 shares of common stock (par $1), all of which is being issued to partners of the company and of Arvin Oil Co. for their assets "on the basis of one share of stock for each dollar of partnership assets." These assets consist of six oil wells in the Placerita Oil field, Los Angeles County. No underwriter. **Office**—424 S. Beverly Drive, Beverly Hills, Calif.

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.

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**—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.

● **Ancient River Channels Gold Mining Co.**
May 31 plans were announced to issue and sell 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital, etc. **Office**—206 North Virginia Street, Reno, Nev.

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.

● **Canada (Dominion of)**
June 27 it was reported the Canadian Government is making preparations for an extensive refinancing operation. It is understood to plan refunding of a $100,000,000 loan payable in U. S. dollars. Issued in 1930 with a 4% coupon, these bonds are due Oct. 1, 1960 and subject to call Oct. 1, next, on 60 days' notice. The latter privilege is expected to be exercised some time next month.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

● **Central Telephone Co.**
June 22 company announced it plans to file a registration statement late in July covering 90,000 shares of common stock (par $10), which are to be issued to common stockholders of Central Electric & Gas Co. on a 1-for-13 basis. **Dealer Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—Mainly to retire $850,000 short-term loans.

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.

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.

● **Duquesne Light Co.**
June 22 it was reported that company may issue about 100,000 shares of preferred stock. Probable bidders: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. Proceeds are to repay bank loans and for construction program.

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.)

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.

● **Holeproof Hosiery Co.**
June 22 it was announced that registration statement is expected to be filed shortly covering not less than 25% and not exceeding 33⅓% of the stock held by principal stockholders following approval on July 6 of 7½-for-1 stock split up. **Underwriter**—A. G. Becker & Co. Inc.

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, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp. Expected this Fall.

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.

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.

● **Pacific States Fire & Indemnity Insurance Co. (Oregon)**
May 18 announced company plans to enter into a contract with an underwriting firm for the sale of its capital stock. Initial capitalization and surplus will be $2,000,000.

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 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

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Continued from page 45

shares to 2,500,000 shares. The increase is being sought to make additional shares available for any future need. Probable underwriter: Reynolds & Co.

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. Application is before FPC.

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 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.

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.

Our Reporter's Report

Investment bankers and dealers who have fairly substantial unsold stocks on their shelves will be able to concentrate almost entirely on the task of cutting down these inventories during the next fortnight.

The new issue calendar is relatively light for that period with nothing really sizable in sight now until around July 12 when Panhandle Eastern Pipe Line Co. is slated to market two new issues of debentures.

Only one important issue was up for bids this week, namely $11,000,000 of Equitable Gas Co.'s 20-year, 3⅝% sinking fund debentures offered for the account of The Philadelphia Co., sought after by some eight competing groups.

The selling company will use the proceeds to finance retirement of 100,000 shares of its outstanding $6 cumulative preference stock.

Broken up by the Fourth of July holiday, next week will find the new issue market virtually at a complete standstill. Several equity offerings are in prospect, none of them very large, but in view of the severity of the market's break on the current war scare, there seemed to be considerable doubt that these issues will reach market on schedule.

Momentarily, at least, there does not appear to be any serious concern as regards the immediate outlook for high-grade bonds. Observers still feel that the key to the situation there is Washington's idea on money which now looks like a 2.25% basis for long-term Treasury issues.

Spencer Chemical

Spencer Chemical Co.'s 85,000 shares of preferred stock, $100, cumulative, which had been expected to be opened to public subscription last week, was formally offered late on Monday.

The shares had been offered originally to common holders in the ratio of 0.85 share of preferred for each share of common held. Stock not taken was to be offered in exchange for the present preferred shares.

Dallas Power 3½s

Sponsoring bankers turned the Dallas Power & Light Co.'s $24,500,000 of 30-year first mortgage bonds, purchased recently, free to find their own level late last week.

The issue was taken in competitive bidding at a price of 100.82999 with the bankers repricing the bonds for public offering at 101.33 to yield about 2.685%.

Only about 20% of the issue had been sold when the syndicate agreement was terminated, according to street estimates, leaving some $20,000,000 to be moved. Current quotations in the "free market" rule small fractions under the original price.

Taking a Breather

July holds little promise as a producer of new corporate financing, from a look at the calendar for the month. But things will be fairly busy in the tax-exempt field where indications are that 200 million or more or such paper may be up for bids.

Weighing heavily in the total will be financing for new housing by states and cities desiring to beat the gun on the new local housing authority. The latter is expected to float its first issue midway through September, acting under the Federal Housing Act of 1949.

Meanwhile it was disclosed that Puerto Rico has halted negotiations with bankers for a $25,000,000 Water Resources Authority loan. An official of the Development Bank of Puerto Rico blamed inability to agree on price for the funding issue.

Canada to Refund

The Canadian Government is reported making preparations for an extensive refinancing operation. It is understood to plan refunding of a $100,000,000 loan payable in U. S. dollars.

Issued in 1930 with a 4% coupon, these bonds are due Oct. 1, 1960 and subject to call Oct. 1, next on 60 days' notice.

The latter privilege is expected to be exercised some time next month.

Walston, Hoffman Adds

PHILADELPHIA, Pa.—Walston, Hoffman & Goodwin, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce the association with them of Robert T. Hughes as a registered representative in their Philadelphia office, 1420 Walnut Street.

William E. Clegg Joins Livingston, Williams Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William E. Clegg has become associated with Livingston, Williams & Co., Inc., Hanna Bldg. Mr. Clegg was formerly with Saunders, Stiver & Co., and prior thereto conducted his own investment business in Cleveland.

With Frank E. Hailstone

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Thompson L. Morgan is with Frank E. Hailstone & Company, 525 Walnut St.

F. S. Yantis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles S. Crane has been added to the staff of F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange.

S. L. Dill Appointed by Harriman Ripley Co.

The board of directors of Harriman Ripley & Co. Inc., 63 Wall Street, New York City, at a meeting held yesterday elected S. Leland Dill an Assistant Secretary.

Mr. Dill has been a member of the staff since formation of the company in June, 1934, prior to which time he had been with The City Company of New York, Inc. and the National City Bank of N. Y. He will continue as Manager of the statistical division of the Buying Department to which position he was appointed in September, 1948.

Mitchum, Tully Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Walter Fruehling has become associated with Mitchum, Tully & Co., 405 Montgomery Street, members of the Los Angeles Stock Exchange. He was formerly with Wagenseller & Durst, Inc. and H. R. Baker & Co.

Joins Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

WILLIAMSTOWN, W. Va. — John V. Everett has become associated with Westheimer & Co. of Cincinnati, members of the New York and Cincinnati Stock Exchanges. He was formerly with Bache & Co. and more recently has conducted his own investment business in Williamstown.

Stern Brothers Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Mrs. Helen C. MacLeod has joined the staff of Stern Brothers & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange.

With Beer & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Paul Kemp has become affiliated with Beer & Co., 839 Gravier Street, members of the New York and New Orleans Stock Exchanges.

With J. B. Maguire & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Victor G. Dugal has become associated with J. B. Maguire & Co., Inc., 75 Federal Street. He was formerly with William B. Nichols & Co., Inc. and was manager of the trading department for Childs, Jeffries & Thorndike.

Porter W. Cooper Co.

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, Ind.—Porter W. Cooper & Company is engaging in a securities business from offices in the Ft. Wayne Bank Building. Richard L. Cooper is proprietor of the firm.

With Bond & Share Corp.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind.—Louis S. Hensley, Jr. has been added to the staff of Indianapolis Bond and Share Corporation, 129 East Market Street, members of the Midwest Stock Exchange.

Two With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—W. Ormond Merritt and Paul E. Tescher have become affiliated with Mitchum, Tully & Co., 650 So. Spring Street. Mr. Tescher was previously with Holt & Collins.

Joins Witter Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — R. Glen Brewer has become connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

E. T. Reel Co. Formed

(Special to THE FINANCIAL CHRONICLE)

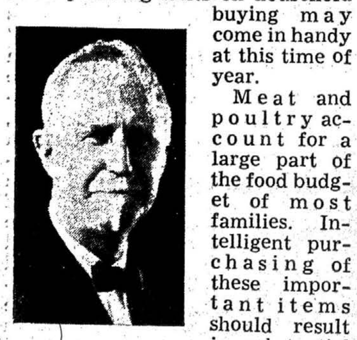
LOS ANGELES, Calif.—Eugene T. Reel is engaging in a securities business from offices at 6767½ Yucca Street under the firm name of E. T. Reel & Co.

When and What to Buy

By ROGER W. BABSON

Mr. Babson contends present is not time to stock-up on meats or poultry and housewives should wait until next fall. Says spring is best time to stock up on eggs and June or July best time to buy butter. Holds next January is best time to buy an automobile.

Knowing there are a number of American housewives who read this column, perhaps a few money-saving hints on household buying may come in handy at this time of year.


Roger W. Babson

Meat and poultry account for a large part of the food budget of most families. Intelligent purchasing of these important items should result in substantial cash savings during the course of a year. Especially should this be true if your family is the fortunate possessor of a deep freeze unit, since economical quantity buying is not feasible without adequate cold-storage space. I strongly recommend that you invest in a deep-freeze unit, if you do not already own one.

This is not the time to stock up on meat or even poultry. Normally, these should be on the bargain counter in the late fall or early winter, say November or December. Marketings of cattle, hogs, and poultry are seasonally heavy at that time; and this bunching of supplies should result in price concessions over retail counters. The best grades of heavy steer beef, however, usually do not come on the market in quantity until late winter or early spring.

Eggs and Dairy Products

The modern healthy hen can produce a surprising number of eggs during a year. But in March, April, and May she really settles down to business, with an output unequalled in size and quantity in any other three-month period. As a result of this pressure of supplies, egg prices usually are at their seasonal low point during the spring. Spring eggs also have excellent storage characteristics. Eggs, however, are now a purchase in many sections where laying has been a little late this year.

Prices of dairy products are rather closely related to the milk flow, which is at its seasonal peak around June. If you have storage facilities, June or July normally is the best time to buy butter, since the market at that time should reflect heavy production. There is a time lag in cheese, however; best buying opportunities appear to be in November, since good cheese must be well cured. Evaporated milk is likely to be less expensive in June or July, owing to seasonally heavy output.

Coal and Oils

Seasonal factors also play an important part as price determinants of both hard and liquid fuels. In normal times, it is the practice of the anthracite producers to cut prices in April, as an inducement to customers to fill their bins during the summer period of slack consumption. You should take advantage of these summer price cuts when available. You thereby will save money and also help to smooth out the industry's production curve. Heavy stocks and lack of demand often result in August or September price concessions on bituminous coal.

The petroleum industry is so vast and the interplay of price making factors is so intricate that it is extremely difficult to forecast very far in advance the best buying times for oil products. However, pressure of mounting refiners' stocks, low demand, and intensive competition frequently result in price cuts in **fuel oil and kerosene** during the summer months. Gasoline prices, however, will usually be lowest in December or January, when refiners' stocks are rising seasonally and total consumption is at relatively low levels.

Miscellaneous Suggestions

Here are the seasonally best buying times for a few other items: Try your luck on canned peas in June, canned corn in July, and canned tomatoes in August. Canned salmon usually is cheapest in September. Shop for bargains in dry beans in November and December, and lay in your supply of potatoes in the fall, when prices normally are at seasonal lows. Rice and flour usually are good buys in August or September, lard in December, and citrus fruits in January or early February.

Also do not neglect January "white sales," which usually offer real bargains in soft goods. Keep in mind the February furniture sales, the August fur sales and the clearance sales of summer goods. Remember, too, that nothing is a bargain if you cannot afford it or if it lacks quality! Just a thought to use when trading for an automobile: Tell the dealer that with one car today for every four people, a decline in auto prices may soon come. The previous saturation point came in 1940 when there was one car for about every five of population. My guess is that next January may be a good time to buy an automobile.

DIVIDEND NOTICES

DIVIDEND NOTICE

THE MINNEAPOLIS & ST. LOUIS RAILWAY COMPANY

The Board of Directors of this Company on June 19, 1950, authorized the payment of a dividend of Twenty-five (25¢) Cents per share on all shares of common stock outstanding as of the close of business July 6, 1950, such dividend to be payable July 17, 1950, to the holders of record of shares of said stock at the close of business on July 6, 1950.

By order of the Board of Directors.

JOHN J. O'BRIEN, Secretary

JOHN MORRELL & CO.

Morrell PRIDE MEATS

DIVIDEND NO. 84

A dividend of Twelve and One-Half Cents ($0.125) per share on the capital stock of John Morrell & Co. will be paid July 29, 1950, to stockholders of record July 7, 1950, as shown on the books of the Company.

Ottumwa, Iowa — George A. Morrell, V. P. & Treas.

WORLD-WIDE BANKING

Chase

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

DIVIDEND NOTICE

The Chase National Bank of the City of New York has declared a dividend of 40c per share on the 7,400,000 shares of the capital stock of the Bank, payable August 1, 1950 to holders of record at the close of business July 7, 1950.

The transfer books will not be closed in connection with the payment of this dividend.

A. J. EGGER
Vice President and Cashier

With Waddell & Reed

(Special to The Financial Chronicle)

INDIANAPOLIS, Ind.—Herbert S. Hessler, Elmer A. Wilson and James R. Arnold are now affiliated with Waddell & Reed, Inc., Merchants Bank Building.

Mathews Adds Three

(Special to The Financial Chronicle)

BOSTON, Mass. — Thomas J. Carroll, Edward E. Hills, and David S. McNamara have been added to the staff of Edward E. Mathews Co., 53 State Street.

With Merrill Lynch Co.

(Special to The Financial Chronicle)

MIAMI BEACH, Fla. — Irving Solomon has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Lincoln Building.

B. M. Quinn Corp.

(Special to The Financial Chronicle)

CRAWFORDSVILLE, Ind. — B. M. Quinn Corp. is engaging in a securities business from offices at 203½ East Main Street.

Skaife Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Edward R. Hanford has become affiliated with Skaife & Company, 110 Sutter Street.

Waddell & Reed Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Henry B. Geers has become connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Paul C. Rudolph Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — John L. Druhan, Jr., is now associated with Paul C. Rudolph & Company, 749 Market Street.

DIVIDEND NOTICES

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of fifty cents (50c) a share on the Capital Stock of the Company, payable July 24, 1950, to stockholders of record at the close of business July 7, 1950.

L. G. CLARK, *Treasurer*

June 21, 1950

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 171

A dividend of $.50 per share on the no par value Common Stock has been declared, payable July 29, 1950, to stockholders of record at the close of business on July 7, 1950.

Checks will be mailed.

BRUCE H. WALLACE, *Treasurer*

New York, June 28, 1950.

With Central Republic

(Special to The Financial Chronicle)

HIBBING, Minn.—Ted A. Nadeau has become associated with Central Republic Company. He was formerly local manager for Johnson-McKendrick Co., Inc. and prior thereto was with J. W. Goldsbury & Co.

With Shields & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Adolph P. H. Fetters has joined the staff of Shields & Company, 510 West Sixth Street. He was formerly with Shearson, Hammill & Co.

Investors Corp. Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—Philip A. Marangella has joined the staff of Investors Corporation of Florida, 111 Northeast Second Avenue.

DIVIDEND NOTICES

NATIONAL DISTILLERS PRODUCTS CORPORATION

NATIONAL DISTILLERS

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on August 1, 1950, to stockholders of record on July 11, 1950. The transfer books will not close.

THOS. A. CLARK
June 22, 1950. *Treasurer*

NEGEA

New England Gas and Electric Association

COMMON DIVIDEND NO. 13 and EXTRA DIVIDEND

The Trustees have declared the regular quarterly dividend of twenty-two and one-half cents (22½¢) per share, and an extra dividend of two and one-half cents (2½¢) per share, on the COMMON SHARES of the Association, both payable July 15, 1950 to shareholders of record at the close of business June 30, 1950.

H. C. MOORE, JR., *Treasurer*

June 22, 1950.

New York, N. Y.
June 21, 1950.

Philip Morris & Co. Ltd., Inc.

The regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, and the regular quarterly dividend of $0.975 per share on the Cumulative Preferred Stock, 3.90% Series, has been declared payable August 1, 1950 to holders of record at the close of business on July 17, 1950.

There has also been declared a regular quarterly dividend of $0.75 per share on the Common Stock of the Company ($5 Par), payable July 15, 1950 to holders of Common Stock of record at the close of business on June 29, 1950.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are, therefore, urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

With Waddell & Reed

ST. LOUIS, Mo. — William A. Deems has become associated with Waddel & Reed, Inc., 408 Olive St.

DIVIDEND NOTICES

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 138

The Board of Directors on June 14, 1950, declared a cash dividend for the second quarter of the year of 50 cents per share upon the Company's Common Capital Stock. This dividend will be paid by check on July 15, 1950, to common stockholders of record at the close of business on June 30, 1950. The Transfer Books will not be closed.

E. J. Beckett, Treasurer

San Francisco, California

The Weatherhead Company

At a meeting of the Board of Directors of The Weatherhead Company, held June 26, 1950, a dividend of $1.25 per share was declared upon the $5.00 Cumulative Preferred Stock of the Company, payable July 14, 1950 to the holders of such stock at the close of business on July 3, 1950.

MORRIS H. WRIGHT
Vice President & Treasurer

June 26, 1950
Cleveland, Ohio

SIRCO

SOUTHERN STATES Iron Roofing Company

SAVANNAH, GEORGIA

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Dividend on Preferred Stock

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A quarterly dividend of thirty-one and one-quarter cents (31.25c) per share on the Preferred Stock of this company has been declared, payable on July 1, 1950, to stockholders of record June 16, 1950.

Ross C. Allen
Secretary and Treasurer

RAYONIER INCORPORATED

PRODUCER OF HIGHLY PURIFIED WOOD CELLULOSE

SPECIAL and REGULAR DIVIDEND

The Board of Directors has declared a special dividend of twenty-five cents (25¢) per share on the Common Stock, and also the regular quarterly dividend of fifty cents (50¢) per share on the Common Stock, each payable August 15, 1950 to stockholders of record at the close of business July 28, 1950.

EDWARD BARTSCH
President

June 20, 1950

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—It is still a long way between now and final enactment of a tax bill which will hike the Federal corporation income tax rate to 41% and at the same time will seek to drive a tax wedge between "little" and "big" corporations for present and future political advantage.

It is such a long time between now and enactment of such a proposition that a number of people are privately betting that the chances of its happening are poorer than the chances of its not happening.

Mr. Truman seemed to have won a smart political victory by pulling out of the House Committee the kind of a tax bill he wanted. That was a bill which would saddle upon business most of the burden of offsetting excise tax reductions. Mr. Truman called his chief legislative lieutenants to the White House.

These lieutenants went back on the Hill and by dint of pressure and a little deal or so, got the Ways and Means Committee to boost taxes by some $700,000,000 on all corporations earning more than $167,000 per year.

This looked like a wonderful victory. Negatively, excise tax cuts were salvaged, at least as far as House prospects were concerned. Negatively, the President was seemingly taken out of the box where he would have to veto a popular tax cut because it did not boost enough the taxes on the voteless corporations.

Positively, there was set up a clear line of demarcation between "little" and "big" corporations which could be used to divide and conquer the business front against superultramatic spending. Positively, the whole thing put the Republicans in an awful spot because they couldn't take the position of opposing excise tax cuts and supporting voteless corporations—incidentally a concept regarded here neither as a wisecrack or something bright and cynical, but a matter of fact, work-a-day political reality.

So with the approaching House vote, the Administration boys were plenty smug. Harry fixed the thing up, by gum, and he didn't have to wait for the thing to go over to the Senate for the Senate Democratic boys to patch it up if there were to be a tax bill or the Big Chief wouldn't have to veto it.

How smart the Administration's lieutenants were in the House, is something which will bear a little watching, however. Sure, the conservative Senators are not quite as much worried as they were during the first few months of the year, when there were still memories of the "inventory readjustment" of 1949, that higher business taxes might precipitate a decline in business volume.

Nonetheless, the Senators do not want to increase taxes on business on general principle and they do not share Mr. Truman's belief that it is a political asset to boost taxes on business as the price of an excise tax cut.

Any thoughts they entertained in the past of working up a "stripped down" excise tax cut of about $750 million and trying to sell this, minus any corporation tax increases, have now vanished. The boys are particularly irked that Mr. Truman intervened to try to thrust down the Senate Finance Committee throats, as it were, a business hike tax by getting it an accomplished fact in the House.

The Chairman of the Finance Committee is, of course, Senator Walter F. George (D., Ga.), who opposes increased taxes on corporations. Tom Connally of Texas is the next ranking Democrat. He is far from pleased with what Mr. Truman did to the natural gas bill and the tidelands oil issues, although as Chairman of Foreign Relations he must fight the battles for ECA and the Military Aid Plan.

Senator Harry F. Byrd of Virginia is the third Democrat on the Finance Committee. Besides advocating economy as the means of making possible a tax cut, Mr. Byrd was recently kicked in the political teeth by Mr. Truman in the attempted appointment of Martin A. Hutchinson of Richmond, anti-Byrd Democrat, to the Federal Trade Commission.

Scott Lucas of Illinois, the party's Senate Leader, is another member, also frequently repudiated by Mr. Truman prior to his tough election contest, on the basing point and natural gas issues, particularly.

Senator Robert S. Kerr of Oklahoma is another Democratic member of the Committee. Senator Kerr's natural gas bill was vetoed after a left-wing campaign to set up Kerr as the vicious oil millionaire who was fathering a bill to raise gas prices to poor and cold gas consumers.

Finally, there is Senator Ed Johnson of Colorado, who looked upon the basing point bill as the most important legislation in all the session from the standpoint of Colorado, for he fears the beet sugar refining industry of his state will fall apart without the express legalizing of freight absorption. Mr. Truman vetoed the basing point bill.

There are on the Finance Committee six Republicans, all of whom may be expected to work covertly also, if not openly, against tax boosts on business.

Mr. Truman might be able to count upon the vote of Senator Clyde R. Hoey of North Carolina, but this is probably his only likely vote.

BUSINESS BUZZ

"I think Van Mewmore is getting ready to object to your proposal, C. J.!"

From now on the experienced Senators on the Finance Committee may be able to remind the President both that the Senate also can be sometimes stubborn, and that it also knows a few little political tricks. One thing they can do is to delay the bill until, even if passed by the Senate, it cannot get through conference in time before a later-selected adjournment date. The Senate also has been known to tack on "riders" obnoxious to the Administration, such as restoration, for example, of the "peril point" provision of the Reciprocal Trade Agreements Act.

There has not yet been even a beginning of thought on strategy. However, it is a better bet that corporation income taxes will not be increased than that they will, even if the excise tax cuts have to go by the board, or so, report privately some of the more seasoned minds.

* * *

Add to the list of those rare officials who are not afraid to speak out, Harvey J. Gunderson, a director of the RFC. Mr. Gunderson appeared before the Senate Banking Committee in the hearing on the Administration's "Small Business" bill to provide small business loan insurance, a whole new system of investment banking companies under the wing of the Federal Reserve System, and a broadening of RFC lending powers.

Mr. Gunderson read a prepared statement submitted officially by the RFC directorate. This prepared statement was brief, and it dodged most of the issues and evaded answering significant questions.

Mr. Gunderson personally, however, and he emphasized he was expressing his personal views, emphasized that the overwhelmingly important problem for small business was tax relief. This he has also said before in open hearings, but he went further and said that the very high tax laws are driving small businesses out of the private banking system and into the RFC.

If business had a fast amortization period, it could find that most of its loans were bankable, he said. The banks, by and large, go about as far as they possibly can in making loans to small business consistent with their job of protecting their depositors and the limitations placed upon them by supervisory agencies.

RFC, Mr. Gunderson further declared with amazing candor, was able to make a "profit" because it didn't have to pay corporation income taxes, but only 1⅞ths to 2% interest on its Treasury money.

Finally, Mr. Gunderson bluntly said, most small business loans under $75,000 cannot be made except at a loss, and if RFC had not been making big loans, plus obtaining receipts from the "Fanny May" mortgage market, it would not be making a profit. The bill's more liberal terms, he added for good measure, would necessitate a rise in the interest rate on business loans.

If, say, a five-year tax amortization period were enacted for new businesses, there would be no need for any of the pending legislation and, Mr. Gunderson indicated but did not quite say, probably very little need for RFC loans to business.

Mr. Gunderson's term as a director of RFC expires June 30. He clearly tempts the White House to drop him from the Board by expressing what the Committee members obviously took as his honest opinion.

* * *

WASHINGTON, a line at a time: The Senate Banking Committee is stalling on the "Small Business" bill, is making no haste to finish hearings and report the bill. The FDIC assessment credit bill probably will be reported out soon, maybe by this week-end, from House Committee. The Administration still hopes to get foreign investment going at the rate of $1 to $2 billion by 1953, to take up the slack after the Marshall Plan expires. Then except for aid to such countries as Austria, "foreign aid" will accrue to Europe indirectly from selling its own goods for U. S. dollars for capital investment in backward areas. **The Council of Economic Advisers is now 3-to-0 in favor of "soft credit" and opposed to subordinating debt management policy to inflation prevention.** Even economy-minded Senators are saying that the Taber-Jensen amendments to the House omnibus appropriations bill are unworkable and that if economy is achieved a new scheme will have to be found. That will be difficult, they say.

(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.)