As We See It

“Our chief problem now,” says the President, “is to increase defense production, in an economy already running close to capacity, without bringing on inflation.” The Chief Executive then added somewhat cryptically that “our aim should be to check inflation at its source.”

If we may be permitted to do so, we should like to rephrase the President’s statement to read something like this: Our chief problem now is how to increase defense production as required in a situation which is already boiling as a result of the inflation of the New Deal and of World War II, and yet avoid catastrophic economic explosions.

This is indeed a problem, a problem which would tax the best ability in the land. It is a problem, moreover, the nature of which is still not understood by the powers that be, as is clearly indicated by steps so far taken and so far proposed by the Administration. The beginning of wisdom in this matter is a realization that the difficulties now faced, inevitably great enough in any event, have been immensely swollen by policies of the past decade or two, particularly during World War II. That this elementary fact is not understood in Washington may be clearly seen from the fact that we are proceeding with plans for making the identical blunders again. And it must be said that even those who appear to be opposing the Administration from time to time often reveal no more understanding.

Natural Forces Ignored

Generally speaking, it is, we believe, fair to assert that the Administration is, as heretofore, intent upon ignoring natural forces. It chooses

Auto and Accessory Industry Securities

By ARTHUR W. WARDE*

Merrill Lynch, Pierce, Fenner & Beane, Members of New York Stock Exchange

Specialist in auto securities reviews growth of industry and its progress through war and peace. Points out growth of automobile industry has been characterized by fluctuations and instability, leading to concentration of production into fewer and stronger concerns. Looks for continued growth of auto demand, due to shifting and increasing population, combined with rising incomes. Ascribes favorable auto earnings to favorable situation and vulnerability of auto shares to fear of lower profits.

In approaching this subject, it is felt that a few highlights of the past 30 or 35 years should be emphasized, in order to show how far the industry has come in that period.

It was a small industry until after the First World War. Production in 1914 was 573,000 cars and trucks, which had a wholesale value of about $403 million. In 1941, just before we entered World War II, output exceeded 4,800,000 units which had a value of $23.6 billion.

These figures may be compared with the 1949 volume which established a new all-time high at that point. Last year, there were about 6.5 million cars and trucks built, valued at about $9.3 billion.

One other reference to World War I and then we can leave that in the past. In 1914, this country had fewer than 1,800,000 vehicles registered. At the end of 1941, there were 34 million cars and trucks in registration.

Continued on page 20

Inflation—And the Price-Earnings Ratio of Equities

By ALLEN M. BERNSTEIN

President, Bernstein-Macaalay, Inc., Investment Counsel

Economist maintains historically inflation has never been bullish influence on stock prices, and indeed they have been governed by actual and prospective earnings. Concludes, in absence of complete change in mass psychology, future inflation will be fully offset by stock market by increased taxes and contracting profits.

The Korean situation and all its ramifications make it obvious that no longer are we to be a free nation engaged, without restraint, in improving our standard of living and unhampered in the pursuit of happiness—but a nation that will more and more be dominated by the military with all the restrictions and complications inherent in a military state.

Necessary and essential as such a condition may be, we must realize that the move in progress becomes the military, the less important become the civilian population. The more involved the international situation becomes the more stringent will become the restrictions.

We shall, we hope, still—through the ballot—have the privilege of choosing our executives and representatives in Congress, but we must know that there will be better Socialists functioning under the Democratic or Republican banners, or Democrats flying the Republican ensign. But if it is to be the latter, and the type of Republican administration will be the democracy of a Wilson or a Cleveland, our liberties and freedoms may be retained without too much government interference. If, however, we shall have a socialist form of government coupled with the influence of the military, we may well be on the way to duplicate either a Russian oligarchy or a German dictatorship. It has never been simple to retain individual freedoms when the military have become a dominant force in a nation. And thus our coming Congres—

Continued on page 19

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The Security I Like Best

A continuous forum in which, each week, a different group of experts in the financial field will give opinions on the country, participate and give their reasons for favoring a particular security. (The articles contained in this forum are not intended to be, nor are they to be regarded as, an offer to sell the securities discussed.)

Benjamin Goodney, partner, Tobey & Kirk, N. Y. C.

The Blaw-Knox Company is one of the few stock issues which will bear watching. Its stock isnow at approximately 15% and, based on the $1,417,000 dividend of the first quarter, the dividend is the highest of any industrial stock in the market. Moreover, the company paid a dividend of 25 cents in the quarter of the past year. Therefore, I believe this is a company's p'ose of greater things to come. Here is a company which is national in character, and manufactures a variety of steel fabric used for the fabrication of all sorts of equipment. Besides the special types of machinery and steel alloy companies, this company's diversified types of purposes. Blaw-Knox furnishes the steel, nonferrous, road building, engineering, construction, railroad, chemical, oil refinery, food and general process industries in fabricated steel and steel alloy divisions.

Blaw-Knox operates through nine divisions, viz.: Blaw-Knox Company: Lewis Foundry and Machine Works; Equipment Division: National Alloy Steel: Pittsburgh Rolling Mills: Steel Castings: Chemical Plants: Blaw-Knox Sprinkler: and the Power Piping Division, divided by June 30, 1940, the company earned in each of the first three quarters of $1,201,230, or 92 cents a share, of which $1,121,900, or 85 cents a share, is based on results obtained from the operations in the second quarter. First quarter earnings, however, were affected by the coal and steel strikes. According to the company, products and services for the first six-month period (year amount were $25,452,923, made up of $11,257,000 in the first quarter and $14,202,923 in the second quarter. The above half-year figures benefit in the expansion of earnings, from $1,922,658, or $1.31 a share, and billings of $35.5 million, in the first half of 1940. Orders booked in the 1940 half-year amounted to $21,300,000, or 13,602,000, in excess of shipments and increased the company's unfilled order backlog from $29,700,000 at July 1, 1940, to $37,200,000 at June 30, 1940. In reporting the financial conditions of the Blaw-Knox Company, Mr. Witherow, assistant secretary and treasurer, said in the first half of 1940, which is no less than $12.00 a share and the ratio of current assets to current liabilities was 3.63:1 to 1 at that date. The book value net of the company's net assets, increased from $21.05 to $24.67 a share, as of June 30, 1940. Dividends of 25 cents a share were paid in March and June and another dividend of at least 25 cents a share, has been declared payable in the form of a stock dividend to holders of record on August 14.

The rehabilitation program of the company's principal divisions, which has been underway for the past two years, and will soon be completed, should be of material benefit in the expansion of the company's earnings. The management of the company is also optimistic about the company's future prospects. In the first quarter, the company's profits amounted to $1,417,000, or $1.75 per share, and the company's stock price has been increasing during the past year, as indicated by the company's stock price of 15% on July 1, 1940.

Raymond C. O'Donnell

Senior Partner, R. C. O'Donnell & Company

The security I like best is the American Metal Products Company. This company is one of the leaders in the field of the manufacture of metal products for the construction of industrial plants. The company's products are used in the construction of plants for the manufacture of steel, non-ferrous metals, and chemicals.

The company's earnings for the first half of 1940 amounted to $2,750,000, or $3.26 per share, and the company's stock price has been increasing during the past year. The company's stock price has been increasing during the past year, as indicated by the company's stock price of 30% on July 1, 1940.

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Regulating the Sale of Investment Company Shares

No need for SEC’s “Statement of Policy” on literature: and advertising products of investment company shares. Pre-existing powers of Commission adequate to prevent illegal exactions. Increased costs and diminished returns to p.blic seen as a risk. Fear of repetitious unsolicited representations of what the SEC has already done.

In the “Chronicel” of Aug. 17 (page 15) we published verbatim the “Statement of Policy” of the Securities and Exchange Commission, by the terms of which it seeks to regulate the contents of advertisements and literature used in the sale of investment company shares.

The SEC accompanied this Statement of Policy with its release No. 1003 which is a partial explanation of how it was prepared and will be enforced.

At the same time, the National Association of Securities Dealers sent to its members a communication, dated Aug. 14, 1950, which enclosed a copy of the SEC’s Statement of Policy and, among other things, agreed to review all advertising and sales literature used in the sale of investment company shares “as part of its practice of self-regulation.”

One thing that pleases us about the Statement of Policy and the other literature above referred to relating to it, is the frank declaration that it resulted from co-operation and conferences between representatives of the SEC and the NASD.

How we have tried on many occasions to invoke the inroads of the SEC’s “Statement of Policy” and the SEC itself without success. We set out to get the SEC out of the business (at least in so far as the recruitment of the SEC’s “Statement of Policy” is concerned) as the police officer out of the same pr. cent. and insisted that a clear declaration be made to the public of the conferences held and what took place at them. We always felt and still feel that matters should be kept out of those proceedings which would be open for public inspection. It will be recalled that we took that attitude on the $5 yardstick innovation. We were against the secrecy which characterized the interlocking joint activities among representatives of the SEC and the NASD and urged that these be made public, but to no avail.

This frank declaration of working together, therefore, comes as an agreeable surprise and we hope that it presages a practice which will be uniformly indulged in hereafter by the Commission and that the public will have access to minutes which will be made of conferences in which the representatives of the SEC and the NASD participate.

We have endeavored to get from issuers, underwriters, and dealers in investment company shares, a cross-section of opinion on the need for this newest Statement of Policy, the advisability of having issued it, and whether it will prove helpful to (a) the public, and (b) those selling investment company shares.

Of course, there is a wide divergence of opinion but wherever our representative went one thing was common to those whom he interviewed. Each characteristically felt that his name was not to be used and that he was not to be quoted. It was all to be “off the record.” Everywhere, there was apparent a fear complex, and one man of standing said that, if he spoke openly, both he and his company would be put out of business quickly.

Some literature has been used in the past to effect sales of investment company shares that one could take exception to, but such literature, or most of it, no doubt came about from eagerness rather than an attempt to mislead or deceive, and all of it could have been stopped on the basis of the existing powers of the SEC before its new Statement of Policy.

The broad powers given the Commission by the Securities Act of 1933, particularly Section 17 thereof, are for the protection of the investor and are intended to assure the public of the soundness of the investment company. It is for this reason that the SEC’s powers are not limited to the regulation of advertising by the companies, but extend to all matters relating to the operation of the companies, including the sources of funds used by them, the amount and the nature of the expenses, and the way in which the securities of the companies are sold.

THE “CHRONICLE” WILL BE THERE!

Throughout the Annual Convention of the National Security Traders Association, which will be held Sept. 26-30 at Virginia Beach, the “Chronicel” photographer will be very much in evidence. And the results of his endeavors will be one of the many features in the “Chronicel’s” Special Convention Issue.

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Bond Ratings

By EDMUND L. VOGELIS
Monday’s Investors Service

Though maintaining bond ratings should not be used as sole determinant of investment policy, and should not be accepted as perfect, Mr. Vogelis defines such ratings as more "judgments of gradations of highest quality." Taking investment trends, but should express "protec-
tive judgments" and aim to be constant, stable and unvarying, and thus reflect long-term risks. Rivals procedures in setting

As you know, the chief reason for the increased interest in recent years in bond ratings has been their use by certain government agencies in Washington in a manner that influences investment practices of the banking system.

The Banking Act of 1933 made it mandatory for the Comptroller of the Currency to issue regulations governing the investments of National Banks and of State Banks, which are members of the Federal Reserve System. In other words, the Comptroller was made to regulate as to what constituted an investment and what was not an investment, distinctively or predominately speculative.

Now, this was quite an undertaking, and the Comptroller obviously had no desire to put on an arbitrary yardstick to determine the investment grade of securities. Somebody had the idea, however, to light upon ratings as a suitable aid in this dilemma.

Subsequently, some one issued a rating in which he said that banks were prohibited from buying securities which are distinctly or predominately speculative, and went on to say that if the purchaser was in any doubt as to whether or not a bond was distinctly or predominately speculative, he could resolve such doubt by reference to the recognized rating manuals.

Federal Reserve Bank of St. Louis

The days of panic lie behind us. During the present unreasoned fears drove the market in a vacation of five days. The Dow Industrial Index is 149, down from 160, and in the eight points is due to a possible breakdown of the world’s financial system, that was predicted. However, the week brought a complete reorganization of the market. A desire to buy, or a point above the bottom of the preceding support range of the Dow has been kept inching up throughout both of these weeks.

The shakeout and its immediate recovery clearly demonstrate the strength of technical position. Since then, reactions have been small and short, and the Dow Industrial Index has risen to 219,23 at about 25% before the market moved forward being writing to the former. With the calmer and steadier industrial that was well above June 23, the Dow Industrials seem to un-the market price.

We can see that the market seems to be a trifle overbought, in many issues we have seen abrupt and considerable fluctuations. There may be someoufling which will cause the market to decline, but the rise has not been completed. However, this is no time for blindness or panic. Our previous statement that this upsurge is not going on forever. It is likely to top out in a range 233-226 in the Industrials, and under 60 in the Ra

By EDWARD W. STERN
Herfeld & Stern, Members, N. Y. Stock Exchange

Mr. Stern maintains stock market now is overbought, and warns against blind optimism. Advises careful piecemeal liquidation, and building up of cash reserves.

For example, many of the "war stocks" have been bid up to prices that reflect profits, which will be earned for a long time to come. In any wave of general liquidation, these will be the first to go.

Careful, careful, piecemeal liquidation and building up of uninvested cash is necessary, and the prime consideration, here, of all investors.

Wants U. S. to Buy More Crude Rubber

Nations that control, or have given up control of producing areas of the Far East, either by sale or lease, or sale the crude rubber to

By John L. Collver

The rubber industry, which is the world’s largest consumer of rubber of all types. Meanwhile, this industry is buying quantities of crude rubber from the United States.

Principal supplier of rubber to Russia has been, and continues to be Britain with rubber now being supplied to Britain from the United States.

"It is significant that nations that control the world’s crude rubber are either beneficiaries of the Marshall Plan or have received American aid through governments that are under American influence. These nations are standing with the United States in the activities of the United Nations in Korea and have pledged moral, if not always material assistance, to our nation, and our armed forces in this present war against communism.

Recent statistics on the distrib-
Snyder Explains Debt Mgt. Program

In a statement issued on Aug. 21, Secretary of the Treasury John W. Snyder summarized the Administration's continuation of the policy to maintain the current level of interest rates on Federal securities. In his statement, Secretary Snyder said: "Friday's action by the Secretary and October 29th to meet the extension of the ceilings on Series F and G bonds indicates that one more step in the debt management program which the Treasury has followed since the beginning of the current Executive reprogramming in the bond market is continuing. The Treasury has been able to maintain the average price received by producers during the period May 24 to June 24, whichever is higher."

---

Observations . . .

By A. WILFRED MAY

Democracy's Workings in Wartime

Of course the great flow of military orders, including orders of dictatorships, be they headed by a Stalin or a Hitler. But they constitute no valid excuse for de-emphasizing the politics-playing in a democracy such as ours.

This disastrous cancer of the otherwise healthy body politic, has been growing throughout the years, is now definitely harmful at times of war and inflation.

As is being again brought home to us, no single party has a monopoly on the seeking of selfish political advantage irrespective of its nation's interest. For we have just seen the Republicans, fasting on a war situation to gain greater political advantage, outdoing the planners in plumping for all-out controls. In their attempt to embarrass Mr. Truman by assuming the ludicrous position of claiming he and Keyserling's timidity, the Republican Congressional spokesmen demand all-out controls at this time surely are against the national interest, are wholly inconsistent, and obviously insincere.

The majority party also has fulfilled its political "responsibilities" in control legislation. In passing the Economic Mobilization Bill this week it saw to it that price ceilings set for farm commodities would not be lifted and that the average price received by producers during the period May 24 to June 24, whichever is higher.

Surprising, as it is significant, in the present political trafficking is the utter frankness of the President. Witness his recent pronouncement on the prospects for excess profits tax legislation wherein he frankly and cynically stated that the legislation would be passed only after the lawmakers-elect's-letters-jitters.

While this writer denies the wisdom of a so-called excess profits tax at any time, the ideological followers of Senator O'Mahoney et al., to be consistent, should believe it to be needed now rather than later, to save the Republic.

Priority of Democracy (With a Capital D)

Quite run-of-the-mill presumably was the action of Senator Neely in forcing a three-day postponement of the vote on the crucial Economic Mobilization Bill, because of a conflicting party rally in his home State. "The success of the Democratic party in the coming elections is more important to the United States and to the world in general than any other consideration," was the antithetical "states-and-territories" pronouncement of the senator from West Virginia.

Intensified Santa Claus-Iron

At the present time of the beginning of our all-out war on inflation, the various vagaries of the Santa Claus State become highlighted with particular vividness. The Government's per capita all-time continued price-raising activities through the Commodity Credit Corporation, such as it operates in butter and cotton, are ludicrously antithetical to our fundamental wartime aim of preserving some equilibrium on the economic front. The increasing evidence of a factual supplementation of the Santa Claus role, make it quite certain that this subsidy technique will be altogether unsuitable after the war.

More in line with the traditional "bi-partisanship" subsidization of special political interests was last week's announcement by the Senate Finance Committee of a bill to suspend the import duty on

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Continued on page 11
We Don’t Need an Excess Profits Tax!

By PETER GUY EVANS

LAWYER, Washington Public Trust

Formerly Acting Chairman of the Excess Profits Tax Council

The complicated and dynamic events of the Korean War and after have occasioned a number of changes in the American economy. Many observers have wondered not only for what reasons taxes might rise and how excess profits might be levied but also how the government might secure more revenue from these sources in order to finance its expenditures. The government has taken a number of steps in this direction, including the establishment of the Excess Profits Tax Council, which was formed in the summer of 1940 to advise the Treasury Department on the collection of an excess profits tax. The council was composed of experts in various fields, including economics, law, and accounting.

The council’s recommendations were based on a careful analysis of the issues involved, including the potential for revenue generation, the impact on the economy, and the fairness of the tax. The council’s work was supported by the Treasury Department and was carried out in close collaboration with the Department of Commerce and the Office of Price Administration.

The council’s recommendations were ultimately adopted by the government, and the Excess Profits Tax was implemented in 1941. The tax was a significant source of revenue for the government, helping to finance the war effort and provide for the nation’s economic recovery.

The council’s work serves as a reminder of the importance of careful analysis and thoughtful consideration in the development of policies and programs. It is also a testament to the value of collaboration and cooperation among experts in various fields.

From Washington Ahead of the News

By CARLISLE BARGER

Two elections coming up in what is used to be referred to as New England are attracting the attention of Washington politicians. In particular, there is concern about the impact of the elections on the business climate in the region and the potential for a change in the political direction of the state.

The elections are scheduled for November 2, 2022, and the outcome could have a significant impact on the future of New England. The state has a long history of political instability, with frequent changes in leadership and policy direction.

The current governor, a Democratic incumbent, is running for reelection against a Republican challenger. The state is also holding a special election for the U.S. Senate, with a Democratic incumbent running against a Republican challenger.

The outcome of these elections could have implications for the region’s economic growth, with the potential for changes in tax policy, education funding, and other key areas.

The elections are also attracting the attention of national politicians, with both parties aiming to mobilize their base and attract voters.

The primary challenge facing the candidates is to present a strong vision for the future of New England and to address the region’s economic challenges, including high unemployment rates and declining manufacturing.

In addition, the candidates will need to address the state’s fiscal challenges, including a budget deficit that has been growing in recent years.

The elections also come at a time of uncertainty in the global economy, with the potential for changes in trade policies and other international developments.

The outcome of these elections will be closely watched by national and regional observers, with the potential for significant implications for the region’s future.
Scale Buying
BY ROGER W. BABBON

Mr. Babson, pointing out hoarding by both businesses and consumers is foolish and breeds inflation, says there are no shortages and many important items are in excess supply. Lists coffee, cocoa, and sugar as important foodstuffs in light supply.

The day-to-day news from the fighting front in Korea does not always change the picture of what is happening there. But recent price rises in farm products and foodstuffs, along with little doubt about what is happening here, where heavy "scale buying" seems to be the order of the day. I suspect that the expression of this so-called "scale buying," which is just plain hoarding, is being used by businessmen who believe it will bring larger profits. Piling up huge reserves of items seems to be WWI World War II World War II. Such heavy buying has already resulted in price advances in some of which are 1 or 2 cents, but others no longer occur. It has also started a wave of consumer hoarding which, if it become too bad, will certainly hasten price controls and rationing. Such hoarding is foolish and is at the same time dangerous because it breeds inflation. This does no good we should not always war or not keep reasonable supplies on hand.

Few Real Shortages
We have learned a lot as a result of World War II and I hope we have learned that one of the most terrible things that could happen to us in or out of war time, is a war. Unfortunately, few civilian items are really in short supply today. Actually we have surplus supplies of many items. However, the quickness to which a country's goods and to invite disaster is not just limited to crop but is also a war-time disaster. Besides being unprofitable, many of these goods which were in shortest supply 1942 and during and after World War II may now become excess, as a result of the present conflict. Relief agencies of unreasonably overlarge stocks of these items which do become critically short, will almost certainly have to give up the surpluses they want to such levels to obtain. Also note that:

Here at Banon Park, our economists are continually studying the supply-demand relations in the principal foodstuffs and farm products. Month by month, we receive the clearest cut buying advice for each of these commodities. Thus I am always in close touch with developments in the important commodity markets. It is my opinion, based on this carefully gathered information, that most commodities are now in good current supply. Gradually, some of the weaker weaknesses in metals because we are dependent on foreign countries for foreign supplies. We do have very large amounts we want to keep our great industrial machine rolling in high gear. Certainly, foods are plentiful generally.

Cocoa and Coffee
Much of the "scale buying" of foods has centered on cocoa and coffee, and with some excuse. Both are in tight supply, but there should be no immediate

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**AMOUNTS, COUPON RATES, MATURITIES AND YIELDS OR PRICES**

<table>
<thead>
<tr>
<th>Amounts</th>
<th>Rates</th>
<th>Due</th>
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<th>Rates</th>
<th>Due</th>
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<tr>
<td>$117,000</td>
<td>1 1/2%</td>
<td>1952</td>
<td>1.00%</td>
<td>$168,000</td>
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<td>1963</td>
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<td>$118,000</td>
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<td>1.10%</td>
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<td>1958</td>
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<td>1959</td>
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<td>$195,000</td>
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<td>1970</td>
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<td>$163,000</td>
<td>1 1/2%</td>
<td>1961</td>
<td>1.65%</td>
<td>$200,000</td>
<td>1 1/2%</td>
<td>1971</td>
<td>2.15%</td>
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<tr>
<td>$166,000</td>
<td>1 1/2%</td>
<td>1962</td>
<td>1.70%</td>
<td>$205,000</td>
<td>1 1/2%</td>
<td>1972</td>
<td>2.20%</td>
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</table>

The above Bonds are offered subject to price change before or after appearance of this advertisement, for delivery when and as it issued and received by us and subject to approval by Messrs. Caldwell, Marshall, Trimbly and Mitchell, New York, N. Y., Bond Counsel for the Authority.

The National City Bank of New York
Halsey, Stuart & Co. Inc.
C. J. Devine & Co.

The First National Bank
of Portland, Oregon
The Philadelphia National Bank
R. H. Moulton & Company

Merrimac-Commerce Bank and Trust Company
C. F. Childs and Company
Hayden, Stone & Co.

W. H. Morton & Co.
Fidelity Union Trust Company
F. S. Smithers & Co.
Laird & Company

Andrews & Wells, Inc.
Robert Winthrop & Co.
Rand & Co.
Wheelock & Cummins
Courts & Co.

Ellis & Co.
Gordon Graves & Co., Inc.
R. H. Johnson & Company
Raffensperger, Hughes & Co.

Seagoing & Mayer
Subbacher, Granger & Co.
E. M. Newton & Company
Edw. Lowber Stokes Co.

August 23, 1950
Pure Oil Company and
Ocean Natural Gas

By W. ALFRED LEASON
Research Statistician, Shields & Company

Members New York Stock Exchange

Reader contends discoveries of natural gas in Gulf of Mexico make possible a development of offshore reserves and earning power for oil companies in region, one of which is Pure Oil Company. Says pending contracts for utilization of natural gas are expected to increase the value of several feet of natural gas in addition to large amounts of oil. Says Pure Oil Company's expansion and modernization program, with increased natural gas capacity, portrays higher earnings.

Though considered of medium size by oil standards in the United States, Pure Oil is one of the larger American businesses in the field. In 1950, the company reported $250 million in revenue from oil operations, operating income of $181 million. Its accelerated crude oil reserves are those of an established oil company and include the crude oil and produced gas reserves of the Pure Oil Company. The production of natural gas in the United States, as defined by the Federal Power Commission, includes the production of natural gas from the construction of a jointly owned and managed processing plant that is now coming into initial production, and the 31,500-acre East Texas, discovered in 1929 and still unproduced, is the largest reserve of natural gas in the United States. Production of natural gas in the United States is estimated at 20.3 billion cubic feet per day, which is 47 per cent of the total production of natural gas in the world, according to the American Gas Association. The production of oil in the United States is estimated at 4.1 billion barrels, or 64 per cent of the total production of oil in the world, according to the American Petroleum Institute.

Production

The oil business starts with undeveloped areas where the ship of proven reserves of oil and gas are considered a hedge against inflation. The United States has a large area of unexplored territory. The most recent geological discoveries show the existence of large quantities of oil in the Gulf of Mexico, which is now the major oil producing center of the United States. The production of natural gas in the United States is estimated at 20.3 billion cubic feet per day, which is 47 per cent of the total production of natural gas in the world, according to the American Gas Association. The production of oil in the United States is estimated at 4.1 billion barrels, or 64 per cent of the total production of oil in the world, according to the American Petroleum Institute.

Public utilities have estimated that the production of natural gas in the United States will increase by 1960 to 34.2 billion cubic feet per day, which is 73 per cent of the total production of natural gas in the world, according to the American Gas Association. The production of oil in the United States is estimated at 4.1 billion barrels, or 64 per cent of the total production of oil in the world, according to the American Petroleum Institute.

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Why I Oppose Another OPA

By ROBERT A. TAFT
U. S. Senator from Ohio

Republican party leader contends it is not the way to fix black market.

Should Congress authorize the President to establish another OPA to fix all prices and wages, and ration all commodities? I supported the Price Control Act at the beginning of the Second World War and served in the Food Administration during the first World War. In all-out war, such controls are necessary, for one reason because the government cannot possibly pay for the tremendous expenditures required out of current taxes. But I agree with President Truman that the present situation does not justify a completely controlled economy. The Controls Bill contains many necessary powers, among which the most essential and undisputed are those to control the expansion of credit. Government has always found it essential to control credit, even in time of peace, because unregulated expansion of credit has caused dangerous economic depressions since the days of John Law.

In my opinion, if the Government wants its way as it goes by balancing its budget and does not propose to expand, there will be no increase in prices. With a vigorous use of credit control policies, most of the recent price rise can be undone.

The Controls Bill also contains powers relating to the production of materials for the Armed Forces and to the stimulation of increased production. There is no dispute about the necessity of giving the Government every power to get the necessary materials now by our Armed Forces in Korea and elsewhere throughout the world.

But general price and wage control powers over the economy are a very different matter. They involve a complete abandonment of the free economic system under which this country has been built up. After a reasonable length of time, they interfere seriously with increased production. They are much harder on the small businessman than on the large businessman. It seems clear to me that they should not be adopted or even authorized until the time has come when they are absolutely necessary to prevent a runaway inflation.

In my opinion, the appropriations sought by President Truman up to this time, which propose a doubling of our expenditures on military forces, can be handled by increased taxes and restraint of credit. Most people seem to think that price control is an easy matter and all the Government has to do is to step in and order lower prices. But this is a complete delusion. We found in 1942 that we could not begin selective price control unless we were willing to extend it to practically every product purchased by consumers. Then we found that we could not fix prices unless we were also willing to fix wages.

All this is an infinitely complex operation, and there is no one in the world who knows enough to do it without serious mistakes. There are nearly a billion individual transactions a day, purchases and wage payments. OPA control undertakes to make a regulation applying to every one of these transactions. This involves a tremendous delayed operation with perhaps five hundred thousand employees and volunteers before the whole project is completed. It has to be handled arbitrarily, because the orders issued have to be effective immediately if they are to be effective at all, and so there is no appeal from injustice or inequality. During the World War, I had case after case brought to my attention where arbitrary rulings ruined patriotic citizens.

The system tends to produce tremendous shortages because if a price is a little too low, it increases demand and decreases supply. Under OPA, at different times there was no butter, no meat, no canned goods, no sheets, no white shirts, no shoes. Above all in the United States we face the danger of a complete breakdown of our economy. While war continues, a national morale breakdown which makes it possible to enforce controls. We hope that the Korean war may be brief. What we really face is a long period of preparation in which there will be little inclination to sacrifice.

After the Second World War ended, we had one black market after another. Corn and lumber and meat sold all over America at black market prices, if they could be bought at all. Eighty per cent of the meat was slaughtered on farms, or in small packing houses. At one time there was practically no lumber in responsible lumber yards. The American people don’t like to be regimented for long and the system inevitably leads to lawlessness and profiteering.

The position I have taken is in accord with that of the President’s economic advisers and also of the Federal Reserve Board.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of H. Gates Lloyd to Clarence W. Bartow will be considered on Aug. 31.

Transfer of the Exchange membership of H. Dorland Doyle to Morris David will be considered Aug. 31.

On Aug. 31 Sydney Lewinson, member of the Exchange, will retire from partnership in Lewinson & Sacken, and on Sept. 1 Joan S. Lewinson, general partner, will become a limited partner.

Big Strides Forward

There are now fifty-eight per cent more Bell telephones than in 1945. 12,500,000 have been added in the last five years. Billions of dollars have been spent for new telephone equipment of every kind. There are nearly 150,000 more Bell System employees.

Your telephone—every telephone—is a bigger part of your life today than ever before. The gains in the reach of the service as well as in quality and quantity.

Operator Toll Dialing—which enables the Long Distance operator to dial direct to telephones in distant cities—already means faster, better service on thousands of calls every day. In certain areas, customers themselves dial calls to nearby places.

Bell System networks, designed to carry Television as well as Long Distance, have been extended this year.

All of this growth and the size of the Bell System are proving of particular value right now. One reason this country can operate as well as it does is because it has the most and the best telephone service in the world.

BELL TELEPHONE SYSTEM
Men, Money and Marketing  
By EATON V. W. READ  
Dean, College of Business Administration, University of Bridgeport, Bridgeport, Conn.

Dr. Read traces historically the function and interrelationships of commerce, money and marketing in our modern economy and describes facilities of banks in various marketing processes. Urges banking officers and employees to increase their knowledge of other economic processes. Also describes work done by the American Institute of Banking.

One of the most famous quotations in history is the statement that "men are made, not born evil." Actually, St. Paul wrote it 2,000 years ago. "For we do not bring into the world a nature evil by nature; but we are begotten of the seed of men and women." 

Money — that is a generally recognized medium of exchange—is as essential to the modern economic life as are men and marketing processes. It is everywhere and in every title of the talk. It is of supreme importance for every billions-of-dollars economy such as ours operating without money. It could not work. It is the situation that banking officials confront daily. 

Money is an essential of human life. A man who cannot get food, clothing or shelter because he cannot get money to buy them is as helpless as a small child cannot move about itself unless its mother holds it. 

In the history of marketing we find the Phoenicians—the world's first traders—traveling by sail and carrying goods in their sails, with which they traded and made their money. The great sailors of the Nile, which soon became the chief commercial center of the world, dealt in linen, papyrus, flax, butts and indigo. They are the father of banking. 

In the history of marketing we find the Romans developing the "money economy," with the gold of Spain and the silver of Africa. It is generally agreed that they were in business for profit and that their home trade was for profit. 

Money, that is as essential to us as food and clothing, is needed and used for all the purposes of buying and selling. It is the universal language of business and is the universal medium of exchange. 

Marketing, one of the five hundred thousand and over businesses in the United States, is the link between the farmer, manufacturer and consumer. It represents the millions of dollars of goods and services which give our country the high physical standard of living in the world. It is the bloodstream through our entire economic system.

Money, marketing and banking are the greatest factors in our economic life.

Money is a living thing. It is a vital element in our economic life. It is the lifeblood of our economic system. It is the lifeblood of our marketing system. It is the lifeblood of our banking system.

Money is the source of all commerce. It is the source of all production. It is the source of all wealth. It is the source of all power. It is the source of all prestige.

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Financing Utility Expansion in Northwest

By JOSEPH E. MUCKLEY

Vice-President, Seattle-First National Bank

West Coast banker, noting possible advent of natural gas to that area, points out that credit standing of utilities is relatively high it will tend to deteriorate unless allowed more liberal credit terms, enabling equity owners of utilities' trend toward larger ratio of indebtedness in their capital structures, and calls for higher returns for stockholders.

Most of the time at these meetings, the money men discuss the various problems connected with the possible advent of natural gas to the Northwest, but this man from the Northwest, who has known the Northwest, believes that natural gas will not be a menace to Northwest investors, and believes that there will be an increase in the dividends and earnings over a period of time and concurrently be some appreciation in the value of their holdings.

Investment trusts and investment companies, who play an important part in directing capital into industry, regard growth as almost a fetish. Your industry has been properly popular in such circles. The record of growth in numbers of customers, output, and gross revenues has been steady and constant. However, the investor is primarily interested in growth in earnings, which are the ultimate determinants of success.

As a matter of fact, two of the largest utilities in the West are practically all of whom operate in a fiduciary capacity, watch with keen interest the environment in which their funds are invested and endeavor to control its progress and move rapidly at times, as their almost complete withdrawal from the field of railroad financing in the late twenties and the fact that they have never subsequently reentered it in any substantial fashion.

It is a matter of general knowledge, to those of you in the utility industry charged with the responsibility of arranging financing for your utilities, that in 1929 when AAA public utility bonds were selling at an average yield of 4.67%, the Central Pennsylvania Improvement 4%, of 1943 were rated AAA and sold above par. In 1933, when utility bonds were selling in the thirties at rates as low as 3 3/4% which rating incidentally perishes to this day is an example of credit deteriorating and many, many more can expect to find it in the past five years have had the responsibility of raising capital, the Pacific Coast to finance potable water projects. It won't be long before you find that this aspect of your business is going to have a far greater acceptance than you had ever anticipated.

Trend Toward Larger Bonded Indebtedness

In the five-year period from 1940 to 1945 new corporate utility bonds issued in the United States absorbed over $23 billion of investors' capital. Your industry had one of the greatest demands for such capital, taking some $8 billion of the total. It is most noteworthy in evidence that the total volume of utility credit that over $5 billion, of which was a portion, was made possible by the sale of debt securities and only $1 billion by the sale of equity securities. Furthermore the industry will need to that total of 80%. You are sufficiently aware of the fact that such is the structure of the utility industry to know that it runs approximately 60% debt and 50% equity, and that any continuation of the trend of the last several years will doubtless react adversely on your credit. I do not know, nor does anyone else, whether you will start to witness such a reaction when the utilities have had 0% or 40% of your capital structure.

The prospect of further deterioration is not too far from us. As the trade situation has been magnified, so has the risk in any industry, regardless of its record and background. As opposed to the relative stability of the United States Government itself, it is apparent that the utility industry enjoys a phenomenal credit rating. The prospects of further deterioration are distinctly negligible. It is much more likely that the risk factor in the utility industry is going to be relatively well favorably in the future.

Gentlemen, good credit is your greatest asset. In recent years it has come to be accepted as a matter of course in the utility industry, but it is most appropriate to caution you to exercise every effort to continue to maintain it.

It takes a much longer time to build such a reputation than it does to lose it. User's rates to 11.25% in 1941 was $2 billion, and $26.70 billion in 1949. As a matter of fact, two of the largest utilities in the West are practically all of whom operate in a fiduciary capacity, watch with keen interest in the environment in which their funds are invested, and endeavor to control its progress and move rapidly at times as their almost complete withdrawal from the field of railroad financing in the late twenties and the fact that they have never subsequently reentered it in any substantial fashion.

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Gentlemen, good credit is your greatest asset. In recent years it has come to be accepted as a matter of course in the utility industry, but it is most appropriate to caution you to exercise every effort to continue to maintain it.

It takes a much longer time to build such a reputation than it does to lose it. User's rates to 11.25% in 1941 was $2 billion, and $26.70 billion in 1949. As a matter of fact, two of the largest utilities in the West are practically all of whom operate in a fiduciary capacity, watch with keen interest in the environment in which their funds are invested, and endeavor to control its progress and move rapidly at times as their almost complete withdrawal from the field of railroad financing in the late twenties and the fact that they have never subsequently reentered it in any substantial fashion.

It is a matter of general knowledge, to those of you in the utility industry charged with the responsibility of arranging financing for your utilities, that in 1929 when AAA public utility bonds were selling at an average yield of 4.67%, the Central Pennsylvania Improvement 4%, of 1943 were rated AAA and sold above par. In 1933, when utility bonds were selling in the thirties at rates as low as 3 3/4% which rating incidentally perishes to this day is an example of credit deteriorating and many, many more can expect to find it in the past five years have had the responsibility of raising capital, the Pacific Coast to finance potable water projects. It won't be long before you find that this aspect of your business is going to have a far greater acceptance than you had ever anticipated.
M. J. Meehan to Admit
George S. McNamee will ac-
quire the New York Stock Ex-
change membership of Samuel K. 
Marrs on Aug. 31 and be ad-
mitted to partnership in M. J. 
Meehan & Co., 33 Broad Stree-
t, New York City, members of 
the New York and Midwest Stock 
Exchange.

NATIONAL INCOME SERIES

Prospects upon request from 
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135 BROADWAY, NEW YORK 5, N. Y.

INVESTORS SELECTIVE FUND

Dividend Notice
The Board of Directors of Investors Selective Fund has declared a semi-
annual dividend of nine cents per share payable on Sept. 21, 1938, in accordance 
with the act of Aug. 20, 1932.

Michael H. B. Houghton,
Principal Underwriter and 
Investment Advisory Service

2000 LOCUST ST.
PHILADELPHIA 2, PA.

Keystone Custodian Funds

Coordinators of Participation in 
INVESTMENT FUNDS 
investing their capital

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(Series X-I-X)

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(Series S-I-S-S-I)

Properties may be obtained from

The Keystone Company
of Boston
50 Congress Street
Boston 9, Massachusetts

ATTENTION
Bond Investors!

Write to your local investment 
dealer or to Hugh W. Long 
and Company, Inc., 4 Wall St., New York, N. Y., for the offi-
cial prospectus and other de-
scriptive material about

Lord, Abbott & Co.
Investment Managers

LORD, ABBOTT & CO.
New York - Chicago - Atlanta - Los Angeles

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LORD, ABBOTT & CO.
New York - Chicago - Atlanta - Los Angeles

The Commercial and Financial Chronicle... Thursday, August 24, 1939

Funds Losses Heavy on 
"Obsolete" Sales Material 

The number of opportunity out-
hundred thousand dollars in mu-
tual and sales material, made 
ouster by the Securities and 
Exchange Commission's Policy 
Statement as reported in "The 
Chronicle" in a spot check of 
multiple issuers and distri-
butors.

Individual inventory losses of 
as high as $100,000 in thirty 
dollars in funds' promotional ma-
tial. The exchange commission's 
statement to "The Chronicle" by 
sponsors and distrib-
utors stated under what 
is considered an unnecessarily short 
time in which to distribute 
"obsolete" sales material in in-
ventory and in which to prepare 
new sales orders.

In some cases, the necessary 
changes were insufficient and 
these funds were disgraced 
seizing thousands of pa-
parents because "two 
are not enough" which didn't 
violating the spirit of the new 
statement, but only a literal 
adherence. An example of this is 
the necessity by 
by the Securities 
Association, "dollar 
averaging" to "dollar cost aver-
gaging." 

Although the Securities and 
Exchange Commission's Statement of 
Policy was dated Aug. 7, 1938, Number 1033 mention no specific date of 
endangerment, the key phrase "it 
will be materially misleading 
hereafter" appears in the 
Policy Statement. (Editor's note: 
The full Statement of Policy is 
used by the Securities and Ex-
change Commission was carried 
in "The Chronicle" of Aug. 17, 
page 15.)

However, the industry is reting 
the burden of a letter sent to 
members by the National Asso-
ciation of Securities Dealers, Inc., 
Aug. 14, which states, "The 
use of advertising and sales liter-
are not affected by the 
early date of the statement, but 
there which normally carry a 
three-to-four months interval 
vent will experience a sub-
stantial loss. They are partic-
ularly distressing in view of the 
weeks in which they must pre-
paring contracts to dealers 
our new sales pieces which 
will conformed to the new SEC pol-
icy. Since inventories will have to 
be reordered, the cost is 
be about double the original 
loss, in order to 
the status quo, one 
informative. On this 
condition, the 
investors may be 
alyzed adequately to two hun-
red thousand dollars.

National Securities Annual 
Report Anticipated SEC

National Securities and Research 
Corp., which, in its annual report 
for the fiscal year ending April 30, 
1938, anticipated much of the 
full discussion, in the Aug. 11 SEC Statement of Policy, 
has notified dealers that it is re-
voking all of its marketing literature 
with necessary revisions to be 
completed no later than Oct. 1, 1938.

National's Industry Groups, par-
icularly the Wholesale Aviation 
and Railroad Equipment Shares 
are reported to have outlooks 
worthwhile in view of the 
"special industry situations" 
created by the Korean crisis.

Wellington Fund Releases 
Retirement Plan Booklet

Wellington Fund has just re-
leased to dealers a new booklet, 
"The Mutual Fund Buyer's Edi-
torial." Wellington points out 
that this is the first time that 
with "new and repeat business" 
possibilities for dealers, notes 
that amongst them, there are 
3,000 companies today which 
noted retirement plans, 
which was prepared by the 
Treasury Department. 
over seven million em-
ployees, are now covered. Wel-
lington reports, and five 
are expected to be 
the next three years. Retirement plans 
now total about five billion 
dollars, with current contributions 
be made at the rate of $1.2 bil-
dion dollars annually.

Dealers were informed that 
they need only working knowledge 
of retirement plan in order 
statement to program to manu-
ufacturers and plan costs. When 
computed in detail, require 
the company's actuary to 
the Wellington Fund has prepared 
its own special, monthly, which 
the basic principles of re-

capitalization.

The Fund feels confident that 
the material it can supply is 
entirely sufficient for Federal 
dealers who wish to help an 
em-
ployee to 
up an individual program 
for his retirement fund.

The advantages of mutual 
Funds were strongly underscored 
because of their flexibility. 
Mutual Funds were strongly 
peculiarly useful in profit-
sharing plans where no fixed benefits 
are specified for the worker.

Qualified retirement plans are 
now being used by Federal 
agencies and those plans may 
not be adequate in public service 
will provide benefits of $10,000 to 
employees at the age of 
65.

Putnam Fund Advises 
Dealers on Sales Material

Putnam Fund, in a letter to its 
selling group, underscored the 
NAD regulatory scrutiny on the 
rental sales material which may 
be violative under the recent SEC 
Policy Statement, and then com-
mented: "We assure you that 
can check the Putnam 
Fund material until Oct. 1 
without running any risk, 
although some dealers may 
be inclined to avoid any possible 
question of a connection by con-
firming themselves for the time being to the 
official Prospectus." 

Putnam Fund reported that it 
was practicing as quickly as pos-
ible with the new rental sales material.

Axe Securities Makes 
Distribution Changes

Axe Securities Corp. has 
announced three major changes 
in the distribution of its 
management companies managed by E. W. Axe 
and Company, Inc. in order to make 
mutual funds more useful and 
affordable to both large and small 
investors.

To meet the problem of larger 
orders, institutions, pension 

& Savings Association, of 
San Francisco, West Coast transfer 
agent for the Axe-Houghton Funds, 
with the Axe-Houghton plan, 
City Bank Farme's Trust 
Manager of the Axe-Houghton Funds.

United Funds Files 
United Funds, Inc. Kansas City, 
Mo., on Aug. 15 files a registra-
tion statement with the Securities 
and Exchange Commission cov-
erning $50,000,000 of periodic 
investment plans to acquire United 
American Fund Series, 100,- 
000 United Science Fund shares 
the $25,000,000 accumulative 
Fund shares to be offered at 
principal amount for the 
and at market for the shares, through 
Waddell & Reed, Inc. The pro-
ceeds will be used for invest-
ment.

Quinby Plan Effective

For the Pont Stock 
Registration of the Quinby Plan 
for accumulation of common stock 
E. l. du Pont de Nemours & 
Co. became effective on Aug. 17, 
it was announced by H. Dean 
Quinby, Jr., President of Quinby 
& Co., Inc., of Rochester, N. Y.

This Plan will be almost iden-
tical with the Quinby Plan 
for accumulation of common stock 
pany which was 
originated by Mr. Quinby in 1938 
and which has earned nearly 
2,000 men and women of every 
and income group to accu-
mulate more than 40,000 shares 
KODAK.

175TH ANNIVERSARY YEAR

A HISTORIC INVESTMENT COMPANY 
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Lord, Abbott & Co.

Investment Managers

A Diversified Investment Company

Prospectus may be obtained from your local investment dealer or The Parker Corporation, 
200 Berkeley St., Boston, Mass.
The Look Ahead for Government Securities

By ROBERT VANCE LAYEY
A stagant Vice-President, C. F. Childs and Company

In the price trend in Federal Government finance, as affor- dable, the economic situation of the nation, the financial condition of governmental institutions, and the nature of recent inflationary conditions. Although the Federal Government is faced with a large national debt, it will be able to attract funds to finance its operations. The Federal Reserve System has taken steps to prevent further inflation, and the Treasury Department has been active in reducing the national debt. The outlook for the future is generally optimistic, although there may be some temporary setbacks.

Prospective Tax Rises And the Utilities

By B. S. RODEY, JR.
Manager Dept., Consolidated Edison Company

The tax expert of leading utility company emphasizes greater importance of future excess profits tax than rasing of flat corporation tax rate. Citing increased utilities accumulating earnings for expansion which ts demanded by national action, Mr. Rodey warns over excessive profits tax will seriously jeopardize their ability to attract additional capital and to build new facilities. Maintains last ex- cess profit law reduced earnings below fair return as set by regu-

L°ns.

You, of course, want to know as every utility financial man wants to know at this time, what the impact of additional taxes will be on your rate base. There are two basic types of additional Federal taxes that may be levied on the utilities of which the earnings of particular companies whose securi- ties are sold on the New York Stock Exchange, are to be in- cluded. In other words, you want the best method to evaluate your situation.

S. R. Rodey, Jr.

Mr. Rodey's paper is continued on page 24.

For the Average Earnings Method.

Under the Average Earnings method the excess profits are calculated on the average earnings of the period for which the excess profits tax is to be levied. The excess profits tax rate is then applied to the average earnings to determine the tax liability. This method is simple and easy to apply, but it may not give a true reflection of the utility's financial position. The Average Earnings Method is continued on page 24.
Korean War: A Small Down Payment on Tragic Mistakes

BY HON. JOSEPH W. MARTIN, JR.
4-S, Chairman, House Banking Committee

Republican House Leader, scoring tragic mistakes of Tehran, Yalta and Potemkin, have permitted, through stupidity, a huge colossal to threaten our national life, condemn Administration for unpardonable mistakes. Says people are fed up with such incredible bungling, and pledges Republican party support to our forces in Korea and Formosa. Says present Administration can’t achieve peace.

I come to speak briefly upon some of the mistakes, if not errors of judgment, from our front on our nation. That we are in a most precarious position is a fact which is too well known who knows anything about freedom. Frankly, we are faced with a danger that freedom of our nation, of our position in the American people and in the world may be lost. Never before has America been in such a state. Never before has he been so lacking as at the present time to dominate our government. I am speaking of the woman, child or woman in this country plan intelligently for the future? Have they下手 to the wall of independence. They ask, can we plan a college career? Can we send our children to college? They feel they can make a place for themselves somewhere along the way. They have spoken to many businessmen who are unable to determine whether or not they should expand their business and provide more employment opportunities. Colleges are uncertain as to their future. Some in Congress are asking whether or not they will be sufficient. The young men are unable to finance whether they can have a job or must carry a gun. We are — I repent — humiliated.

This, just five years after being a decisive factor in winning the world’s greatest war.

People have right to ask: "How come?" How did we get to this position of weakness? Why are we not a right—yes, a solemn duty— to get free from all events which have transpired.

Today we are engaged in a little World War II action—in Southern Korea. Now, a nation with all the power and might of the United States cannot fear this little puppet nation of imperial Russia.

No, our future is imperiled because of Korea, not because of the intentions of Soviet Russia—the nation our government so warmly embraced 15 years ago. The nation we saved from destruction when Hitler was on the outskirts of Moscow; the nation we appeased with a doctrine of the Balkans and Berlin, Ukraine, Poland and the Soviet Union the dominion power of which would be favored by allowing them to enter into the war. Just this past week; the nation we gave Manchuria, Port Arthur, China, Outer Mongolia, the Kuriilles and Sakhalin.

Our National Life Threatened

Yes, the United Nations is threatened by the nation we permitted to become the huge colossal of today.

We are now making a small down payment on tragic mistakes of Tehran, Yalta, and Potemkin.
It is possible that we are now at the threshold of a new phase of foreign exchange procedure. For this reason the conclusions to be drawn from the coming annual meeting in Paris of the International Monetary Fund are likely to be just as momentous as those of the year that put the seal of approval on the current system of currency devaluations. On this occasion, however, it is likely that any adjustments decided will be in the nature of the appreciation or depreciation of a pair of currencies vis-a-vis the U.S. dollar.

Organize to Expand Trade with Haiti

Frederick E. Hasler, New York banker, assumes presidency of group of economic interests formed to promote Haitian-American trade

Announcement of the organization of the Haitian-American Trade Assn. by its remembered representatives of leading business and men who have been folding the idea and have met here in New York to form this organization, was made by Frederick E. Hasler, New York banker, who has been President, and was followed by Mr. A. C. MacKay Proctor, and B. B. Small, of The Texas Co., who were the other business men with E. Grant, of Grant & Hamm, rep. for Arkansas. The position which they believe in, that, unlike the situation which they were out to for the World War I, the role of the American in the world is comparable to that of this country during a previous period, and they believe in the establishment of a similar body of opinion behind which a national major party can be a major party which is comparable to that of this country during a previous period.

No Need for Direct Price Controls Now!

Harry A. Bullis, Chairman of General Mills, tells stockholders, although some allocations and priorities have been made in present situation, general and direct price controls would simply "bottle up" inflation temporarily. Says cost of Korean crisis could be offset by government action

Addressing the annual stockholders' meeting of General Mills, Inc., at Minneapolis, Del., on August 22, Harry A. Bullis, Chairman of the Board, declared for present period the cost of the Korean crisis upon the food industry of this country has already reached a consumption level of an upward movement of food costs. The accompanying increase in some lines of basic food products, Mr. Bullis told the stockholders. "Apparently there have been similar driving forces... which have amputated certain items from the American table," and will continue to remain high. The basic foodstuffs are also strong but the prices do not appear to remain in the doldrums. We are producing extraordinarily large quantities of goods, but... inflationary pressures are not being taken up by the purchasing power of the people. The prices are being drained away. If that purchasing power is diverted at once, as it should be, to pay for the military requirements, the pressure will be relieved of the need of controls and rationing. Consumer purchasing will decline and so will prices until balanced for the money available to purchase the goods and services available to consumers.

"The government should take several steps to halt inflation before resorting to controlled prices and rations..." Inflationary pressures are being drained away. If that purchasing power is diverted at once, as it should be, to pay for the military requirements, the pressure will be relieved of the need of controls and rationing. Consumer purchasing will decline and so will prices until balanced for the money available to purchase the goods and services available to consumers.

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SECURITY TRADERS ASSOCIATION OF NEW YORK

All indications point to a Gala Summer Outing and Dinner as the main item of the Annual picnic committee, under the general guid-
ance of Charles O'Brien Murphy III, Merrill Lynch, Pierce, Fenner & Revsine, in preparation for the Annual Picnic to be held at Travers Island on Friday, Sept. 8, 1950.

A record turn-out is expected as reservations pour in, thus making our club larger than it ever has been. This year the Nominating Committee is preparing for a bold and successful speaker's night.

A neutral location has been selected for the dinner. The committee is grateful to Mr. William H. A. Vennard, President, for his hospitality and assistance in the analysis of the party's facilities.

The Annual Golf Tournament between the Philadelphia gaggle and the New York gaggle, for the coveted STANLEY TROPHY, was inaugurated last year by D. Raymond Kenney, D. Raymond Ken-
ney & Co., and his committee, in the capable hands of J. Addison Donnelly, Reynolds & Co., and Lawrence Wren, Allen & Co., and promises to be as hard-fought match.

Horse-shoe pitching, the source of last year's success, is again under the supervision of that old reliable Hoosier Horse Shoe, Harry Casper, John J. O'Kane, Jr., assisted by W. D. O'Connor, Fitzgerald & Co.

"Another popular event, the Annual Soft Ball Game, which is planned to be in reality a testimonial in behalf of everyone in attendance who can walk or trot, will be in the hands of the committee and is expected to be a success.

Reservations should be mailed to Charles O'B. Murphy III, Chairman, Suite 801, 41 Broad Street, New York 4, N. Y. The price? Eight dollars, and time payments can be arranged.

North Korean Economy Seen Incapable of Waging Modern War Without Outside Help

From the sketchy evidence available, it can be safely assumed that the North Korean forces, lacking the most elementary equipment, are not prepared to carry on a war of attrition. The Korean Army, in fact, has not even the minimum equipment necessary to engage in modern warfare. The situation is so serious that the North Korean regime has been unable to engage in a sustained offensive against the South.

Early F. Mitchell

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Early F. Mitchell
How Europe Views Dollar Situation

COMMENTING on renewed speculation in Europe regarding possible devaluation of the dollar, Dr. Eicheng writes to Korean contacts and resulting rise in gold premiums, forscage change in U.S. foreign policy, payments arout of ararmament grarn but this will not lead to policy of devaluation, and thus, a possibility of devaluation is extremely unlikely.

LONDON, Eng.—For the second time within a little over 12 months, the policy of devaluation of the dollar is being discussed in Europe, this time in the context of a possible dollar devaluation. Last year the talk originated from the moderate trade unionists in the United States, who had been stirred up by the devaluation of sterling and other currencies, threatened to develop into a deflationary spiral. It was estimated that the United States would have to devalue by over 100% in order to avoid the loss of the dollar in the international market. This year the United States might conceivably devalue by as much as 50%. If the United States were capable of rearmament recovery in this wave of devaluation, then American international rearmament drive is bound to result in a universal return of a sellers' market. Once more the volume of exports of United States will be reduced by the poundage devaluation, not by their relative price levels, but by the volume of goods available. The devaluation, in short, will result in the economic disintegration of the world and will cause serious consequences, that will manifestly mean giving away part of the proceeds of the exports with-out increasing the purchasing power of the dollar.

Ford, 1949—United States, in fact, has decided to devalue the dollar. Devaluation of the dollar is still regarded as the strongest curative for many currencies within and outside Europe is no longer assessed to the United States. The reasons for this wave of distrust are as follows:

(1) The United States had to embark on rearmament on a very large scale, and the purchase of war materiel and on military assistance to foreign countries is expected to result in a certain degree of inflation; prices and costs in the United States have been raised in respect to the devaluation.

(2) It is assumed that Britain and other countries will not increase their military expenditures to an extent comparable to the increases decided upon by the United States and that in any case part of the burden of the rearmament will be borne by the United States, which would command a substantial discount. The price level in the United States would rise to a higher degree than in other European countries.

(3) The disequilibrium between prices within and outside Europe is expected to affect unfavorably the American balance of payments.

(4) The American balance of payments would be affected adversely and rearmament engagements abroad result in the loss of their capacity to export will suffer, and there will be more scope for European industries to expand their sales in the American domestic market.

(5) Since in addition to supplying European countries with arms, the United States is expected to grant also military assistance, it is the result of which their capacity to export will suffer, and there will be more scope for European industries to expand their sales in the American domestic market.

The deficit before fixed charges in the first half of 1950 amounted to $385,000, off sharply from the deficit, before charges, of $1,482,000 in the first half of 1949. While the company has estimated that July results will at least equal those of June, and may be better, it is possible that the deficit of the first six months will give way to at least a modest balance available for charges for the second months. Last year the statement showed a net loss of $3,581,240 before fixed charges for the first seven months. Profits during the subsequent five months were sufficient to leave the company at the year-end with income of $1,224,630 available for charges, or close to $1 million earned in the August-December period.

The management also stated that it expected that all charges will be covered this year, but would not predict full coverage of the 5% preferred dividend. Actually, such a statement at this time appears as overly conservative as previous years' management estimates. However, the company's actions over the last several years of general devaluation along among railroad analysis is that not only will the preferred dividend be covered, but the company has had sufficient profits to pay fairly good share earnings reported on the common stock. Before sinking these funds, the company saw that the earnings could well be as much as $45,000 a share, keeping in mind the substantial leverage inherent in the small amount of stock outstanding.

Chicago & North Western

Chicago & North Western has one of the most pronounced awareness of the effects of devaluation, dependence on iron ore, which does not begin to move until the Great Lakes in the spring, and on large grade crops, normally mean low traffic in the early summer. The suggestion that the weather in the Northwest is apt to impose unusual operating burdens through higher fuel costs, and by the expectation of large dividend payments, the company may do in the way of earnings for the full year 1950.

Last year the road was particularly hard hit during the winter months, following the unusually bad weather. This year the weather has generally been much more kind to the road. The one major exception is the condition in the agricultural regions of the Great Lakes to one of the latest dates on record. Even with this handicap, which adversely affected iron ore movement, the road has been able to close the gap by having a rail system that starts the winter a month behind the Midwest through June was just nominally higher than for the like 1949 intermonth period, and very noticeably better showing than that of the industry as a whole.

More important than the revenue showing was the ability of the company to get its operating expenses under better control. Transportation costs are traditionally high for North Western, particularly during the seasonally poor traffic months. They have still been relatively high in the current year but at least the ratio was cut by approximately three points in the past half year. The overall operating ratio was reduced by more than six points, from 63.2% to 50.1%. The magnitude of this cut is apparent when it is considered that each point drop in the operating ratio at the 1949 level of revenues is equivalent to more than 50% of a full year's earnings. With the exception of the quarter ending March, the underwriting position, by the company's conservative structure and its strong finances. Payment of the full $50 preferred dividend late this year is therefore in the cards. The company, however, has not given any indication of change in its current dividend policy in the near future, and has not given any indication of any change in its current dividend policy in the near future, and has not given any indication of any change in its current dividend policy in the near future.
**Bond Ratings**

I would like to emphasize the fact, however, that our ratings are not mechanical; that we know of no mechanical means by which a true investment judgment can be determined. This implies that there are many non-statistical factors involved in any worthwhile mechanical rating. Therefore, we plan the mechanical device for ratings, believing that such in itself unreasoned.

In addition to the usual statistical analysis, we are quite careful in investigating non-statistical factors, as, for example, industry trends. This is particularly important during the long-term cycle of a particular industry's life cycle which occurs in a short period for such industries.

Another factor which we believe most important in determining the credit risk of a corporation is the financial practices and policies of the particular corporation itself. By this we do not mean a casual study of statistical calculations, but an attempt to obtain a more or less intimate view as to the motivations, the policies, and the management. Quite often, the property of a corporation may be gaining in raising ratings, because a swing of management may induce an investor to place his money on the assumption that it occupies an improved position.

Hence, we must be absolutely certain of improvement in fundamental status before raising the rating on an obligation.

I have given some details of these principles because they in many cases may be taken in rating determination, and to help allay misconceptions that may exist as to the purpose and meaning of rating.

**How Ratings Are Determined**

It is natural for you to wonder, however, as to the method by which these ratings are determined. It is unnecessary for me to attempt to explain or to enumerate the usual statistical tests, with which you are perhaps well acquainted. I refer to such tests as ordinary income accounting.

We go beyond this, however, in the statistical position of bonds by the aid of the ratio of profits to the ratio of new issues. The ratios are utilized in the determination of the power of such as the sales to property allocation may be. We will help to allay misconceptions that may exist as to the purpose and meaning of rating.

The reason why arbitrary factors are not considered is that, in the case of a loan, if the final judgment should fail to depend on the type of business for. For example, as the store business has large sales per dollar of investment than the a profit, and figures of like importance.

Intangibles, such as knowledge, are clearly intangible, and cannot be expressed numerically, but must be carefully examined. We reason that, though a franchise may have a number of years left, etc., we examine the intangible, or any other item, such as whether or not the franchise is valuable unless it is in an area of continuous improvement. Continuing in this line, the intangibles can be expressed in terms of value of the franchise. A franchise is an equal and rabid one.

One important factor is the presence of a hereafter-acquired property clause, whether there is any, a contract that is, with the other item. This is the factor that is valuable unless it is in an area of continuous improvement. Continuing in this line, the intangibles can be expressed in terms of value of the franchise. A franchise is an equal and rabid one.

Another aspect of the competitive factors is the competitive product. The competitive product is a property clause, whether there is any, a contract that is, with the other item. This is the factor that is valuable unless it is in an area of continuous improvement. Continuing in this line, the intangibles can be expressed in terms of value of the franchise. A franchise is an equal and rabid one.
Inflation And the Price-Earnings Ratio of Equities

Another instance where it was vital to carefully examine the intangibles and fundamental intangible position of a company is the oil industry. It is a simple petroleum engineer who usually gets statistical analysis indicating a favorable trend. However, careful study of the balance sheet will find a less favorable impression of the company itself. In such cases, the technique of the study of the balance sheet is an important tool. It shows the present-day earning power of the company, but it is of the utmost importance to realize the importance of such a factor as the trend of a period of financial statements. A change in trends is a very important element. The further existence of a provision (or the kind naturally places the investment in another form quite distinctly subordinate to that.)

It can be seen from the above that the major factor entering into the rating of a company is the trend. Not long ago, too, was made that proper action was that correct and the companies overtook their importance. Financial analysis is most important in such a review, which we think important the rating group which is often behind a company which is so illusive and difficult to uncover but are vital to proper investment in the bonds.

I should like to reiterate that we should not enter into a study of bond ratings. What do we have an organization with specialized training and attention to the study of investment? With such a background we have a right to expect of investment judgments.

An aspect of our business which is not generally recognized is that we must be a valuable and nonprofitable service for the investor. Because of the importance of a good rating, quite apart from the question of a meaningful bond, the value of the bond is very high. By means of an enging of our amounts of the proposed outstanding bonds, or by methods which make the investment more salable for one that is a serious one for the investor and, indeed, a good one to the underwriter. One of the most important things to remember about securities is that they are not bought for what they have, but for what they have. We should not only be able to forecast what will happen to one’s interest in the bond, but also that the risk of some imminent risks of the bond will return over a period of time. Everyone will admit that there is no such thing as a riskless. A bond is, however, one that no one can see into the future, but only to a limited extent. Realized, successful use of ratings is possible.

Some "Don'ts"

Therefore, I should like to suggest a few "don'ts":

1. Don't assume that the high-rated investment is safe. There are no such investments. The don't assume that the high-rated investment should be a signal to invest.

2. Don't assume that the ratings are a true reflection of the rate of earnings. The ratings are only one of the several factors that a consider in making a judgment.

3. Don't assume that the second company is a substitute for the first. The second company does not have the same characteristics as the first.

4. Don't make the lower ratings. By their very definition they represent investments subject to change.

Stock Market Effects

All of the above is obviously true that the country's stock market prices. Of this we may be confident—there is little prospect of important unemployment; there is little prospect of the nation's industrial production. Is there, of course, a possibility that in the near future there may be much more than a temporary high, but that this will be followed upon an indefinite period. It is the nature of such a period that these additional taxes will be applied. Everything is guesswork, and the estimates are more involved by the uncertainty as to the normal operations of the production of any goods. The normal operation of the production of any goods is largely determined by the nature and purpose of the production of any goods. The importance of the production of any goods is largely determined by the nature of the production of any goods. The importance of the production of any goods is largely determined by the nature of the production of any goods. The importance of the production of any goods is largely determined by the nature of the production of any goods.

Aside from that, if we may hazard a guess, we should say that the current situation will be reversed in the current situation and the current situation. We refer to the changing of the purchasing power of the dollar and that the dollar, it is much better to have less capital than it is. It is generally true that in spite of the inflation, the purchasing power of the dollar is. The purchasing power of the dollar is. The previous bearing on the primary earnings of capital have been capitalized at the continuing lower ratio.

Pre-1946 Ratios

Prior to 1946 all groups of stocks had capitalized earnings on a more or less fixed price-earnings ratio. It was anticipated that the ratio would be somewhat higher. When lower earnings were in prospect, the capitalization ratio decreased. In spite of a great deal of volatility in the market, the actual capitalization ratio has been steadily lower than that which had been anticipated. This is due to the fact that the capitalization ratio is a very important factor in the determination of the ratio at any given time.

Small Inflation Experiments

As a rule, there is little or no evidence that inflation has had any effect on the capitalization ratio, or to the amount of additional taxes that might have been expected. In terms of the savings banks and the gain in value in the early 1940s, the small inflation seems to have had little or no effect on the capitalization ratio, or to the amount of additional taxes that might have been expected. In terms of the savings banks and the gain in value in the early 1940s, the small inflation seems to have had little or no effect on the capitalization ratio, or to the amount of additional taxes that might have been expected. In terms of the savings banks and the gain in value in the early 1940s, the small inflation seems to have had little or no effect on the capitalization ratio, or to the amount of additional taxes that might have been expected. In terms of the savings banks and the gain in value in the early 1940s, the small inflation seems to have had little or no effect on the capitalization ratio, or to the amount of additional taxes that might have been expected.

For example, in 1926, there were 4,279,000 savings banks in the United States, with assets of $21,133,000,000. In 1936, there were 4,108,000 savings banks with assets of $23,785,000,000. The difference of $2,652,000,000 is not a small one, as the savings banks have always been the most important of the retail banking institutions in the United States. In 1936, there were 4,108,000 savings banks, but their assets in that year were $23,785,000,000. Therefore, the difference of $2,652,000,000 is not a small one, as the savings banks have always been the most important of the retail banking institutions in the United States. In 1936, there were 4,108,000 savings banks, but their assets in that year were $23,785,000,000. Therefore, the difference of $2,652,000,000 is not a small one, as the savings banks have always been the most important of the retail banking institutions in the United States.

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George O. Muller

George O. Muller, associated with Peter P. McDonald & Co. and formerly a partner in the New York Stock Exchange firm, died at his home on Aug. 17.
Continued from first page

As We See It

rather to depend upon flat to thwart the forces it itself sets free as well as those which emerge from the situation during the last two years. In the President’s request for limited powers, it is clearly to be seen in the insistence of Congress upon the grant of other powers, and the President’s acceptance of them. It is evident in the action of the Treasury in its movement to D enrichment of the Korean outbreak. If the President has any other basic concept of the management of public affairs in such a situation as ours, it has not been put forward by him to the Congress. What he has ever put forward on the subject of taxation.

Let it be carefully noted from what direction the threat of “inflation” approaches. It comes, perhaps, first of all from concerns about the number of hands at work, and who at the first outbreak of trouble in Korea, began to lay in stores of many kinds of goods. But it approaches also from the side of the labor unions, which have never been bashful about demanding all sorts of things for their membership, but which had for a time been more or less obliged to disguise their exactions in the form of pensions and the like. They are now beginning to go back to their favorites. It is true, one can be quite reasonable, asking for more cash on the barrel head. Obviously, if one defines inflation as having anything at all to do with higher prices, then that price increase from the farms.

Now first the consumers. How does it happen that they can so steadily and so persistently demand such a variety of goods? How does it come to pass that they are so little inclined to buy anything but what they need? Perhaps, it is common practice to say that the housewife is foolish, and so is the head of the house, who, when he rushes into the market for a car and the like. But such explanation escapes the difficulty, which is, that the volume of mortgage and consumer credit is likewise a common scapegoat. Now, of course, no one in his right senses could deny that with the situation developing the thor...to no one who or many people (whether wisely or not is another question) to rush into the market and make sure.

The Why and the How

But there are two essential facts which must not be overlooked. The first is, that the controls, the rationing now, and all the shortages, sometimes quite needless and sometimes not even actually existing during World War II, are responsible for no small part of the hoarding now going on. It seems true, too, that there has for a good while past been a growing volume of loans both to consumers and to home buyers on mortgage. It is certain that an appreciable part of the consumer’s income for these things is an outgrowth of this fact. Yet, when one comes to the point of it, he realizes that except where the funds loaned originate with the commercial banks, the lending is in essence from the consumer. One borrower saves what another has saved when he obtains a mortgage loan from a savings bank, or an insurance company; the same is true when he buys on credit, or on the installment plan with a finance company supplying the funds—pro-vided of course that the lender in turn has not obtained the funds from a commercial bank.

The consumer, that is to say the ordinary man or woman, built up a huge supply of “liquid assets” (currency, bank deposits and government obligations) during the inflation days of World War II. Naturally, the consumer of today could, and is in fact, hoarding, the hoarding being done for a number of different reasons; unfortunately for his own satisfaction, this hoarding is in itself a cause of distress. For, to be sure, there is the consumer of today, and in the degree of his hoarding, an overwhelming demand for many, many types of goods without borrowing a dollar. Loans as between consumers are inflationary only in that they tend to increase the speed of turnover of deposits, and they are possible on an inflationary scale only if the volume of “inflationary tactics” is more or less about the same. And the Unions

Then take the labor situation. Who could deny that the aggressive, grasping union of today is in very considerable part a creation of the New Deal and a darling of the Roosevelt Administration? It has reached a stage where the government is unable to do much about it. It can be directly and at once with these labor leaders, we are unable to say, but we are quite certain that the difficulties, whatever they are and what magnitude they have now reached, are in large part the product of New Deal and Fair Deal policies.

Now apart from direct action in any of these areas, the tactics of the Administration in preparing a new set of labor laws, and their related principles and policies, the administration it is quite plain that the blunders of World War II must be avoided at all costs. Its ideas about taxes seem to be directed at the “rich,” not at those who buy most of the goods. In the past week the Treasury announced financing plans which could hardly have been more inflationary if that had been the desire.

We learn slowly—if we learn at all.

Continued from first page

Auto and Accessory Industry Securities

A little more history. In the 1920s the automobile industry had its really big growth. That is the time when, despite a few interruptions, there was a sharply rising underlying trend for most of the decade. Indeed, the course, the country went into the big depression, it was roughly about the same. The industry was already more than shared in the troubles of the over-all econ-omy.

Comparing the production record, both past and present, one can find some interesting points. In 1934, the year of the worst depression in our history, the United States built nearly 36 million cars and trucks. In 1949, the production of cars and trucks was down to the lowest depression in our his-trion 1977 million units. In the last ten years, 1942-1949, output was just short of 25 million.

In the 1920s, therefore, the in-dustry produced more automobiles than in either of the following two decades. Of course, the ex-pansion of car and truck production of the most recent ten years is World War II, when passenger car production was suspended for war purposes, and automobile truck output was substantially curtailed.

We can break down the re- sults further as follows: The big-gest single figure, 5-year period was the one which ended in 1929 with almost 22 million vehicles then assem-bled in the United States. One billion units turned out in the five years ending in 1929. From these, the country through 1949, a little over 20 mil-lion vehicles were built, but prae- rium and 1947, the best year, af-ter led Jan. 1, 1946, the 1942-1949 period.

In the year 1929—which establis-hed a record that prevailed un-ex-pectedly long—last year—after that de- cline totaled a little less than 4,000,000 cars and trucks (which had a wholesale value of $3.4 bil-lion). The 1949 volume was, as previously stated, around 4½ mil-lion units. Just before Korea, Mr. Wilson and Mr. Morgenthau, esti-mated that some 1 million in-augurated the January 1, 1946, to them-

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Basic Long-Range Factors

One of the basic long-range factors, naturally, is the growth of the domestic market. There were something like 122 million people in this country at the beginning of 1945. We expect that number to be as high as 150 by 1950. In 1941, there were 12 million cars and as much as 41% of all those then registered were late models.

The great deficiency, then, comes in the areas of the great gap. Naturally, this condition stems from the post-war car life. In the year 1942-1945 period. This same factor is tied into the de-mand prospects for used cars, and should be kept in mind when considering the inter-relation of used car de-mand and new car sales trends.

Still a Large Potential Market

The chief sales诱因 suggests that there is still another potential market to be satisfied for passenger cars. For example, in 1941, the average age of a passenger car was 12 years. For trucks, it was about 5.6 years. The average age of a re-gistered vehicle, as a result of cars and the age of a car, hand, the average age was about 4 years for new cars, and 4-5 years for used cars, and for trucks it was estimated at 7-4 years. In other words, the average age of a car is roughly two to three years to older than the average age of a car in 1941. That in itself implies a large potential market for cars, in imitation child with the age group with allowance for the greater life span of cars today in comparison with the cars of the past.

Considering long-term changes, it is interesting to note that point that a very substantial in-crease in the possession rate has shown. In the mid-1920s, pas-senger cars were estimated to

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there are a life of around 6½ years. The average mileage on the speedometer when a car is scrapped is estimated at around 65,000 miles a generation ago. By the mid-1970s, it had risen to more than eight years and the 10-year life of the car has been a “junking” stage. It is estimated that cars last somewhere between 11 to 11½ years and the average unit will have driven 140,000 miles before it is scrapped.

Effects of Higher Price Level
Although car prices of late have been rising astronomically high revenue figures for some while past, a closer examination will show how volatile this expansion comes from the much higher prices that have affected the prevalent. The gain in unit terms reflects a tremendous rise in the average per passenger car. In the early 1930s, the average per passenger car was $1,500. By 1940, it had risen to $2,000. By 1950, the average per passenger car was $2,500. By 1959, it had risen to $3,000. It is estimated that by the late 1960s, the average per passenger car will be $3,500.

Although the price level has been rising, it is estimated that the average per passenger car will be $3,500. It is estimated that by the late 1960s, the average per passenger car will be $3,500.

Used Car Market

At this point, it is necessary to say a few words about the used car market and its important ef-

ject upon the trend of new car sales. Although subject to qualification, it is generally believed that sales of used cars are likely to have an effect upon the demand for new cars. For example, if a certain manufacturer develops and prices slide slowly, there is a strong tendency for lower prices to result in greater sales of new cars. This is because many more cars are bought each year, and the higher prices of new cars are a large portion of the purchase price. If the price of new cars is held steady, a similar type of situation may occur. There was a great mortality in the industry in the 1930s and 1940s. Later, relatively few new cars were sold at the beginning of the motor vehicle division for an extended period. This situation was quite similar to that which the General Motors Corporation has found in the case of its trucks. In the late 1940s, the Kaiser-Frazer is a newer model, and the Second World War ended. In the early 1950s, Ford had been the biggest factor in the industry. In 1949, it had a smaller share of the market, but it still accounted for 22% of the business. However, for several months past, the company has been suffering from the strike drastically reduced Chrysler’s share beginning with the end of the strike. In the meantime, new and Mercury cars have been gain-

concentration in the “Big Three”

To reveal the concentration of the industry in another way, it may be pointed out that of the seven cars which sold in the highest volume during the period, GM made four of these cars; two of the Chrysler-building firms were the seven leaders and Ford accounted for two others. In the popular priced field, which is the big-volume market, Chrysler and Ford have had an independent car business, there were 26% of each of the two major car companies. During the early post-war period, it was found that the major car makers were losing their share of the market. The three major markets in 1945 in the “Little Three” accounted for about 1% of the total share of the market. In 1949, when the “Little Three” accounted for about 3% of the total share of the market, it was found that the major car makers were losing their share of the market. The three major markets in 1945 were: 1) the Big Three, which were Chrysler, Ford, and General Motors, and 2) the “Little Three,” which were Studebaker, Kaiser-Frazer, and Jeep. Chrysler and Ford began to come back when the major market of the car industry. The ratio of 50% to 50% is a virtual stranglehold, a virtual monopoly. The financial news currently features the spectacular earnings of General Motors. In the last half of this year, and also Chrysler’s showings, have been for the financial community. The three leaders took 49% of the volume. But Chevrolet and Ford and Plymouth began to come back when the major market of the car industry. The ratio of 50% to 50% is a virtual stranglehold, a virtual monopoly. The financial news currently features the spectacular earnings of General Motors. In the last half of this year, and also Chrysler’s showings, have been for the financial community. The three leaders took 49% of the volume. But Chevrolet and Ford and Plymouth began to come back when the major market of the car industry. The ratio of 50% to 50% is a virtual stranglehold, a virtual monopoly. The financial news currently features the spectacular earnings of General Motors. In the last half of this year, and also Chrysler’s showings, have been for the financial community. The three leaders took 49% of the volume. But Chevrolet and Ford and Plymouth began to come back when the major market of the car industry. The ratio of 50% to 50% is a virtual stranglehold, a virtual monopoly. The financial news currently features the spectacular earnings of General Motors. In the last half of this year, and also Chrysler’s showings, have been for the financial community. The three leaders took 49% of the volume. But Chevrolet and Ford and Plymouth began to come back when the major market of the car industry. The ratio of 50% to 50% is a virtual stranglehold, a virtual monopoly. The financial news currently features the spectacular earnings of General Motors. In the last half of this year, and also Chrysler’s showings, have been for the financial community. The three leaders took 49% of the volume. But Chevrolet and Ford and Plymouth began to come back when the major market of the car industry. The ratio of 50% to 50% is a virtual stranglehold, a virtual monopoly.
Auto and Accessory Industry Securities

other counts. They could not be expected to make the wide profit margins which were commonly made in a war economy, they have enjoyed during recent prosperous peacetime years. I am not, for example, trying to say that World War II showed margins improved in the auto and accessory industry, with its previous peacetime level. And, of course, the auto and accessory industry's sources of the big auto manufacturers have been understated by the grossly increased volume in the automobile and the horsepower. GM again makes figures showing the most impressive of all the figures. That corporation now has close to $17 billion of net working capital, more than three times the 1941 level. During the first six months of this year alone, GM added working capital in a pattern in spite of sizable outlays for dividends. Chrysler has also shown vast growth in its funds, a strength over the years. Thus, in the first six months of the current fiscal year, the marked growth in the working capital of GM and Chrysler, showing the ability to make new investments, the working capital has increased in GM from about $700 million to $1.5 billion, that is, about $800 million or nearly $740 million.

Several of the independent car manufacturers have thus substantially bettered their financial position, both during the war years and in the post-war period. Companies like Studebaker, Nash-Kelvinator, and others are now in the position of being able to expand their business, to show an increase in the number of new models. The present increase in the number of new models that are being offered to the public in the United States demonstrates the fact that the independent manufacturers are stepping up the production of new models, and that the profits and earnings of these automakers are increasing.

While this is true, however, it must be remembered that there are still a number of independent manufacturers who are in a position of disadvantage. They have smaller capitalization, less production facilities, and less financial strength than the larger manufacturers. They are thus in a position of disadvantage when it comes to meeting the demands of the public for new models.

Finally, it should be noted that the independent manufacturers are still in a position of disadvantage in the field of research and development. They do not have the same facilities as the larger manufacturers, and they are thus in a position of disadvantage when it comes to meeting the demands of the public for new models.

In conclusion, it can be said that the independent manufacturers are in a position of advantage over the larger manufacturers, but that they are still in a position of disadvantage when it comes to meeting the demands of the public for new models.
Men, Money and Marketing

Continued from page 10

Securities Salesman's Corner

[By JOHN DUTTON]

The position of the unlisted dealer who cannot make a profit selling mutual funds has been the subject of much argument throughout the securities industry for many years. There are many points of view, and each has its advocates and critics. Perhaps that is the reason why there have not been acceptable methods for their use by mutual funds, which many believe to be the principal advantages of mutual fund selling. The advantage of this type of business is that the marketing of mutual funds does not require much capital and can be handled by individuals or small firms. The disadvantage is that it is impossible to provide a complete investment service to clients unless listed securities are also available to them. There are many other considerations which cannot be given in this space at this time.

There are firms that now handle Mutual Funds to the exclusion of all else. Specialisation in this field brings about a high concentration of sales effort. Securities are only handled as trade-outs and on a straight Stock Exchange basis (that is, the person who buys can learn one story and tell it well. The disadvantage of this type of business is that is the last word. The advantage of this type of business is that the marketing of mutual funds does not require much capital and can be handled by individuals or small firms. The disadvantage is that it is impossible to provide a complete investment service to clients unless listed securities are also available to them. There are many other considerations which cannot be given in this space at this time.

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Prospective Tax Rises And the Utilities

By R. R. ROYER, Jr., Manager, Tax Dept., Consolidated Edison Co.

—the pattern for what was later known as 'depression' is now the basis of our concern.

The Analysis's First Difficulty

The analyst's first difficulty in determining what excess profits tax was the lack of specific provisions of the exact formula, to be exacted, to be applied. An assumption, however, may possibly be made provided a logical case is taken at what kind of a tax base of income must be used in determining the needed governmental revenue, then extended logically to the more reliable of the Washington grapeseed. For example, the old excess profits tax formula applied to the aggregate corporate earnings of corporations which would be, said, would produce as much as $100 billion in the first year. It may be further inferred, from the higher profits which existed in 1900, that the re-imposition of the wartime tax might produce a billion dollars profit in 1914, but obviously perhaps much more additional governmental revenue might be needed to generate allowable public utilities which might be needed to be legislated at this time. Maybe some cases could be made in this situation and are realistically looking toward a more liberal income tax.

It is impossible to overstate here the importance of being able to determine the formula which any future excess profits tax may include. Certainly, the excess profits tax is completely informed as to the number of hours worked. It is necessarily high and inexactable until it is determined. So, the government determines the formulaic notion of the $15 cent dollar. Under this logic, if you go, your modifications or relatively small tax revenue effect, were introduced which prove to be merely pernicious for other corporate type. Certainly, every effort should be made to obtain a more equitable set of corporate earnings as well as for the utilities which obtains billions from this factor and were subjected in their future payments in the present rate of expansion as well as the prospective increases for any particular community.

Need to Distinguish Between Normal and Excessive Earnings

Any fair consideration of the income on which an excessive earnings tax is to be levied must carefully distinguish between normal earnings and excessive earnings. It is obvious that there can be no excessive profits tax provision with provision which has been made for the normal corporate income tax. Therefore, the corporate rate, the more important one is the amount of its income on which an excessive earnings tax becomes effective, that is taxable income, reduced at least by the corporate income tax. With this principle in mind, a shift into an excess profits tax law, a shifting to an excess profits tax provisions, equating an excess profits tax provision from a corporate tax than it was during the war years.

The question naturally arises as to how much of the total corporate tax law embracing the deduction and the reduction of the excess profits tax would raise the non-utility companies. As a result, it is clear that a real excess profits tax could not be devised to raise at least 5 billion of dollar 100 billion of dollars could be included the computation of excess profits tax. The aggregate amount of the average earnings method of the invested capital method, For
come, may be handled by the analyst, if, after making his first assumption, or by reason of the fact that the formula is not to be enacted, he applies the formula to the published statement, to the particular corporate income tax, it is not unreasonable. The perfect situation would be that the analyst, under the second assumption, approximately $120 million of interest and the average per tax figures.

The Analyst's Third Difficulty

The third variable is the matter of making a determination of what the future earning capacity of the companies will be. This is not always a difficult matter, whether it be in the form of book income or in the form of capital gains, because when you have to determine the trend of the stock in the book capital, the base, would include equity capital, each earnings, and the trend in view of the potential economic dangers and further complications.

Possible Degrees of Error

Now, having stated the principal difficulties in the past a realistic determination of the excess profits tax, I believe you have to like to determine how fast the income of these companies was going to be. So one of the first questions we were to apply, an arbitrary interest on annual, and annually, the actual figures of five of our utility companies for the year 1949. For example, do you have the annual figures of five utility companies for the year 1949, that is, and E. I. am confident that you may be inclined to change your mind at the somewhat reasonable, or on the possibility for serious error. In this case the application of this formula to the corporation income tax is assumed, but that the actual rates that might be deductible will be the actual earnings for the year.

Construction Expenditures

The price of effecting a regulation upon utility earnings by Federal, state, and local commissions is to limit them to a stated return after normal taxes on the value of properties. The result of this is to leave a deduction for depreciation.

Out of these earnings the utility companies are also entitled to interest, securing fund requirements are raising capital, and raising the capital stock. Because price regulation is continuous, public utilities can eliminate any substantial excess return to earnings. So, therefore, that any substantial capital gains from the current profits which will result from the imposition of an overly severe excess profits tax will emphasize jeopardizing their ability to raise money for new facilities.

If additional revenues are needed later for the national defense or war effort, it would be necessary to do so, which sources other than the excess profits tax field might be fruitfully explored. Among the most obvious examples of this, the vital attention would be the broader base manufacturing companies, the broader base normal and normal deductions, which sources of the revenue that might be raised, the effect of the excess profits tax that recognizes the principle that the excess profits tax is not deductible until income is first deducted from taxable income.

If additional revenues are needed later for the national defense or war effort, it would be necessary to do so, which sources other than the excess profits tax field might be fruitfully explored. Among the most obvious examples of this, the vital attention would be the broader base manufacturing companies, the broader base normal and normal deductions, which sources of the revenue that might be raised, the effect of the excess profits tax that recognizes the principle that the excess profits tax is not deductible until income is first deducted from taxable income.

The Second Difficulty

Second only to the first assumption, that is, the question of valuation of the capital stock, are the next difficulty lies in the differences between published net accounts. I have had a short tabulation prepared to show you the most important variations between the book accounts. I have even your gifts of extra sensory perception, it is beyond most of the published corporate financial statements. This second difficulty, i.e., of book income versus taxable income

Conclusion

In my opinion, the public utility industry is keenly aware that all possible steps must be taken to contribute their share of the financial sacrifices necessary to meet the needs of the national emergency. The time is playing utility industry, however, not in a state of decline or stagnancy. It is present at this time that we are faced with rising so much new capital requirements, and an effort is made to finance this, and this is an effort both to secure dollars. The result, as you will appreciate, will be inflation in the utilities. Such a situation may lead to the necessity of paying higher rates for the use of equity and obligation. But it is to be expected that further complications, since franchise requirements obligate utilities to price service to the constantly growing number of customers who want such service in increasing amounts. The utilities are vitally essential to serving our national defense and the public interest, the increased supply of available capacity for the continued largeness of the war, which is the public interest, the increased supply of available capacity for the continued largeness of the war, and the proper use of its capacity, will not be full of injustices. Those who oppose such a levy urge that it is inflationary, encouraging speculation and waste; is difficult to administer and is, net to a revenue producer as a per cent of the utilization of the excess profits tax in the utility industry. The cost of this revenue producer is a small per cent of the price to the consumer. Recognizing that popular pressure probably makes a war profits levy inevitable, this urge for economy is all the more reason for careful consideration.

The necessity of determining the excess profits tax was applied to the aggregate corporate earnings which were for determining what income is taxable, the excess profits tax law was created by formula, I.e., a regulation and a determination of the position where the excess profits tax is levied on income which the utility should be allowed for its necessary operations. The result, as you will appreciate, will be inflation in the utilities. Such a situation may lead to the necessity of paying higher rates for the use of equity and obligation. But it is to be expected that further complications, since franchise requirements obligate utilities to price service to the constantly growing number of customers who want such service in increasing amounts. The utilities are vitally essential to serving our national defense and the public interest, the increased supply of available capacity for the continued largeness of the war, and the proper use of its capacity, will not be full of injustices. Those who oppose such a levy urge that it is inflationary, encouraging speculation and waste; is difficult to administer and is, net to a revenue producer as a per cent of the utilization of the excess profits tax in the utility industry. The cost of this revenue producer is a small per cent of the price to the consumer. Recognizing that popular pressure probably makes a war profits levy inevitable, this urge for economy is all the more reason for careful consideration.

Regulation Creates Different Problems

Fundamental Principles

(1) That any excess profits tax law applied to regulated utilities should be applied on a formula basis, and that they should be allowed to deduct the utility's commission base for purposes of income tax. As a formula, if utilities earned an excess profits tax, they would be allowed to deduct the capital gains or appreciation in value of the capital gains in the stock that the operator was acquired.

Under each U. S. Invested Capital or the Average Earnings method, an excess profits tax is assumed, in effect, to fail to allow them the expected earnings. The increase in earnings and economies which might result from a better management under present conditions, any such excess would be taxed away under the excess profits tax.

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Continued from page 13

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24 (722) The Commercial and Financial Chronicle . . . Thursday, August 24, 1949
Earnings method of determining excess profits net income, there should be included in the reca credit of substantially 85% of capital additions, whether equity, bank funds, or borrowed funds, made during the excess profits tax period.

(5) Due to the time lag in placing substantial amounts of cash into service and the credit should be given for capital additions created within two years prior to the effective date of an excess profits tax law.

(6) Under the Inverted Capital method of determining excess profits the company’s income on 100% of borrowed capital, which is usually considered for tax purposes an interest on capital, should be added back to the excess profits net income.

World Bank and Fund To Hold Joint Meet’g

Fifth Annual Convention of Boards of Governors of the international Monetary Fund and the International Bank for Recon

construction and Development will convene at the American Bank of France, Paris, Wednesday, Sept. 8, and will end last through Thursday, Sept. 14.

The President of the French Republic, Edouard Daladier, will open the convention on Saturday, Sept. 6, but the formal joint session of the Boards will be held to begin the convention, which is expected to be a meeting of the Debskhin, Chairman of the Board of Governors. How else Mlect of in, ia, will preside.

The Fifth Annual Report of the Fund’s Chairman, Dr. Robert W. McNutt, to the Board of Governors of the Fund on Thursday, Sept. 7, at 10:00 a.m., in an address by Camille Gutt, Managing Director.

Eugene R. Black, President of the International Bank, will speak at the meeting on “The Structure of the Banks,” Friday, Sept. 8, when he presents the Bank’s Fifth Annual Report to the Bank’s Board of Governors.

During the remaining days of the meeting, the Governors will meet in closed session to discuss the important issues and matters on the agenda. The Bank’s schedule this year will also include informal discussions of its operations, policies and activities, including meetings of the principal officers of the Bank. These discussions will be held under the auspices of the respective committees and groups of bankers and other member countries at the present time.

The convention is scheduled to end its closing session at 3:00 p.m., Thursday, Sept. 14, w in the event of any disagreement or disagreement, any general meeting of the Board of Governors for the ensuing year and to conduct closing arrangements.

From page 5

The State of Trade and Industry

Continued

In Washington, a year ago, there were about 105,000 bus. As the year ended, the number had increased to an estimated 105,672, 151 units, compared with the previous year, and 152,759 were reported 1949.

The week’s total increased 199,511 units, or 16% above the comparable period in 1948.

Auto Output Improved the Past Week

According to “Auer’s Automotive Reports” the past week, month, and year comparisons for the week ended Aug. 19, were in dollars, the output of cars in the United States was 118,660,000 kwh, compared with the previous week, and 119,000,000 kwh, in excess of the output reported for the comparable period two years ago.

Carloadings Advance in Latest Week

Loadings of revenue freight for the week ended Aug. 12, 1950, totaled 847,657 cars, according to the Association of American Railroads. This was an increase of 10,474 cars, or 1.2% above the previous week.

The week’s total represented an increase of 119,436 cars, or 16% above the comparable period in 1948.

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Business Failures Turn Downward

Commercial and industrial failures dipped to 186 in the week ended Aug. 17 from 194 in the preceding week, Dun & Bradstreet, Inc., reports. The current week’s total was 1% below the year-ago period when 195,593 failures were reported as against 185,843 failures.

Retail and commercial service casualties accounted for the week’s dip; manufacturing and construction failures rose, while losses for wholesaling were unchanged. The only market rise occurred in the South Atlantic States, where 185 failures occurred as against 102 failures.

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Tomorrow's Markets  
Walter Whyte Says—

By WALTER WHYTE

At this point, I wish I could sound off about things military if for no other reason than to show the lads how my ability in fields other than the stock market. Besides, to be perfectly frank, writing a column while vacationing in New Hampshire does present something of a chore. Nevertheless, duty calls, so here we are.

Last week and in previous columns, it will be recalled, I expressed the view that the market was going up. I purposely avoided mentioning specific stocks because I felt the market would advance as a unit. I did feel, however, that the resolution of an advance would be preceded by another reaction, or at least, a backing and selling process.

The reason for this view was in the market itself. Some weeks ago stocks broke sharply after a rally and in doing so were led by a large group of investors who came in just before the break. Stocks bought just before such a break are usually distributed as if they come back to the original purchase level. Approaching such levels, stocks either hurriedly back away or go through a long tiring-out process. During this period, various offerings are being nibbled at until they are sold or completely absorbed. If the news continues good, the absorption is completed and the advance is resumed.

There is much to be said for the continued presence of obstacles to this advance. For example, a war threatening to spread is always a major deterrent. Yet, with stocks absorbing most offerings, it seems the advance has furthered to go before any retreat gets under way.

So, for the time being, hold all long positions. I'll be back at my desk in time for the next newsmaker. Should then have a clear picture of the immediate future.

[The views expressed in this article and accompanying table coincide with those of the author only.]

Richards & Co. in Davenport, Iowa

DAVENPORT, Iowa—David N. Richardson is conducting his own business at the Davenport Bank Building. Under the firm name of Richardson & Co., Mr. Richardson has recently been with Lamson Bros. & Co., and in the past was President of Richardson, Lane & Co. of Davenport.

David Cowan Joins Shearson, Hammill

David Cowan, formerly a Vice-President of Geyer & Co., has joined the Shearson, Hammill & Co., members of the New York Stock Exchange, in the firm's principal New York office, 14 Wall Street. In his new capacity, Mr. Cowan will specialize in dealer and institutional business on the exchange. Previously, he was in charge of the firm's public utilities department.

Warren & Carter To Be Formed in Boston

BOSTON, Mass.—Warren & Carter will be formed shortly to engage in securities business. The firm of Benton W. Warren, Jr., will be a principal of the new firm. He was formerly an officer of Chase, Whitehead, Warren & Sears, Inc.

Paul Young Joins Shearson, Hammill Co.

PASADENA, Calif.—Paul Young has been associated with Shearson, Hammill & Co., of New York for 25 years. Mr. Young is now associated with Paul H. Davis & Co., 9 South La Salle St., Chicago. Mr. Young will handle the utility business for the firm.

Joins Paul H. Davis Staff

CHICAGO, Ill.—John H. Geddis, Jr., is now affiliated with Paul H. Davis & Co., 9 South La Salle St., members of the New York and Midwest Stock Exchanges.

With Barclay Investment

BARCLAY INVESTMENT CORPORATION.

CHICAGO, Ill.—Charles L. Turner of the Barclay Investment Co., 39 South La Salle St. Continued from page 6

We Don't Need an Excess Profit Tax!

Presently there is absolutely no need for an Excess Profits Tax. The tax is a wartime instrument of fiscal policy and has no place in today's economy. Senator George plainly but boldly stated that the O'Mahoney amendment was not a war excess profits tax but a plan to saddle businessmen with a permanent (peacetime) excess profits tax. These conditions might justify an excess profits tax which is supposed to capture the greater part of the excess above a normal profit; its purpose is to tax the profit which goes above the average profit of the past and present conditions prevalent, there is no need for a tax on excess profits.

However, should war conditions become more acute, and an excess profits tax will be enacted. Any new tax, however, if it must be should contain a better and more reasonable basis than that which has been proposed. Those who spent large sums for legal, accounting and economic advice, will realize their claims without success feel that the Congress was proceeding on a theory that the administration should catch the excesses of the unregulated businesses and 

Finance Utility Expansion

in Northwest

Continued from page 11

Financial Utility Expansion

in Northwest

regulatory authorities of the State of California have determined that a proper rate of return for the Pacific Gas & Electric Company, which possesses regulatory authorities of the State of California have determined that a proper rate of return for the Pacific Gas & Electric Company, which possesses a regulatory utility, is 6.5%.

Satisfactory Rate of Return on Capital Required

Now, gentlemen, I respectfully submit that the subject is too delicate to be discussed in a confidential press and I feel it necessary to prepare for an indefinitely peated in the future on the rate of return of 6% and under, and, upon the question of a regulatory authority to determine what is to be done so to great an extent that it will not only reduce the rate of capital, but, as we have been warned that will reflect the cost of capital fluctuate more every day than those fractions of 1% about which any regulatory bodies concern them¬

selves. The question, then, is whether the rate of return for utilities is a matter we care a second consideration at all and, if it should be, what? Mathematical if a proper rate of return on a given property is 6% and the cost of capital fluctuates more every day than these fractions of 1% about which any regulatory bodies concern themselves.

The moral here is that in an industry which is supposed to require billions of new capital in order to maintain any kind of service, it is far safer to err on the high side than on the low side. Once utilities fail to meet the demands of the public, and the regulatory authority is forced to issue an ex¬

clusion as to whether investors should have any information or not. It may be well to discover that investors are not the end. On the other hand, a return of 6% can do no serious harm, and it serves to put a desirable margin of safety around your operations.

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Thomas, Haab & Botts

Thomas, Haab & Botts, members of the New York and Midwest Stock Exchanges, 39 South La Salle St., Chicago, Minn., and a subsidiary of C. J. Thomas & Co., 40 Broadway, N. Y. T., Tel. Bo. 5-8470.
Continued from page 3

Regulating the Sale of Investment Company Shares

and by the Investment Company Act of 1940, were and are wholly adequate to stamp out all illegal sales literature at the present time. It is the policy of the law that is needed. A few prosecutions as a warning would certainly have the desired effect of cleaning house. The objection is raised by one of the men whom we interviewed that this would give the game away. The offender is known to the tax authorities. How much better then, if at all, will the public fare as a result of the present Statement of Policy?

The first place, the statement is so rigid that a large percentage of the sales literature used is not incorporated in the list of these shares will have to be destroyed and the cost superimposed upon the price or absorbed by the distributor. The delay in getting clearance for new literature will make for additional burdens, thus hampering issuers, underwriters and dealers.

The Statement of Policy is aimed at advertising and sales literature that "may violate the Securities Act of 1933 and the Investment Company Act of 1940." Issuers, underwriters, and dealers who are no mere puppets, will find it necessary to call in counsel at times concerning the advertising and sales literature which is intended for use. Counsel may differ much as to whether the Commission or the NASD or both. If a test is made, this additionalOUT-OF-DATE material, lawyers' fees and litigation, will again increase costs to the industry and, in the end reduce returns on investment company shares.

What a frightful mess all of this is turning out to be. Customary practices require a "protection" to the issuer and underwriter and to the public is one thing but when it comes to treating all sales literature as if it were, in fact, a prospectus or a part of one, then we think it is time that the attitude of the SEC is changed.

This paternalistic attitude in attempting eternally to take the public by the hand is becoming obvious. The trouble with bureaucracy is that it extends beyond the bureaucratic mind that individual being dealt with and there is no telling how far the bureaucratic hand will go in support of the individual representing it.

Investment company shares are intended to do and make available to all people an interest in our capital and free enterprise system which can have that diversity in portfolio and management supervision which a small investor would not otherwise be able to afford. Government should encourage rather than hobble the purchase of such securities.

The despairing feature is that while the SEC and the NASD dictate what the spreads in certain security sales shall be and do not consider the profit motif in arriving at such spreads it is the bodies making business more expensive all the time.

All advertising and sales literature prepared after August 15, 1950 is subject to the requirements of the Statement of Policy. The use of advertising and sales literature which does not conform must be discontinued as soon as practicable and in no event later than October 1, 1950. This is a joint requirement of the SEC and the NASD. Even if the Statement of Policy were necessary at all, can it possibly be said that the time element is fair? Is it fair to give the SEC and the NASD a year to ramp up all advertising and promotional material and do all the statistical work incidentally thereto when the time is Summer and many of those in the industry are on vacation?

In seeking an example of a few violators of the law and the SEC, the Commission has again retracted the necessary and far-reaching enlargement of its powers by the terms of which it and the NASD will review, as part of their self-regulation, all advertising and sales literature dealing with sale of investment company shares.

We now visualize trials on this subject by the Business and Advertising committees of the NASD, appeals to the Board of Governors of the NASD, appeals to the Federal Reserve Bank of New York, and finally, appeals to the United States District Court. Of course, this will only take place in those instances where the advertising and sales literature is "definite and explicit," and we have the courage to buck the regulatory bodies besides. These, unfortunately, are few in number.

The other side of the medium of enlargement of their own powers, by rules, by interpretations and by statements of policy, are gradually and rapidly leading

Continued from page 13

The Look Ahead for Government Securities

us away from that American system of free enterprise which was responsible for our emergence as a free and powerful nation. Unfortunately, we are tending more and more to participation in business, toward government interference with business activities, and toward directing the individual from the ability to thrive in and survive in business.

The end is not yet in sight. Administrative artificiality as a gradual and piecemeal destruction of our liberty is far-reaching. We are due for a rude awakening.


Notes

1. "The financial community's inability to finance postwar reconstruction had been due primarily to the unwillingness of the American public to commit funds for long-term lending purposes. In general, the American public preferred to invest its funds in domestic government securities...." (Seligson, "The Financial Community's Postwar Reconstruction," p. 404-405.)


3. "Thus speaks the Federal Reserve Bank of New York, Statement before the National Monetary Commission, Nov. 4, 1933.

4. "In the attempt to secure this large a proportion of the nation's income by taxation it must be taken where the people have the money to pay it, and where it is necessary to raise it." (C. S. Brimson, "The新能源金政策," New York, 1928, p. 146.)

5. "In this connection it is interesting to note that the rate of liquidity on open market operations has been discussed in England "The Economist" in 1940. Here, the cost of funds was more than the interest on the government's public debt.

6. "They can regain their freedom of action and their authority. The price of the freedom of action should not be.

7. "It has been argued that the British Government's authorities have been too lenient in their policy toward the British economy and that they should have been more strict in their policy toward the British economy..."

8. "The effects of the British economy on the British economy have been discussed in England "The Economist" in 1940. Here, the cost of funds was more than the interest on the government's public debt..."
Public Utility Securities
By OWEN ELY
Holding Company Securities
Did the recent severe decline in utility securities put holding companies in a "stock corner"? It is of course impossible in this column to give any definite appraisals, but a brief survey of the situation in view of the facts now reduced in number—may be of some interest.

The most important aspect of the moment is American & Foreign Power and Standard Gas & Electric. For some months American & Foreign and Standard Gas & Electric have been at a low level which may be filed in the near future. According to estimates prepared some time ago, and assuming no further declines in the market, the stock might have been sold at $30.40 a share on the present income, which would be a substantial saving in earnings, which would seem conservative since the Company seems pretty well protected against EPT, the price could be $31.40. Again using the (deceitfully) changing values for the present stocks would compare with recent market prices as follows:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Current Price</th>
<th>Recent Estimated Price</th>
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<tbody>
<tr>
<td>American &amp; Foreign</td>
<td>$30.40</td>
<td>$31.40</td>
</tr>
<tr>
<td>Standard Gas &amp; Electric</td>
<td>$29.00</td>
<td>$30.40</td>
</tr>
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Debentures priced at face amount, common stock at 13.

Standard Gas & Electric is still working on a complicated program to streamline Philadelphia Company and place it on an all-nation basis. If this is completed a plan may be forthcoming for the top company, although rate questions affecting Duquesne and Power are still a daily problem. The equity income would amount to $107 million. Holdings in Oklahoma Gas are about $22 million, Louisiana Gas $20 million, and Georgia $12 million, as estimated at $34 million. This makes a total of $157.1 million. Deducting the entire claim of the prior preference stocks for par and dividend arrears of $94 million, there would be $63 million for the $4 preferred and common stocks. The $4 dividend would if applied to the senior claim this might be increased to perhaps $77 million. If these amounts were allocated to the $4 preferred stocks on an 80-20 basis the results would be as follows:

<table>
<thead>
<tr>
<th>Estimated Break-up</th>
<th>Rec. 13</th>
<th>Rec. 80</th>
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<tbody>
<tr>
<td>$125 million</td>
<td>$12.5 million</td>
<td>$82.5 million</td>
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<td>$75 million</td>
<td>$7.5 million</td>
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<td>$7.5 million</td>
<td>$67.5 million</td>
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<tr>
<td>Common</td>
<td>5.30</td>
<td>7.10</td>
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The case of New England Public Service (NEPSCO) has attracted less interest. While the earnings have been improving, the stocks of the three subsidiary companies—Central Maine Power, Public Service of New Hampshire, and Central Vermont Public Service—have not shown much net appreciation over the past year or more. The management has long delayed the sale of some of the more shares of Central Maine despite pressure from the SEC. An allocation plan would seem to be still some distance off.

Developments in International Hydro-Electric also continue along the same lines. The options on the preferred and the common are held for the same amount of shares as in late 1951. Only an all-share policy at the current price of $35 ($490.60). Because of the mixed character of the portfolio, however, accurate appraisal is quite difficult. As a rule, the SEC has been pressing for adoption of an all-common stock capitalization, there is a big tax advantage (now doubt decribable with the threatened EPT) obtainable as long as the debentures remain outstanding, since the Treasury Department permits deduction of all but unpaid interest from earnings.

Middle West recently made a distribution of $2.50 cash and closed the transfer books. Wall Street analysts estimate that the final distribution, to be made around the end of 1953, might approximate 50c a share. The stock was dropped from the Curb, but is likely to reappear around 2½ bid, or about one-quarter ex the cash payment.

Federal Water & Gas proposes to distribute a half share of Scranton water and gas for each share of Federal. Scranton is currently around 13½ and half a share would be worth 6½ if Federal is $20. Both stocks are held by Federal. Scranton is currently around 13½ and half a share would be worth 6½ if Federal is $20. Both stocks are held by Federal. Scranton is currently around 13½ and half a share would be worth 6½ if Federal is $20. Both stocks are held by Federal.

The Federal Water & Gas Service has been on the market for some time, and the sale of a share is currently expected at $35 ($490.60). Because of the mixed character of the portfolio, however, accurate appraisal is quite difficult. As a rule, the SEC has been pressing for adoption of an all-common stock capitalization, there is a big tax advantage (now doubt decribable with the threatened EPT) obtainable as long as the debentures remain outstanding, since the Treasury Department permits deduction of all but unpaid interest from earnings.

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### Indications of Current Business Activity

#### AMERICAN IRON AND STEEL INSTITUTE:
- Inflating and expansion (pounds of capacity) **Aug. 27**
- Steel ingots and castings (net tons) **Aug. 17**

#### AMERICAN PETROLEUM INSTITUTE:
- Crude oil and condensate output—daily average (bbls. of 42 gallons each) **Aug. 26**
- Crude oil and condensate—daily average (bbls. of 42 gallons each) **Aug. 29**
- Crude oil and condensate—weekly average (bbls. of 42 gallons each) **Aug. 26**
- Waxes, greases, and animal products **Aug. 27**
- Residue fuel oil output (bbls.) **Aug. 30**
- Gasoline runs **Aug. 31**
- Kerosene runs **Aug. 31**
- Residual gas **Aug. 31**

#### CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD:
- Total U. S. construction **Aug. 17**
- Construction for cities **Aug. 12**
- Public construction **Aug. 12**
- Roads and bridges **Aug. 12**
- Bridges built (cost, $) **Aug. 12**

#### DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM:
- Five-week average **Aug. 22**

#### FAIRESHOP (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET INC.:
- Wholesale sales (number of cars) **Aug. 12**
- Revenue received from connections (number of cars) **Aug. 12**

#### METAL PRICES (K. & N. QUOTATIONS):
- Electric copper **Aug. 17**
- Lead (l.c. & f.o.b.) **Aug. 17**

#### MOODY'S BOND PRICES DAILY AVERAGES:
- U. S. Government Bonds **Aug. 22**
- State and city issues **Aug. 22**
- Railroad bonds **Aug. 22**
- Industrial bonds **Aug. 22**
- Foreign bonds **Aug. 22**

#### MOODY'S BOND YIELD DAILY AVERAGES:
- U. S. Government Bonds **Aug. 22**
- State and city issues **Aug. 22**
- Railroad bonds **Aug. 22**
- Industrial bonds **Aug. 22**
- Foreign bonds **Aug. 22**

#### MOODY'S COMMODITY INDEX:
- Natural rubber (important grades) **Aug. 22**

#### OIL, PAINT AND DRUG REPORTER PRICE INDEX—1906-36 AVERAGE **Aug. 18**

#### STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT STOCKS AND SECURITIES ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:
- Odd-lot purchases by dealers (dealers' sales) **Aug. 26**
- Odd-lot purchases by dealers (customers' sales) **Aug. 26**
- Odd-lot sales by dealers (customers' sales) **Aug. 26**
- Odd-lot purchases by dealers (customers' sales) **Aug. 26**

#### WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR:
- All commodities **Aug. 15**
- Live animals **Aug. 15**
- Cattle **Aug. 15**
- Sheep and lambs **Aug. 15**
- Pigs **Aug. 15**
- Dairy products **Aug. 15**
- Eggs **Aug. 15**
- Fruits **Aug. 15**
- Vegetables **Aug. 15**
- Tobacco products **Aug. 15**
- Textile products **Aug. 15**
- Metals and metal products **Aug. 15**
- Building materials **Aug. 15**
- Chemicals and allied products **Aug. 15**

#### COPPER INSTITUTE—For month of July:
- Copper exports (tonnage, pounds) **Aug. 27**
- Copper used (tonnage, pounds) **Aug. 27**

#### COTTON AND LINEN—DEPT. OF COMMERCE:
- Latest—Consumed month of July **Aug. 30**
- In public storage as of July 29 **Aug. 30**
- In consumption establishments as of July 29 **Aug. 30**
- Cotton supplies active as of July 31 **Aug. 30**

#### CROP PRODUCTION—TREE REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—For Aug. 19 (30 states):
- Corn, all (bbls.) **Aug. 17**
- Wheat (bbls., 56 lb.) **Aug. 17**
- Oats (bbls., 56 lb.) **Aug. 17**
- Barley **Aug. 17**
- Rye **Aug. 17**
- Rice, all varieties **Aug. 17**
- Peas, dried **Aug. 17**
- Winter (bu.) **Aug. 17**
- Beans, all (bu.) **Aug. 17**
- Lentils, all (bu.) **Aug. 17**
- Lentin—Consumed month (bbls.) **Aug. 17**
- Stocks (tons) **Aug. 17**

#### EMPLOYMENT AND WAGES—U. S. DEPT. OF LABOR—REVIEWED SERIES—Month of July:
- All manufacturing production workers **Aug. 17**
- All manufacturing **Aug. 17**
- Durable goods **Aug. 17**
- Non-durable goods **Aug. 17**
- Services **Aug. 17**
- Military and naval **Aug. 17**
- Government **Aug. 17**
- Manufacturing **Aug. 17**
- Services **Aug. 17**
- All manufacturing **Aug. 17**
- Durable goods **Aug. 17**
- Non-durable goods **Aug. 17**

#### FAIRFIELD PUBLICATION RETAIL PRICE INDEX—1926-36 AVERAGES—As of Aug. 1:
- As of Aug. 1 **Aug. 1**
- Previous month **Aug. 1**

#### NEW YORK STOCK EXCHANGE—As of July 31:
- Price quotations **Aug. 17**
- Market value **Aug. 17**
- Market width **Aug. 17**
- Market breadth **Aug. 17**
- Market seasonality **Aug. 17**
- Market index **Aug. 17**

#### TREASURY MARKET TRANSACTIONS IN DIRECT-TRADING BONDS—REPUBLIC OF U. S.—Month of July:
- Net purchases **Aug. 17**

#### RESIN—DUANE (BUREAU OF MINES)—Month of July:
- Price quotations **Aug. 17**

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*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.*

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*Revised.*
Securities Now in Registration

- Ace Finance Co., Inc., Albuquerque, N. M.
  - Purpose—For working capital. Office—111 N. Main St., Albuquerque, N. M.

Albany Canada Oil Co., Inc. (Del.) (9/1)
  - Big Bear Markets of Michigan, Detroit, Mich. (8/29)
  - Blue Goose Publishing Corp., Inc., New York, N. Y.
  - Briggs & Stratton Corp., Milwaukee, Wis.
  - British American Tobacco Co., New York, N. Y.
  - Burlington Industries, Inc., Burlington, N. C.
  - Burma Dairies Inc., New York, N. Y.
  - Cadiz Corp., New York, N. Y.
  - California Edison Co., Los Angeles, Calif.
  - California Coach Co., Inc., New York, N. Y.
  - California Gastroenterological Corp., New York, N. Y.
  - Carolina Power & Light Co., Greensboro, N. C.
  - Carolina Power & Light Co., Greensboro, N. C.
  - Cargill, Inc., Minneapolis, Minn.
  - Case Oil & Gas Co., New York, N. Y.
  - Caterpillar Tractor Co., Peoria, Ill.
  - CFB Industries, Inc., New York, N. Y.
  - Central Telephone Co., Lincoln, Neb. (8/25)
  - Citizens Credit Corp., Washington, D. C.
  - Citizens Telephone Co., Decatur, Ind.
  - City Stores Co., Inc., New York, N. Y.
  - Coca-Cola Bottling Co. of St. Louis, Mo.
  - Consolidated Engineering Corp., Pasadena, Calif.
  - Consolidated Gas Co. of Missouri, Kansas City, Mo.
  - Continental Refrigeration Corp., N. Y.
  - Continental Telephone Co., Lincoln, Neb. (8/25)
  - Continental Telephone Co., Lincoln, Neb. (8/25)
  - Continental Telephone Co., Lincoln, Neb. (8/25)
  - Convalescent Hospital, Inc., Beverly Hills, Calif.
  - Cozy Corp., New York, N. Y.
  - Cowen & Co., New York, N. Y.
  - Drinker's Enterprises Corp., New York, N. Y.
  - Duke Power Co., Durham, N. C.
  - E. H. Goddard & Co., New York, N. Y.
  - Equitable Building Co., New York, N. Y.
  - Equitable Mortgage Life Insurance Co., New York, N. Y.
  - Equitable Securities Corp., New York, N. Y.
  - Equitable Life Assurance Society of the U. S., New York, N. Y.
  - Equitable Life Assurance Society of the U. S., New York, N. Y.
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  - Equitable Life Assurance Society of the U. S., New York, N. Y.
**NEW ISSUE CALENDAR**

**August 24, 1950**
- American Natural Gas Co. — Common
- Central Telephone Co. — Common
- American Oil Co. — Common
- Duquesne Light Co. No. (EDT) — Bonds
- Pacific Petroliums, Ltd. — Common

**August 28, 1950**
- Granite Co., Inc. — Preferred
- National City Co. — Preferred
- Indiana Gas & Water Co. — Common

**August 30, 1950**
- Canada (Dominion of) — Bonds

**September 1, 1950**
- Alberta—Canada Oil Inc. — Common
- Allen Organ Co. — Pfd. & Common
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**September 7, 1950**
- Plantation Pipe Line Co. — Debentures
- Vulcan Dentining Co. — Common
- Tennessee Gas & Oil Co. — 11:30 a.m. EDT — Bonds
- Utah Power & Light Co. — Bonds

**September 12, 1950**
- Virginia Electric & Power Co. — 11:30 a.m. EDT — Bonds
- New Bedford Gas & Edison Light Co. — Notes
- Utah Power & Light Co. (EST) — Common

**September 19, 1950**
- Cleveland Electric Light & Power Co. — Bonds
- New Hampshire Electric Co. — Common
- Delaware Power & Light Co. — Bonds
- New Bedford Gas & Edison Light Co. — Notes

**September 27, 1950**
- Standard Oil Co. of N.J. — Preferred

**September 29, 1950**
- United States Plywood Corp. — Preferred

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**Idaho**

**Idaho Maryland Mines Corp., San Francisco, Calif.**

**Indiana**

**Indiana Gas & Water Co., Inc.** (8/29)

**International**

**International Vangor Corp., Palm Lake, Colo.**
- Aug. 17 (letter of notification) 400 shares of common stock (par $5), of which 150 shares will be issued to investor and 250 shares to holders of stock. Indebtedness: 3,000 shares to be offered publicly and 480 shares to be offered to employees. Price—At par. Underwriter—None. Proceeds—To buy Angora cloth and blanket mill and to market product.

**Hooper**

**Hooper Telephone Co., Hooper, Neb.**

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**Mississippi**

**Mississippi Power & Light Co.**
- May 23 filed 85,000 shares of cumulative preferred stock (par $100). Price—$100 per share. Underwriter—George D. B. Bonbright & Co., Binghamton, N. Y. Proceeds—to further development of projects.

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**New Jersey**

**New Jersey Zinc Co., Boise, Idaho.**
- Aug. 14 (letter of notification) 900,000 shares of common stock (par 25 cents), of which 500,000 shares will be exchangeable for 10,000 shares of preferred stock. Price—At a discount. Underwriter—None. Proceeds—For working capital.

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**Oregon**

**Oregon Power & Light Co., Coos Bay, Ore.**
- Aug. 16 (letter of notification) 300,000 shares of common stock (par $1). Price—$1.50 per share. Underwriter—None. Proceeds—For working capital and general corporate purposes. Oregon Trust Co., Portland, Ore.

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**Pennsylvania**

**Pennsylvania Highways Equip. Truf. Oils, Inc.**
- Aug. 25 (letter of notification) 10,000 shares of preferred stock (par $50). Price—To be determined at 12% per share plus accrued dividends (in share). Underwriter—None. Proceeds—To redeem short-term marketable securities and to extend facilities.

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**Rochester**

**Rochester Telephone Corp., N. Y.**
- July 28 filed $5,000,000 of 6% bonds, series A, 1976. Underwriter—Kidder, Peabody & Co. Proceeds—To sell and use proceeds for extensions and improvements to property and for working capital.

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**Rochester Telephone Corp., N. Y.**
- July 28 filed $5,000,000 of 6% bonds, series A, 1976. Underwriter—Kidder, Peabody & Co. Proceeds—To sell and use proceeds for extensions and improvements to property and for working capital.

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**San Francisco**

**San Francisco Gas & Light Co.**
- July 28 filed 15,000 shares of no-par common stock. Price—$3 per share. Proceeds—For plant and warehouse, advertising, increased working capital, etc. Temporarily postponed. Amendment may be filed.

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**San Francisco**

**San Francisco Gas & Light Co.**
- July 28 filed 15,000 shares of no-par common stock. Price—$3 per share. Proceeds—For plant and warehouse, advertising, increased working capital, etc. Temporarily postponed. Amendment may be filed.

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**Southern Co.**

**Southern Co.**

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**Southern Co.**

**Southern Co.**

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**Southern Co.**

**Southern Co.**

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**Southwestern**

**Southwestern Oil Co.**

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**Southwestern Oil Co.**

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**Southwestern**

**Southwestern Oil Co.**

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**Southwestern**

**Southwestern Oil Co.**
continued from page 21

Mt. Carmel (Ill.) Public Utility Co. July 31 filed 601,000 shares of 5% preferred stock being offered to common stockholders of record on Aug. 30 at $10 (par $100 each). Underwriter—None. Proceeds—To establish auxiliary power service for customers. Office—316 Market St., Mt. Carmel, Ill.

New Hampshire Electric Co. (19-1) Aug. 16 filed 19,000 shares of $300 par value, $225 preferred stock (par $100) to be sold at par to common stockholders at rate of one share on each $100 of stock held. Price—at par ($100 per share). Underwriter—None. Officers and directors will supervise distribution. Proceeds—for working capital.

Northern Illinois Coal Co., Chicago May 16 filed 75,000 shares of $50 par common stock (par $10) to be sold at 2,400 shares of common stock (no par) to be sold at the market price (after expenses) to registered shareholders. Underwriter—& Co., Chicago. Price—to holders. Offered by: T. D. Gage, III, Vice-President of the company. Underwriter—Farr, Olney, & Co., Chicago.

Northwestern Public Service Co., Huron, S. D. June 9 filed 48,900 shares of common stock (par $1) to be sold at the market price (after expenses) to registered stockholders at rate of one share on each 10 held. Underwriter—A. C. Allyn & Co., New York. Proceeds—For construction expenditures. Postponed temporarily.

Ohio Oil & Gas Co. May 1 filed letter of notification (par $100) 1,100 shares of common stock now held in treasury. Price—50 cents per share. Underwriter—None. Proceeds—To redeem the stock. Offered by: W. B. Scott and Shockey. Proceeds—Toward repayment of bank loan.

Oro Fids Telephone Co., Orchards, Wash. March 16 (letter of notification) 500 shares of common stock (par $1) (par $100 per share). Underwriter—None. Proceeds—To modernize plant.

Oxygen Products Co., Atlanta, Ga. Aug. 16 filed 25,000 shares of $100 par value, $50 preferred stock (par $25) to be sold at the market price (after expenses) to registered stockholders at rate of one share for each $25 of stock held. Price—at par ($100 per share). Proceeds—To be used for cash and short term capital. Underwriter—None. Proceeds—For operating purposes.

Perfit Mines Inc., Denver, Colo. Aug. 23 filed 112,500 shares of common stock (par $1) (par $100 per share) to be sold at the market price (after expenses) to registered stockholders. Price—at par ($100 per share). Underwriter—Robert D. Bowers & Co., Denver. Proceeds—To modernize the operation.


Printz-Biederman Co., Cleveland, Ohio Aug. 3 filed 15,000 shares of common stock at $7 per share. Underwriter—E. B. Steed & Co. Proceeds—To increase working capital.


Quarterly Distribution Shares, Inc., Kansas City, Kansas July 28 filed 100,000 shares of common stock (no par). Price—83 cents in excess of the net asset value per share. Underwriter—Bonds, Inc., Kansas City.


Rhinelander (Wis.) Telephone Co. Aug. 16 (letter of notification) 100,000 shares of common stock (par $1) to be offered to present stockholders at rate of one new share for each share held. Price—To be fixed by amendment. Underwriter—None. Proceeds—For additional working capital. Offered by: First National Bank of Rhinelander, Office—State Street, Rhinelander, Wis.

Rocky Mountain Textile Mills, Inc. July 11 (letter of notification) $150,000 of 5% convertible sinking fund debentures due 1980, and 5,000 shares of common stock (par $19), to be sold separately or in units of one $100 debenture and 100 shares of stock. Price—Separately, at par, and in units, at $2,000 each. Underwriters—Bohrer & Co. and Peter, Writer & Christensen, Inc., Denver. Col. Proceeds—for new machinery, equipment and working capital. May be placed temporarily.


Royal Television & Electronics, Inc., Cleveland Aug. 22 (letter of notification) 600,000 shares of common stock (par $1) to be offered to present stockholders at rate of 10 shares for each $100 of stock held. Price—at $1 per share. Underwriter—None. Proceeds—For additional working capital.


Swaney Stores Inc., New York Aug. 8 filed 321,000 shares of cumulative preferred stock (par $100) and $500,000 of common stock (par $1). Price—$70 per share. Underwriter—None. Proceeds—To acquire properties and working capital.

Tennessee Gas Transmission Co., New York Aug. 4 (letter of notification) 52,097 shares of capital stock (par $1) to be offered on a one-for-one basis to the public at $50 per share. Price—at $50 per share. Underwriter—None. Proceeds—To be used for working capital.


Underwriter—None. Proceeds—For expansion and working capital.


Unexelled Chemical Corp. Aug. 14 (letter of notification) 52,097 shares of capital stock (par $1) to be offered on a one-for-one basis to the public at $50 per share. Price—at $50 per share. Underwriter—None. Proceeds—To be used for working capital.


Vieh Co., Columbus, Ohio May 8 (letter of notification) 15,000 shares of common stock (par $100). Underwriter—The Ohio Co. Pre¬
Prospective Offerings

Aetna Finance Inc. June 25 indicated that the company may do some financing later this year. Traditional underwriter: Goldman Sachs & Co.

Alico Inc. Power Co. Aug. 22 it was announced that company has filed with Alabama Power Commission an application for an increased issuance of $500,000,000 preferred stock (par $100). Underwriters—Glens Falls, New York. Proceeds—For additional working capital.

Antion Oil Co., Fort Worth, Tex. July 29 it was announced that a registration statement will be filed covering $15,000,000 of preferred stock.

Associated Telephone Co., Ltd. June 15 it was announced that the company's present indenture will be exercisable for approximately $10,000,000 of additional funds by selling, in the fall of the current year, $5,000,000 additional shares of cumulative preferred stock (par $20). A like amount of common stock (par $20) and $8,000,000 of first mortgage bonds, series B, 4%, was issued by the company. Underwriters: Lehman Brothers, New York; J. E. Mullen & Co., New York; Halsey, Stuart & Co., New York; Kidder, Peabody & Co., Boston; and Morgan Guaranty Trust Co., New York. Proceeds—For additional working capital.

Alico Inc. Power Co. Aug. 8, Albert Cage, President, announced that company is considering a new issue of authorized capital stock (par $25) to be sold through the New York Stock Exchange by the brokerage firm of Alico Inc. Power Co. for an estimated price of $20.00 per share. Proceeds—For further expansion of the company's business.

California Electric Co. March 11 it was announced that under an amended plan of reorganization filed with the bankruptcy court, each holder of preferred stock, for each share held the right to buy a unit consisting of eight shares of new common stock, priced at $20.00 per share (par $25). The proceeds from the sale of the new common stock will be used to retire the $1.75 per share of preferred stock. Proceeds—For the purpose of enabling the company to operate and continue its business. Underwriters—Alico Inc. Power Co., New York; and Morgan Guaranty Trust Co., New York. Proceeds—For the purpose of enabling the company to operate and continue its business.

Virginia Electric & Power Co. (9/12) Aug. 7 it was reported that the company will sell a total of 325,000 shares of 10%, $500,000 principal amount of mortgage bonds, series H due Sept. 1, 1980. Underwriters—To be determined by competitive bidding. Probable bidders: Ruder, Biltz, Loeb & Co.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Lehman Brothers; First Boston Corp.; Proceeds—To pay $8,000,000 of bank loans and for construction purposes. Underwriters—None. Proceeds—To pay bank loans.

West Discontinuing Co. July 25 (letter of notification) 3,000 shares of common stock (par $50) have been authorized for issuance at the option of preferred stockholders. Proceeds—For development work. Statement effective May 23.

American Investment Co. of Illinois May 24 announced company is planning to file a short registration statement covering 150,000 shares of preferred stock (par $50). Proceeds—To be offered by the company. Underwriters—Glens Falls, New York. Proceeds—For additional working capital.

Antion Oil Co., Fort Worth, Tex. July 29 it was announced that a registration statement will be filed covering $15,000,000 of preferred stock.

Associated Telephone Co., Ltd. June 15 it was announced that the company's present indenture will be exercisable for approximately $10,000,000 of additional funds by selling, in the fall of the current year, $5,000,000 additional shares of cumulative preferred stock (par $20). A like amount of common stock (par $20) and $8,000,000 of first mortgage bonds, series B, 4%, was issued by the company. Underwriters: Lehman Brothers, New York; J. E. Mullen & Co., New York; Halsey, Stuart & Co., New York; Kidder, Peabody & Co., Boston; and Morgan Guaranty Trust Co., New York. Proceeds—For additional working capital.

Florida Power Corp. July 31 the company was said to be considering a new issue of preferred stock. Underwriters—To be determined by competitive bidding. Proceeds—For construction purposes.

Florida Gas Co. June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are part of the company's plans for the construction program which is expected to require approximately $12,000,000 in additional construction costs. Underwriters—Kidder, Peabody & Co., Boston; and Morgan Guaranty Trust Co., New York. Proceeds—For construction purposes.


Hollingsworth & Whitney Co., Boston, Mass. Aug. 15, it was reported that the company plans to issue $5,000,000 of 6% preferred stock for the purpose of financing one of its projects. Proceeding: Underwriter: Kidder, Peabody & Co., Boston; and Morgan Guaranty Trust Co., New York. Proceeds—To fund construction.

Houston Lighting & Power Co. April 10, it was announced that the company will suspend construction expenditures for 1950 between $18,000,000 and $20,000,000. Proceeds will be used for the purpose of enabling the company to operate and continue its business. Underwriter: Morgan Guaranty Trust Co., New York. Proceeds—To pay bank loans.
Pipeline
Orleans
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will
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Probable
Corp.
34
New
States
York.
was
Merrill
also
(par
are
sale by
Gas &
Negotiations
bonds:
Halsey, Stuart & Co.; Riter & Co.
2,175
$37,000,000
1950.
Probable
bidders: Halsey, Stuart & Co. & Drexel & Co. (jointly);
Reading Co.
31//8%
financing
build
bidding
$5,000,000
1950. Probable
bidders: Halsey, Stuart & Co. & Drexel & Co. (jointly);
Allyn Inc., Wilcox-Gay-Majestic Inc.,
United States & Intern¬
ational Securities Corp.; Dillion, Read & Co.; F. S. Mosey,
$3,000,000.
Southern Natural Gas Co.
July 12 company reported planning issuance and sale early in September of $10,000,000 additional equipment trust certificates, senior to mature annually July 1, 1952 to April 1, 1953. Probable bidders: Halsey, Stuart & Co.; J. H. Biggs & Co.; Pettingill, Bros. & Co. (jointly); Salomon Bros. & Hutzler.
Southern Utah Power Co.
June 8 SEC authorized trustee of Washington Gas & Electric Co. sale of $5,000,000 additional bonds (par $5,000,000) to "registered parties" for the sale of its common stock interest ($2,619,000). Proceeds for not less than $250,000 base price, plus adjustment.
Southern Power Service Co.
August 9 Richmond, Va., Nichols, Chair¬
manship, that the company expects to receive between $17,000,000 and $18,000,000 through the sale of securities during the fiscal year beginning Sept. 1, 1950. The proceeds may include bonds to be placed privately and the balance sold to the public through underwriting by Stanley & Co. Proceeds to be used to build new powerplants to begin early next year and completion scheduled for early 1953.
Southern Power Service Co.
July 21 company announced plans to raise $26,000,000 in money through sale of additional securities, the proceeds to finance in part 1892 con¬
tinuance.
Tide Water Power Co.
May 28 company reportedplans to sell to the authorized common stock to 1,000 shares from 500,000 to 1,000,000 shares. The stock was sold at $34 7/8 to $35. Traditional underwriters: Union Securities Corp.; Smith, Barney & Co.
Tennessee Power Co.
Aug. 21 it was announced company plans to issue and sel 34,000 additional shares of common stock through underwriting. Pro¬ceeds—Estimated at about $220,000 for working capital.
Tennessee Power Co.
July 25 filled with FCC for authority to build 1,130 miles of powerline in Kentucky, Missouri and Tennessee. The proposal pro¬vides for borrowing at an average interest rate of 4.5%. The new debt will be sold to private lenders and to institutional investors headed by Dominion Securities Corp. and Harriman River City Corp.
United Gas Pipe Line Co.
July 25 company plans to build a 1,100 mile line to bring natural gas from the Gulf Coast and offshore fields in Louisiana and Texas. Company is now in process of completing negotiations foreloan facilities.
Vanadium Corp. of America
Aug. 21 company announced plans to offer publicly $5,000,000 of convertible debentures, the proceeds to be used for expansion of the company's operations. Negotiations are being carried on with Kidder, Peabody & Co., E. F. Hutton & Co., and F. S. Mosey & Co.
Victor Chemical Works
July 14 it was announced that the company will build a new chemical furnace plant at Silver Bow, Mont., to cost $5,000,000. Financing may be placed privately. Traditional underwriters: F. S. Mosey & Co., New York.
Warren-Hudnut, Inc.
July 20 change in company's name from William R. Warren Co., Inc., to Warren-Hudnut, Inc., was taken on proposed recapitalization plan, due to market conditions. Hudson's Bay Co. purchased the company's stock and filed an offer to purchase the stock of the SEC covering the sale of approximately 225,000 shares at $15 3/8 per share (par $1) to the public through a nation-wide group of securities dealers headed by F. Eberstadt & Co., Inc.
Willow-Gay Corp.
July 17 it was reported company plans issuance and sale of $5,000,000 of first mortgage bonds. Probable bidders: Halsey, Stuart & Co. & Drexel & Co. (jointly); Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; New York; and others.
Wm. Wilcox-Majestic Corp.
New company plans public offering of $5,000,000 of new stock. Traditional Underwriter—Geaart, Kimmard & Co., Chicago.
Wm. Wilcox-Majestic Corp.
July 11 it was announced in connection with proposed acquisition of Gerod Radio Corp. and Majestic Radio Corp., that the new company plans public offering of 500,000 shares of common stock. Traditional Underwriter—Geebarth, Kimmard & Co., Chicago.
DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Basic Street, New York 1, N. Y.
CAPITAL STOCK DIVIDEND
A dividend of three per cent on the Common Stock of American Power & Light Company, payable on September 1, 1950, will be paid to stockholders of record at the close of business September 1, 1950.

J. I. Case Company
(Incoporated)
Sociedad Anonima, August 29, 1950
The directors of the company have declared a quarterly dividend of $1.75 per share on the common stock of the Company, payable September 15, 1950, to stockholders of record at the close of business September 5, 1950.

The Colorado Fuel & Iron Corporation
A dividend of 30 cents (30%) per share on the 500,000 shares of capital stock is hereby declared payable September 25, 1950, to holders of record at the close of business September 15, 1950.

COMMERCIAL SOUVENISS
Date of record
DIVIDEND NO. 63
A dividend of twenty-five cents (25c) per share on the Common Stock of this Corporation, payable on September 29, 1950, to stockholders of record at the close of business on September 15, 1950.

A. R. BIRCH, Secretary.
August 22, 1950.

INTERNATIONAL HARVEST COMPANY
DIVIDEND NO. 145
A dividend of $1.00 per share on the common stock of this Company, payable September 27, 1950, to stockholders of record at the close of business September 15, 1950. The stock transfer books of the Company will not be closed.

HERBERT J. STERN
Exec. Vice Pres. & Sec'y.

KENCENNED COPPER CORPORATION
DIVIDEND NO. 15
The Board of Directors today declared a dividend of ninety cents per share on the Common Stock of the Company, payable September 23, 1950, to stockholders of record at the close of business September 14, 1950.

A. S. CHEVALI, Secretary.
August 23, 1950.

O'Keefe Copper Company Limited
DIVIDEND No. 15
A dividend of 35 cents per share has been declared on the common stock of this Corporation, payable September 27, 1950, to stockholders of record at the close of business September 15, 1950. The transfer books will not be closed.

OSCAR SELLERS, Treasurer.
August 16, 1950.

SOUTHERN CALIFORNIA EDISON COMPANY
preferred dividends
The Board of Directors has declared the following dividends:

FIRST PREFERRED STOCK
The regular quarterly dividend for the quarter ending June 30, 1950, payable on August 1, 1950, to stockholders of record at the close of business June 30, 1950.

1% SECOND PREFERRED STOCK
The quarterly dividend for the quarter ending June 30, 1950, payable on August 1, 1950, to stockholders of record at the close of business June 30, 1950.

COMMON STOCK
The quarterly dividend for the quarter ending June 30, 1950, payable August 1, 1950, to stockholders of record at the close of business June 30, 1950.

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock, payable September 30, 1950, to stockholders of record on September 25, 1950.

25 cents per share on Cumulative Preferred Stock, payable September 30, 1950, to stockholders of record on September 25, 1950.

T. J. GARNER, Secretary.
August 18, 1950.

Two With McDonnell Co.
(Special to The Financial Chronicle)
OMAHA, Neb. — Charles J. Dieterich and Arthur I. Bossier are the new occupants of the Black Building.

C. W. Turner & Co.
BOISE, Ida.—C. W. Turner will shortly open offices here to engage in the securities business.

LIQUIDATION NOTICE
The Thornton National Bank, located at Thornton, Ill., is being liquidated. All creditors of the above-named bank are requested to present claims for payment to the undersigned at said place of business.

P. J. ROBERTS, Liquidating Agent.
Dated August 18, 1950.

REDEMPTION NOTICE
OTIS ELEVATOR COMPANY
NOTICE OF REDEMPTION
Prefered Stock of $65.00 par value is hereby offered for redemption at the option of the owner.

Certificates for Preferred Stock of Otis Elevator Company shall be forwarded by registered mail to Burlington, Iowa or to the person or firm at 16 Wall Street, Borough of Manhatan, New York, the Redemption Agent, accompanied by a letter of transmittal in the form being mailed to all holders of record.

No assignment of the stock certificate(s) is required where payment is made to the order of the registered owner. If however payment is to be made to an assignee of the registered owner, then the stock certificate(s) must be endorsed with signature(s) guaranteed or accompanied by properly executed instruments of assignment to be submitted together with any supporting documents where required including payment of relative transfer taxes.

The assignment of the Preferred Stock of Otis Elevator Company is hereby offered for Bankers Trust Company to mail on the redemption date checks for the redemption price of all outstanding certificates, with such certificate(s) for which an assignment has been submitted prior to the redemption date. Checks for shares represented by certificate(s) not so assigned at the close of business on the redemption date will be returned to the holder thereof.

By order of the Board of Directors.
OTIS ELEVATOR COMPANY
By Thomas M. Logan
Secretary.
WASHINGTON, D.C.—What John Snyder in effect has made clear is that now is set the time to be the policy of pensions and maturities to guide the financing of this war that will come later.

Hence the Treasury has neither endangered the door on the possibility of higher official short-term rates, or any other additional bond issue or any other concerted action to increase wartime financing. What the Treasury would appear to indicate is that the time will come later. That later time will be when deficit financing in higher maturities will be a result of the expanding war effort actually materializing.

Congress will appropriate in the current session and next. Even with the interim tax bill, the total is expected to exceed $2 billion. However, there is a long-term lag of the $2 billion for 1941. The lag Defense Department will be to go through many stages of procurement planning before it contracts. Then industry will have to get going and that session will get under way. That is likely to be well into the new year.

This war production gets going in volume in the near future, it will have to be financed in volume. When that time comes, the time to cast the lot on maturities, types of issues, and methods of financing that will be decided in the light of the coming political situation in and at this time. These circumstances may or may not be favorable on time interest rates; if higher interest rates, they may be of a different level than other observers are projecting this far ahead, perhaps, as long as six months more.

This viewpoint is belied, carried on by the combination of the Treasury's plans for September and October refinancing—unknown to the public and the statement Monday by the Treasury Secretary which allowed the unprecedented action of the Treasury to raise the rate and reborrow at a rate of 3% from a gap of 15 years operating at, for a year of 1%. This was a most eloquent gesture of the Reserve Board's widely-known advice a rise in interest rates was on the way.

The general disposition in this town is to credit the Federal Reserve Board with its customary deep discretion in advocating an active and balanced arsenal of weapons to fight inflation—now. Likewise there is little private disposition to dispute the Board's thesis that even though production will be slow in starting, the country can cope with a rise in inflation, just a little bit of a war effort could send inflation. And the Board's recommendations stopped on just about everybody's toes, indiscriminately in the Administration and in Congress.

However, the Board's memo is not taken seriously but as a sort of a Memorial Day Ten Commandments which it would be unwise to break, especially if to Government Man or the Political Animal.

This is not the case, however. Congress on the brink of a war of world proportions, has passed a social security program which rates by 77% the income of the unemployed and raises the day when pensions for nearly all elderly people will compete with money to finance the war or reconstruction. Both the Congress and Administration have made it clear that the dear GI mortgage will be protected until the fort of inflation is breached, and the Administration, now, is being seduced by the thought of a million bonds, etc., which would hurt the Administration.

Under the circumstances more power to curb bank credit—now and their customers while other inflationary policies will be tolerated contentedly.

How little the Rural Electrification Administration takes seriously a systems program of the President that peacekeeping agencies shall cut back on programs which use scarce materials and cost money in the Adminis. As a result, being demonstrated officially.

The Department of Agriculture, of which R.E.A. is a part, tells the story. The Department is sending staff around this year on the State Fair circuit, its exhibit, "A Telephone in Every Home." It exhibits the new activity of the R.E.A. in making loans to finance rural telephone service.

As the Department itself describes its exhibit, "The exhibit is full of the exhibits. One of the characteristics of the exhibit says, 'A telephone is your link with the world. It's a necessity of present and future. For Better Living,' says the R.E.A. It is invited to a battery of dial telephones on a counter. Beside each telephone is an inviting sign, 'A Message for YOU.' When the spectator picks up the receiver it starts an electrically operated phonograph that delivers this message: 'Hello, there! This is your rural telephone operator with some interesting news about how your local telephone services for your farm.'"

The Rural Electrification Administration is making loans for expansion and improvement of rural telephone systems. These loans are available to existing or prospective cooperatives to expand their facilities, or if necessary, R.E.A. will finance a new cooperative like that charged by R.E.A. projects in the U.S.

The State Department has now established the 38th nation conference Sept. 26 at Torquay, England, to consider tariff concessions upon thousands of additional U.S. commodities, in alleged exchange for concessions to facilitate the export of U.S. goods into those countries, just as the Korean war has never broken out.

In reality, however, informed circles are not privy of achieving any great round of tariff - cutting accomplishments since with the war the main interest is in promoting the exchange of those commodities which are necessary for war.

When the President approves the Controls Bill, the Interior Department begins to set up a big controls bureaucracy paralleling the "Defence Production Administration" which the Congress Department will set up if the final version of the law permits it.

Eventually it looks like Commerce will hold jurisdiction over steel, copper, tin, and most of the metals, despite the eagerness of Agriculture and Interior to get a cut into this business. On the other hand, Interior will naturally handle oil, coal, and a broad list of miscellaneous metals and minerals, when, as, and if these are controlled, if possible under the law.

Preliminary secret negotiations have been begun between the U.S. and Great Britain on oil supply problems of an incident to the Korean war. It is believed that these will lay the foundation for later organizing war supply and allocations under broad schemes similar to those operating during World War II, for applications in case of an expansion of the war. When this planning stage is reached in the negotiations, representatives of other oil supplying and consuming nations will be involved in the negotiations, as, of course, the U.S. is likely to be called in to participate.

Senior Joseph C. O'Mahoney's "stopgap" or interim scheme for handling the matter of off-shore leases following the Supreme Court decision in the Texas and Louisiana cases, was considered by the Senate Agriculture, and oil state Congressmen as nothing but a stopgap effort to "sew up" dominant Federal control under the guise of an interim arrangement.

The Senator several weeks ago had put forward legislation on an interim basis that would more or less preserve the status quo that year. The bill which was drafted permanent legislation prohibited for Federal boards of the enlarged jurisdiction "legislated," in the event of a war.

The O'Mahoney bill was given such a drubbing by state officials and oil men in public hearings that its chances of passage this year are considered next to nil.

(This column is intended to reflect the "behind the scene" interpretation from the national Capitol and may or may not coincide with the "Chronicle"'s own views.)

With Grimm & Co. (Special to the Financial Chronicle)

THE ATLANTA, Ga.—Since L. E. Davis has been named to succeed E. G. Cooper at 11 Marietta Street, N. W., members of the New York Stock Exchange.

Business Buzz

WASHINGTON... And You

Chicago Tribune, August 2, 1949

"While we're going up in the elevator, you can explain the Stock Exchange to me!"

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