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EDITORIAL

As We See It

In his radio address late last week the President said: "In view of the threats of aggression which now face us, we shall have to increase these [our armed] forces and we shall have to maintain larger forces for a long time to come. . . .

"In addition to increasing the size of our armed forces, we must step up sharply the production of guns, tanks, planes and other military equipment. We shall also have to increase our stockpile of essential materials, and to expand our industrial capacity to produce military supplies. . . .

"We must now divert a large share of this [our] productive power to defense purposes. To do this will require hard work and sacrifice by all of us. I know all of us are prepared to do whatever is necessary in the cause of peace and freedom. . . .

"In order to increase our defense effort rapidly enough to meet the danger that we face, we shall have to make many changes in our way of living and working here at home. We shall have to give up many things we enjoy. We shall all have to work harder and longer. To prevent inflation and runaway prices, we shall have to impose certain restrictions upon ourselves."

So far so good. But about that willingness to work harder and longer, and to impose upon ourselves such restrictions as are necessary to prevent inflation and runaway prices. We wonder. And here is one of the things which makes us uncertain:

From a Single Page!

From a single page in the edition of a New York City newspaper (the New York "Times")

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Our Defense of The Home Front

By ERNEST T. WEIR*
Chairman, National Steel Corporation

Commenting on present crisis and its economic and political effects, prominent steel executive urges public insistance that American individual freedom, self-government and private enterprise system shall be preserved. Scores expansion of Federal power, together with "incomptent, unrealistic leadership" that has led to Korean crisis. Says steel industry is proof no controls are required in present situation, as there is ample steel for both military and civilian needs. Denounces excessive government expenditures and attacks National Labor Board's policy in Weirton Steel case.

The right of Americans to live their own lives has been taken out of their hands to an extent never before dreamed of. The plans of individuals, families, business concerns, communities, and states are subject to drastic change—almost without notice. Now we enter a period that is entirely new in American experience — one in which the nation proposes to live indefinitely on a military, or at least semi-military basis.

Ernest T. Weir

What this may mean eventually, no one can predict. We know that for many it will mean giving up civilian lives to go into military service. For the rest, it may mean serious disruption of private lives and sacrifices of many kinds. Whatever the outcome, Americans should determine now that it will not mean the loss of American individual freedom, American self-government, and the American private, competitive economic system. And the danger of losing these is as great—if not so obvious—as the danger of war with Russia.

*An address by Mr. Weir at the 15th Annual Meeting of the West Virginia Chamber of Commerce, White Sulphur Springs, W. Va., Sept. 1, 1950.

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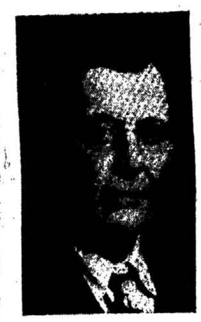
Price Behavior of Stock Groups Since 1929

By O. K. BURRELL
Professor Business Administration, Univ. of Oregon

Professor Burrell's study of the degree of correlation of movement of stock groups with the up and down swings of the market, having particular reference to the postwar period, 1946-50, maintains during wartime control period, the investor-speculator was unable to perform role of bringing prices in line with values. Holds with planned economy ended and free markets restored, a reshuffling of relative prices of various stock groups took place more in line with "free market" operations.

It is interesting to examine in detail price behavior of the various stock groups over several price cycles. Such examination does not result in any "sure fire" method of making profits in the stock market but it does perhaps make some slight contribution to understanding how security markets work. While such an examination may throw some light on how markets behave, it cannot offer positive evidence on why they behave as they do. When we have reliable evidence as to how the various stock groups behave over several cycles, we may then conjecture as to the why. The why of group movements would seem to be associated with such factors as the following:



O. K. Burrell

(1) The nature of the product. The fact that steel is largely a producers' good is probably responsible for the prince-or-pauper nature of the steel industry. The fact that tobacco products are consumer goods is probably responsible for the relative stability of this industry.

(2) Variation in capital structures among industrial groups perhaps explains some differences in price behavior. While there are, of course, differences in the capital structures of companies within the various group-

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SECURITIES NOW IN REGISTRATION—Underwriters and dealers in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

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

(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.)

This Week's Forum Participants and Their Selections

WALTER K. GUTMAN

Economic Analyst, Goodbody & Co., New York City

(Dow Chemical Co.)

At any given moment I like stocks which seem worth buying immediately and which I would be glad to buy more of if they went down.


Walter K. Gutman

My experience is that you make the most money when you are not too distressed if your stocks go down instead of up. In order to feel that way you have to have a deep belief that you are getting good values in the first place. If the stocks go down, they test your ideas. You learn if you really want them. Usually there are moments when you feel less than good; but the fundamental result of buying stocks you really like to own is to eventually make a profit. This happened with the utility holding companies in 1941, with the aircraft manufacturers in 1947 and the steels in 1949. One can also add the rubbers, liquors and the papers at various times in the last ten years. When real values become available it paid to buy at that moment, even in cases when the immediate market action was unfavorable to the purchaser.

By force of war growth stocks have been put to levels where they represent worth while statistical values—a quite unusual situation for them. Yet it can be argued that before next spring they may be bought still cheaper. Despite this possibility I have been advising purchase of chemicals, pharmaceuticals and other growth issues.

I would not call growth stocks dirt cheap—after all the yields are still modest, running between 3½% and 4½%. The price to earnings ratios even at these levels are no better than sensible. Dow Chemical is selling for nine times its current annual rate of earnings, whereas U. S. Steel, even at its 13-year high, has been selling for less than four times this year's earnings. But then you have to ask, how cheap can a growth stock get? These stocks are the premier equities of our markets. Important investment funds are committed to them, and will continue to be placed in them because of their excellent records and well defined prospects. For growth stocks to become dirt cheap, for them to yield 7%-8% and sell on a very low price-earnings ratio, would require a revolutionary change in investor thinking. The fact that they are now available on a reasonable basis is something of a minor revolution. It is this sudden change in the relationship of the price of growth stocks to their proven earnings which tempts me to buy them.

Dow and other growth stocks have been bought to a sensible basis by the interaction of two forces—(1) the rapid increase in earning power demonstrated in this year and the sudden prospect of excess profits taxes. First-half earnings of numerous growth companies showed that they really did have the earning power which their followers had long been forecasting. This earning power, which once looked so far away, made prices which once looked high, look cheap. Unlike steel, copper, machinery, and aircraft equities, typical growth stocks have not rallied to new highs since the July break. Some are still selling at last year's prices, to which they fell in the break. But working at a feverish pace, the new plants of the growth companies are pulling at capacity and the third quarter reports are going to give even more striking proof of their earnings power.

Obviously if the tax bite proves less than the recent barking, growth stocks are likely to work out well as medium term speculations. Speculators can feel confident that long-term investment funds will continue to want growth stocks. There will be plenty of money to take growth stocks out of speculative hands if the tax picture brightens. To my mind there is a reasonable chance that excess profits taxes will not bear down as heavily on legitimately fast growing profits as many think. If the new law is promulgated in an atmosphere of reasonable legislative calm, which is a possibility once the elections are over, an effective legal distinction may be drawn between profits which are swollen by the demands of war and those which are growing rapidly because of the intensive development of new and improved products. Certainly it is unfair to compare the profits coming to American Cyanamid from aureomycin, of Pfizer from terramycin, with those being made by a copper company on 24¢ metal. If such common sense distinctions can be translated into legal distinctions, growth companies may be able to keep a large share of their growing earnings. One treasurer told me that escape clauses could give his company as big profits in 1951 under excess profits taxes as it will have this year, and this year will make quite a record.

But suppose the escape provisions of the new law do not bring effective relief to growth companies, may not such stocks sell much lower than they now do? Why buy growth stocks now, why not keep on buying stocks which are less vulnerable. The steels for example. Well, for one thing I don't think the growth stocks are the only cheap group at the present time. Far from it. Comparing stocks to houses, to what you can get at a restaurant, to what you can do with a dollar in a lot of places, I keep on thinking that many of them are cheap, certainly well worth the money. What intrigues me about growth stocks is that they are suddenly available at last year's prices even though they are showing record earnings. If they get cheaper, there will be a really amazing buying opportunity. Investors can "buy" in depth. There is a great deal of growth left. The pharmaceutical industry as we know it is really only 15 years old, it dates as a big scale operations from the discovery of vitamins and sulfa drugs. The chemical industry as an aggressively inquisitive, creative, economic entity is only 25 years old. It dates from the development of cellulosics—rayons and cellophane circa 1925. As to glass, an imaginative approach to glass is about a dozen years old. These growth industries are putting mind into the matter of a lot of other industries. The steel industry is becoming chemical and electronic at an amazing clip. Electrolytic tin plating, electrolytic galvanizing, hot and cold extrusion have and will change important segments of it rapidly. The growth industries are the leaders in the hot pace of change which is sweeping through all industry. They have well established research programs which won't be hurt at all by excess profits taxes. They also have established depreciation schedules for their new equipment and process which tends to give them a faster turnover of invested capital than is possible on schedules established on conventional equipment in conventional industries. Dow charged $20 million to depreciation in its last report. This equalled 7% of its gross plant. With this charge established Dow is in a pretty good position to finance expansion regardless of taxes. Growth stocks like Dow today offer not only fine prospects, but a tremendous invested effort both in plant and research, only part of which finds reflection in their balance sheets.

BERKELEY WILLIAMS

Retired Investment Banker Richmond, Va.

(Chesapeake and Ohio Common)

An old axiom of Wall Street is "a good investment is a good speculation," and C & O common is both.


Berkeley Williams

In the future the dollar may be worth less, taxes will surely be higher, paternalism in government will be greater and many dire things may happen, but there the C & O will be found engaged in an essential business, handling essential products, with top flight management, in sound physical and financial condition and prepared to meet whatever the future may produce.

The "Chronicle" of Aug. 3, presented C & O high points in a staff article, which is hereby recommended as parallel reading.

Originating more bituminous coal business than any other railroad, C & O serves the great Pocahontas fields of West Virginia and Eastern Kentucky. Incidentally, Pocahontas is admittedly the best steam coal in the world. Also C & O has along its lines many mines which produce high quality metallurgical and special purpose coals.

Also importantly, it moves an immense tonnage other than coal, including automobiles, auto parts, chemicals and explosives, iron and steel, petroleum and its products, pulp and paper, food products, etc. The Chessie Corridor produces practically everything.

Passenger business has never been relatively important to C & O and the Hollywood antics indulged in to stimulate passenger

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Marxist Influence Underlies Demand for "Quickie" EPT

By ROBERT S. BYFIELD

Economist maintains current legislative agreement to enact early excess profits tax is product of long years of anti-business smearing with definite Marxist roots. Warns strength of sentiment now displayed by legislators may well presage demagogues' future success in imposing low ceiling on "sinful" profits.

"For instance, should a legislator, wishing to impose a new tax, choose that which would be theoretically the most just? By no means. In practice the most unjust may be the best for the masses."

Gustav Le Bon: The Crowd, 1896.

That an Excess Profits Tax would be levied on 1951 corporate incomes has been a foregone conclusion since early in July shortly after the Korean affair began. As an abstract proposition, to "take profits out of war" is a legitimate, logical, equitable and certainly a popular goal. It is a non-ideological and indisputable aspiration, particularly during a shooting war.

Robert S. Byfield

Though a hackneyed cliche, there is an elment of rough justice in holding that "when you draft men you should also draft money." We cannot quarrel with this basic concept; we can only point out that it must be fairly and honestly applied—to do otherwise, such drafting or conscription of money becomes, as it did to some degree during World War II, merely another device for "soaking the rich" or redistributing wealth and incomes.

Our purpose at this time can hardly be to discuss the harshness, mildness or soundness of the new EPT since its terms have not yet been written and cannot be known for some months until hearings have been held and debates in Congress have been concluded. Specific provisions remain to be worked out and while their drafting will be highly important to the Treasury, the taxpayers involved, the corporate shareholders and, in fact, most of us, they may be classified as of future rather than of immediate concern. We seek rather to point out the astonishing strength and deep significance of the movement principally in the Senate but also in the House to levy a "quickie" EPT on corporate profits. A month ago it was generally agreed by close observers of the Washington scene that there would be no EPT until 1951. Neither the Treasury, the White House, the Senate Finance Committee nor the House Ways and Means Committee wanted it otherwise. Long experience with EPT in the 1940s indicated that so complicated and controversial a law could delay prompt enactment of an overall tax measure. There seemed little opposition in prospect for a procedure backed by the Administration and having so great a preponderance of logic and good sense behind it. Then came Senator O'Mahoney's press release of July 31 and the simultaneous introduction of his EPT amendment to the pending tax bill. The issue was joined, but for some weeks it seemed that the Senator, who is Chairman of the Joint Committee on the Economic Report and whose long-term hostility to corporations is well known, might not attract much of a following. Yet, despite admonitions of Senator George and Treasury Secretary Snyder the O'Mahoney movement began to develop strength. Senator Connally joined up, as did Senator Humphrey who is high in the councils of Americans for Democratic Action. Representative Mills took up the battle in the House. On Friday, Sept. 1, just a month after the EPT drive was launched it had reached such momentum that Senator George in order to get his bill passed at all was forced into a compromise which involved a pledge that the 1951 tax law would provide an EPT provision retroactive to July 1 or Oct. 1, 1950.

The Excessive Zeal

Regardless of just what emerges from the Senate-House Conference Committee and subsequently is recorded on the statute books we are amazed that perhaps a majority of the Senate were willing to:

(1) Levy an EPT without giving affected taxpayers a hearing.

(2) Tax alleged wartime excess profits when in the nature of thing there could not for some months ahead be any war profits to tax.

(3) Defy the wishes of an Administration which has never shrunk from the fullest use of its tax powers on every occasion.

It is our opinion that in the dismal history of the assault on corporate profits of the past two decades few more flagrant cases of a willingness to ride herd on corporate shareholders may be found. Senator George claimed that his opponents were "using the Korean crisis as an excuse to establish a permanent excess profits tax." For some years there has been a belief among certain Congressional circles that a peacetime excess profits tax would be feasible. Senator Connally acknowledged its existence in answering a charge on the Senate

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The Corporate Bond Market

By JONAS OTTENS*
Partner, Salomon Bros. & Hutzler

Mr. Ottens gives a general description of classes and grades of corporation bonds available for investment, along with characteristics of each class. Discusses changing yield relationships between corporate and government securities, and cites examples of price and yield fluctuations. Points out effects of sinking funds and callable features on bond prices.

I should like to preface my remarks with the statement that this discussion will deal mainly with debt securities influenced by the cost of money rates and by the market for U. S. Government bonds. There is a large section of the bond market that is not of a high-grade nature, particularly in the railroad field. We will pass over those at this time and confine ourselves mostly to bonds of investment merit.

Jonas Ottens

Corporate bonds are generally divided into three groups, namely, industrial, public utility and railroads. Each, in turn, can be subdivided, the industrials into steel, oil and chemicals down through the various industries; public utilities into power and light companies, telephones, manufactured and natural gas distributing companies and natural gas pipe line companies. Among railroads the only general classifications are transportation and terminal companies.

Each of the groups has certain characteristics. A large majority of industrial bonds are high-grade investments; certainly the important issues are. Some of the smaller companies have issues outstanding that might be classed as second grade or speculative, but they are not actively traded and are not well known to the general investment public. Industrial bonds generally have shorter maturities than bonds in the other two groups with many issues in the 15- to 20-year range.

Another important feature of industrial bonds is the heavy cash sinking funds entailing the actual retirement of bonds through call or by purchase in the market.

Thus, the sinking fund provides a shorter average maturity. For example, if an investor purchases a bond with a 5% annual sinking fund due in 20 years he may have an average maturity of 10 years. Sinking funds on individual issues run from 30 to 100%. An estimated average would fall somewhere between 60 and 75%.

As the sinking fund tends to shorten down maturity and as at times bonds are purchased in the open market, above average price stability results.

Because of shorter maturities, heavy sinking funds, and the comparatively small number of industrial issues outstanding, industrial bonds are in demand among investors seeking high-grade, fixed-interest securities. That doesn't mean that utilities aren't just as popular, but there is a much larger number of issues in the latter group. All this means that industrial bonds of comparable quality will sell to yield less than the longer-term utility bonds. That is a natural feature of bond prices in most cases—the shorter the maturity, the lower the yield.

Industrial issues usually take the form of debentures.

Most of the bond issues of power and light companies mature 30 years from date of issue.

Bonds of Utilities

During the postwar period, as power and light companies needed new capital and sold issues in successive years, it is not unusual to find the same company with maturities in 1977, 1978, 1979 and 1980. Telephone issues do not follow a standardized maturity pattern. At the beginning of this year, American Telephone & Telegraph had debentures outstanding maturing in each of the years 1970, 1973, 1975, 1976, 1980, 1982, 1986 and 1987 (convertible issues not included) and in January sold an issue due in 1971.

Natural gas bonds, because of the wasting assets involved, are similar to industrial bonds in their maturity pattern and sinking funds.

Power and light bonds carry a sinking fund, a small one. The norm is 1% annually. In most cases, however, it does not operate on a cash basis, particularly during periods of expansion, as the sinking fund receives credit for property additions, and there is no actual retirement of bonds. Issues of the American Telephone & Telegraph Company and subsidiary companies do not have sinking funds.

Bonds of power and light companies usually take the form of a first mortgage on the entire property. There are a few underlying liens outstanding, high coupon and non-callable, representing debt of companies since absorbed by larger systems. Two examples are Elmira Light 5s due 1956, now part of New York State Electric & Gas Company; and Kings County Electric 6s due 1997, an underlying issue of Brooklyn Edison, which in turn was merged into Consolidated Edison Company of New York.

Until recently first mortgage bonds represented about the only type of debt that power and light companies had outstanding. Due to the large construction programs in the postwar period, mortgage debt at times reached full ratios. As a result, a handful of debenture issues came to the market with maturities ranging from 15 to 20 years, and with a cash sinking fund of from 25 to 50%. Other companies used the convertible debenture to supplement mortgage debt and provide future equity capital. Prices of utility stocks were depressed during the postwar inflation as costs were up and earnings adversely affected. When debentures are converted, equity capital is provided at the conversion price, which is usually above the market price at the time of issuance.

For example, Consolidated Edison Company issued debentures convertible into common stock at 25 a share. When the stockholders approved the financing, the stock was selling at about 21. The common stock subsequently rose in price above the conversion price of $25 a share. A substantial amount of debentures were converted into common stock. At one time the debentures sold as high as 145.

Railroad Bond Market

The railroad bond market, as I mentioned at the beginning of this talk, is divided into high grade investment type bonds and second grade or speculative bonds. The railroad industry has been plagued over a period of years by rising costs with the result that operating ratios rose rather sharply. Just prior to World War II the railroad industry had deteriorated to such a point that, with some few exceptions, bankruptcy for many of the major carriers appeared almost inevitable. However, the substantial increase of traffic as a result of the war, with consequent large increase in earnings, placed the railroads in a much improved financial position and permitted them to retire and refund substantial amounts of debt. As a result, railroads today are in much better financial condition than they were prior to the war.

Railroad bonds follow no general maturity pattern. Generally, they are of longer term than either industrial or public utility bonds. Many of the railroad bonds sold at the turn of the century during the expansion of the railroad industry were issued for maturities up to 100 years and generally were made non-callable. There is outstanding today a railroad bond issue which does not mature until the year 2361. This issue, incidentally, is non-callable. It is only in the last 20 to 25 years that it has become general practice to issue bonds with a callable feature. Until the last few years, railroad bond issues did not contain sinking fund provisions. Generally speaking, such sinking funds are cash sinking funds and there are no offseting credits for property additions. Unlike the utility industry, many railroad bonds are not a mortgage on the entire property, but are a lien on only certain sections of the road. Such issues are generally referred to as divisional liens. This, of course, results in a complicated capital structure requiring careful study of such issues in order to determine their investment characteristics.

In the railroad field, equipment trust certificates are issued for the acquisition of rolling stock such as locomotives, freight and passenger cars. Equipment trust certificates are a highly specialized medium of financing and were designed primarily to enable railroads to acquire new equipment without that equipment becoming subject to hereafter-acquired-property clauses in the mortgages. Another type of railroad security is terminal bonds. These bonds are mortgages on railroad terminals such as Chicago Union Station, Cleveland Terminal and Kansas City Terminal. This completes the discussion of the characteristics of public utility, industrial and railroad bonds.

Changing Yield Relationships

I should now like to discuss the changing yield relationships between government and corporate bonds and changes between various groups of corporate bonds. I think that it is important to realize that as the bond market undergoes changes, relationship between various groups of bonds also changes. One of the prime examples of what happens in these ever changing relationships among various groups of securities is in the railroad field. Twenty-five years ago railroad bonds were the prime investment in the corporate field. The utility industry was still in a process of maturing and its securities had not as yet reached a point of high credit rating. Industrial bonds were a relatively unimportant segment of the market, as there were few industrial issues outstanding. Investors desiring to purchase corporate bonds generally bought railroad bonds.

Bonds, as are any other forms of securities and commodities, are affected by supply and demand. During the war there were practically no corporate bonds issued for new money. There was, however, a large increase in the government debt with the result that there was an increase in the supply of government bonds and a decrease in the supply of corporate bonds. For example, in 1944 the sale of public utility bonds for new money amounted to only $19 million, although $1,200 million in bonds were sold to refund outstanding issues. Declining interest rates made it advantageous for corporations to refund outstanding debt at lower rates of interest. New money financing increased beginning with the year 1946 when $668 million of new money public utility bonds were sold. In 1947, $1,729 million and in 1948 $2,458 million in new money public utility bonds were sold. The high in the bond market was reached in April, 1946, when United States Government 2½s of December, 1972/67, commonly known as Victories, were selling to yield 2.12%. One of the highest grade public utility bonds, namely, Boston Edison 2¾s due 1970, was selling to yield 2.32%, or only 19 basis points more than Victories.

In the spring of 1946, the bond market began a decline that reached a low point in October, 1948, when Victories were selling to yield 2.47% and Boston Edison 2¾s, 2.84%, a spread in yield of 37 basis points. During this period, there were no new issues of long-term government bonds. However, insurance companies and other institutions sold substantial amounts of government bonds, reinvesting the proceeds in mortgages or new corporate bonds. From December, 1947, to December, 1948, Victories were supported by the Federal Reserve at a price of 100 8/32.

After the national election in November, 1948, market psychology changed and the bond market began to rise. This advance would have been much sharper had it not been for the selling of government securities by the Federal Reserve. The monetary authorities wished to tighten the money market and thus stop the postwar inflation. Despite this, the bond market did rise slowly during the early part of 1949 and at the end of June, 1949, the Federal Reserve stopped selling long-term government bonds, with the result that a sharp rise occurred in the bond market. From June, 1949, to January, 1950, Victories rose in price and the yield declined from 2.44% to 2.23% and AAA corporate bond average yield declined from 2.64% to 2.44%. Early this year the Federal Reserve again began selling long-term government bonds with the result that Victories currently

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*A lecture given on Aug. 9, 1950, the 14th in a series of 17 on The New York Securities Markets and Their Operation, sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

The State of Trade and Industry

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

The high level of industrial output present in past weeks was carried over into last week. However, in this latest period, changes in production in many industries were purely of a fractional nature. Compared with a year ago, total output was moderately higher.

With the Korean campaign increasingly showing the need for a decided shift in our economy to a wartime footing, the drain in manpower, both for military production and the armed forces, is beginning to make itself felt, and as a consequence, both initial and accumulated claims for unemployment insurance continue to drop.

Events the past week having a direct bearing on the future course of trade and industry include the postponement of the Canadian Railway strike on Thursday of last week pending settlement by disputing parties, the deferment of the General Electric Co. strike, and the probable settlement of the Aug. 31 walkout at the Bendix Aviation Corporation's huge plant at Teterboro, N. J., involving 600 workers engaged in war work.

Another happening of significance was the action of the Ford Motor Company on Monday (Labor Day) of this week in joining with the Chrysler Corp., which initiated the move, and with other major automotive manufacturers in granting wage increases. Scrapping its old wage contract, the company advanced the pay of 110,000 CIO United Auto Workers hourly rated employees by eight cents per hour, effective immediately. According to unofficial estimates, the annual cost of the agreement will be close to $50,000,000, with total benefits gained by the union equivalent to 19.5 cents an hour.

Pensions of Ford workers will be increased to $125 a month, from $100, including Federal Social Security benefits, which, with the latest hourly wage increases, will make the new five-year pact historic, as it is the first time in the industry that a company has voluntarily cancelled its standing agreement and innovated a new one of such proportions.

* * *

In the steel industry, steel procurement problems are increasing in intensity, according to "Steel," the national metalworking authority. With producers virtually out of the market on all products over the remainder of the year, consumers continue this week to wage a losing battle in their struggle to get additional tonnage. More and more the market assumes a pattern reminiscent of wartime, the magazine adds. Voluntary allocations by the mills are definitely restricting shipments to established customer quotas resulting in a futile consumer scramble for protective tonnage in every direction. Military requirements, carrying precedence over civilian orders, are necessitating some adjustments in allotments and rolling schedules to the disadvantage of the regular trade.

The tone of the market is very strong but no major changes in prices are noted. Isolated advances continue to be made by the smaller producers but the larger interests are holding firmly to long-established schedules.

* * *

Evidence of mounting back-logs of unfilled orders may be gleaned from the figures released the past week by the United States Department of Commerce. According to this source, a backlog of $3,000,000,000 of unfilled orders has been added to manufacturers' production capacities during the month of July. Deliveries in July totalled $19,900,000,000, comparing with $15,800,000,000 for the like month of 1949, and $20,800,000,000 in June of this year. June inventories of $32,000,000,000 dropped to $31,700,000,000 at the close of July.

Steel Output to Rise Slightly Due to Fewer Labor Day Curtailments

While false prophets try to minimize the impact of military buildup on our economy, the steel market this week is gasping from an enveloping assault of full-blown hysteria, according to

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Favors "Pay-As-We-Go" Mobilization

Guaranty Trust Co. of N. Y., in its current monthly publication, holds it is wise fiscal policy to take back in taxes most of excess of consumer's purchasing power arising from higher government outlays.

The economic and military mobilization provoked by the fighting in Korea may best be met and solved by financing it "pay-as-we-go," declared "The Guaranty Survey" today in its feature editorial, "Mobilization Without Inflation."

If that is not feasible, it would be wise fiscal policy to approximate it as closely as possible by taking back in taxes most of the excess of consumers' purchasing power, and at the same time keep the increase in Federal debt out of the banking structure by selling as many Government bonds as possible to individuals, according to "The Survey," which is issued monthly by the Guaranty Trust Company of New York.

In commenting on the fiscal aspects of the national problem, "The Survey" stated that the "Federal Reserve System's action in raising the rediscount rate to 1¾% from 1½% is a wise approach to the current problem. Reserve requirements of banks which are members of the Federal Reserve System might well be made more uniformly applicable so as to minimize or eliminate regional differences.

"A flexible discount rate and higher short-term money rates, coupled with taxes raised high enough to balance the Federal budget, are central features of an effective though arduous strategy for meeting the situation facing up," the editorial continues. "Otherwise the outlook is foreboding for a serious inflationary spiral. In fact, the postwar inflationary trend was plain enough long before the Korean outbreak posed the fresh need for superimposing a war potential on top of the fiscal drift toward an indefinite series of unbalanced Government budgets.

"World War II and its aftermath have shown that rationing and price-fixing regulations, however justifiable, are not substitutes for wise and sound financing methods," it is further stated. "Inflationary pressures can be held in check for a while, but when their pent-up force is unleashed they become difficult to control, and it is the masses of the people who suffer most. Government controls over wages, prices and such become undermined and ineffectual if the masses of the people lose confidence in the dollar.

"It has been suggested," reports the monthly magazine of the Guaranty Trust Company of New York, "that United States savings bonds include a cost-of-living adjustment provision which would assure the patriotic citizen-investor that his pay-off at maturity would be in the form of real purchasing power rather than in a nominal number of dollars of what might be depreciated purchasing power. Such a provision would also encourage the Government to adhere firmly to non-inflationary fiscal practices."

Observations . . .

By A. WILFRED MAY

Some Disinterested Observations on Investment Trusts

As a coincidence, almost simultaneously with the Securities and Exchange Commission's issuance of its "Statement of Policy" with its regulations for cleaning house in the mutual funds dealers' and underwriters' promotions of their wares, a pamphlet compiled by an independent organization and applying objective scrutiny to today's trust business is being widely circulated among lay investors (**"Investment Trusts and Funds—From the Investor's Point of View," by Edmund A. Mennis and George H. Wenzler, 94 pp., $1; published by American Institute for Economic Research, Great Barrington, Mass., 1950**).


A. Wilfred May

The Institute publishing the study and of whose staff the authors are members, is a non-commercial, non-political organization—in contrast to the naturally self-interested distributors of most of the current mass of sales and "explanatory" fund literature. Because of the authors' objectivity and experience in the field (this is the ninth annual edition), they possess a rare opportunity to serve the community of investors, and their conclusions serve as a significant basis for discussion of the trust movement.

As the authors point out in their foreword to the booklet, because of the changed situation wherein Federal regulation has outlawed the worst previously-existing abuses, and since the protection now afforded the purchaser of investment-trust shares at least equals that afforded the investor in other securities, investors today need information and advice rather than warnings. This columnist repeatedly finds that the layman still distrusts the investment companies as a whole because of their connotations of the 1920s; a fallacy whose rebuttal by disinterested organizations with no axe to grind can be most effective—in fact even more effective than additional SEC regulations no matter how constructive they are.

The Trusts' Psychological Justification

The pamphlet under review points out in non-scare terms the greatly increased complexity of today's investment problems—because of tax, political, and currency-depreciation problems—leading to the investor's need for trusts under expert management. But the authors, as so many others, overlook the all-important psychological *raison d'etre* for honest management of "other people's money"; corresponding to the disadvantage, because of emotional factors, of a medical doctor ministering to his own illness. The investment expert too, will deal with the emotional factors bound up with investment operations more logically when acting for others than for himself. While this psychological fact is perhaps more difficult to implant in the layman than are performance demonstrations and fear-and-escape selling techniques, it should be persistently hammered in by both those without and within the trust movement.

The Great Growth Ahead

In any event, the authors convincingly point out the trust movement's opportunities for further growth, despite the recent phenomenal mushrooming of the open-end funds midst Wall Street depression as well as prosperity. As they state, of the $2 billion of current savings invested in corporate securities, only about $97 million or 5% is invested in mutual fund shares. In no State are shares held by more than 2% of the population, and in only six States are they held by more than 1% of the population. Seen in this perspective, the current mass entry of brokerage firms and others into the funds distribution field is not alarming—particularly as safeguarded with the accompanying external and self-policing. The pamphlet renders a valuable service in giving a succinct summary of the SEC's regulations through the Investment Company Act of 1940. In future editions could be added and evaluated the SEC's above-mentioned "Statement of Policy" restricting sales literature abuses, and the regulatory activities of the States, as in Wisconsin under the aegis of President Edward Samp of the National Association of Securities Administrators.

Appraisal of Individual Trusts

A unique feature of this disinterested book is a forthright statement of its findings regarding individual trusts. There is a comprehensive listing of all investment trusts in the United States, indicating briefly the authors' reasons for considering each one

Continued on page 30

With S. B. Franklin Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Laurence Pleener had been added to the staff of Samuel B. Franklin & Co., 215 West Seventh Street.

E. F. Hutton Co. Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Warren R. Grundmeyer is now with E. F. Hutton & Co., 1066 Fourth Avenue. He was formerly with Hope & Co.

Next Decade's New Capital Needs

By E. W. ECKARD
College of Business Administration, University of Arkansas

Professor Eckard, on assumptions: (1) value of dollar will remain unchanged; (2) there will be no major war; (3) there will be approximate full employment for an increasing labor force; and (4) technological progress will continue, estimates during next 10 years additional net capital accumulation required will be $176.4 billion, or an annual average of $17.6 billion.

The purpose here is to estimate the needs for capital creation in the United States for the next ten years. Attention will be directed to the effects of an expanding labor force and of technological progress. It is believed that emphasis upon needs of this sort is appropriate at a time when so many other needs are being advanced for consideration. The author is aware of the many uncertainties which may affect the accuracy of any forecast, and accordingly has been as careful as possible in his estimates.

E. W. Eckard

The estimate of future needs is made on the assumption that our economy will behave throughout the next ten years in practically the same manner that it has behaved in the last four years. The following more specific assumptions are stated for the purpose of adding clarity. First, the value of the dollar will remain unchanged. Second, there will be no major war so that the proportion of the national income spent for military ends will remain constant. Third, there will be approximate full employment so that we may expect an increase in the labor force to lead to an increase in the needs for capital to employ all laborers. Fourth, and last, there will be gradual technological progress. The results of the failure of any of these assumptions to prove true are far-reaching and, generally, obvious. A period of inflation may lead to frenzied capital formation. Deflation and unemployment are likely to go hand in hand with stagnation in the investment goods industries. A major war would prevent even adequate replacement in many fields of investment and defer a large demand for investment to the postwar period.

If the cold war is to continue, it is imperative that we replace and improve our capital equipment. The existence of a high productive capacity may help us to avoid a war and it will enable us to wage a war successfully if the need arises.

The data pertinent to this discussion are summarized by the accompanying table.

In recent years our labor force has been expanding by approximately one million per year. There is good reason to believe that this annual amount of increase will continue throughout the succeeding ten years. This amount of increase may be greater in the last part of the period when the first part of the war babies will be entering the labor force. Column (1) in the Table shows the estimates of the labor force for the next decade based upon a present actual labor force of 63 millions and an increase of one million per year.

According to the United States Chamber of Commerce an average of approximately $10,000 worth of capital is required to employ each member of the labor force at the present price level and stage of technological advancement. Observation supports this as a reasonable figure. The capital requirements at present may be obtained by multiplying the labor force by $10,000, which gives us a figure of $630 billion for capital requirements in 1950. If our labor force is to increase by one million per year then a net addition to our capital by the amount of $10 billion per year must be made if capital formation is to keep pace with expansion of the labor force.

Technological progress has increased greatly the amount of capital required per worker during the past several centuries. There has been a change to more complicated and expensive equipment which has brought about a higher average product per worker. This improvement has come irregularly and it is difficult to establish a long-term rate of increase because of the several variables involved. Research on this subject gets confused by price level changes, periods of rapid expansion, depressions, and the like. At the present time a rate of increase of 1% per year will not be far from the truth. This rate of increase must apply to the value of the capital involved because when progress is made the form of the capital changes so that there is no common unit of measure other than value. In order that the rate of increase have meaning in the real sense it must be based upon an unchanging price level.

Column 2 shows the results of applying a 1% per annum increase to the amount of capital required per worker. By 1960 the capital requirement per worker will increase to slightly over $11 000 if this rate of increase prevails throughout the period. Column 3 reveals the total capital requirements after taking into consideration that the labor force will grow and that the capital requirements per worker will rise. These requirements will ascend from $630 billion in 1950 to $806.4 billion in 1960. The net accretion necessary after progress is considered is from $16.4 billion per annum to $18.9 billion per annum in place of the annual net accretion of $10 billion required by the enlargement of the labor force. The average annual requirement is $17.7 billion for the decade.

According to the Department of Commerce, Gross Private Domestic Investment (hereafter called GPDI) averaged $33.8 billion for the four years 1946-49 inclusive and Capital Consumption Allowances (hereafter called CCA) averaged $15.9 billion for the same period.[1] The excess of Commerce, Gross Private Do-GPDI over CCA averaged $17.9 billion per year, which would seem to indicate that net capital accretion during the postwar years was sufficient to meet the needs for the decade 1951-60. But the Department of Commerce figures for CCA are likely to be understated because much of the depreciation included was computed on the basis of prewar costs rather than postwar costs. This depreciation will not represent replacement costs since the prewar price level was substantially lower than the present one. Hence the net addition to the capital structure of our country is likely to be less than the difference between GPDI and CCA during the past four years.

The amount of CCA has been increasing during the past several years owing to the annual increment of capital and to the gradual decreasing importance of capital equipment created at the prewar price level. This amount is likely to rise throughout the next decade for the same reasons, although the price level remains stable.

For the purpose of estimating capital consumption for the following ten-year period it will be considered that 4% of the existing capital must be replaced each year in order to make up for wear and obsolescence. Here again it is difficult to defend any given per cent stated as the exact proportion of existing capital that will need to be replaced each year because of wear and obsolescence. The pattern varies with the industry and type of capital but from study of rates of depreciation charged in several industries it is believed that 4% is a conservative figure. Column 5 provides the estimates of capital consumption for the next ten years, which estimates are higher than the 1949 figures for CCA, $18.8 billion. CCA as reported by the Department of Commerce has been increasing rapidly in the last four years and will continue to increase as the proportion of prewar capital declines. It may be added that CCA does not include the value of mineral depletion.

By adding the estimates of capital consumption to those for capital accretion requirements we arrive at the estimates for GPDI required for each year of the next decade. These yearly estimates rise from $42.2 billion in 1951 to $51.2 billion in 1960. The estimated requirement for 1951 is slightly less than the highest actual GPDI reported by the Department of Commcere, $43.1 billion for 1948.

During the four-year period 1946-49 inclusive Gross National Product (hereafter called GNP) averaged $239.8 billion while GPDI averaged $33.8 billion or 14.1% of GNP.[2] In making a similar comparison for the period under consideration it will be necessary to make estimates of GNP for the next ten years. We shall start with $260 billion as the apparent GNP for 1950. It is logical to expect that GNP will increase approximately in proportion to capital requirements, as summarized by Column 3. The main argument against projecting GNP at the same rate as capital expansion is that either increasing or diminishing returns may affect the result. It is very unlikely that proportional returns will be affected by an increment of this size, but if the present rate of population increase persists action of the law of diminishing returns will be encountered eventually.

It is indicated by Column 8 that for the ensuing decade GPDI should comprise approximately 15.6% of GNP, which is slightly higher than the similar percentage in the last four years.

If we are able to avoid a major war and to maintain the existing degree of prosperity throughout the approaching decade we will have need for an expanding capital structure. This need will come from a growing labor force and from technological advancement. Net capital accretion should be at the average amount of $17.6 billion per year. The addition of an average of $29.0 billion for capital consumption gives an average required GPDI of $46.6 billion, which is 15.6% of the estimated GNP for the period. This percentage is slightly higher than the corresponding percentage for the four years 1946-49.

It will be well if the needs for capital formation are recognized by those who have the responsibility for determining public policy so that this country may proceed on its way toward higher living standards.

1 *Survey of Current Business*, July 1950, National Income Review Section, averages calculated by the author.

2 *Ibid.*

Estimates of Labor Force and Capital Creation Needs for the Decade 1951-60

Year	(1) Labor Force (Millions)	(2) Capital Required Per Worker with 1% inc. per year ($ Thousands)	(3) Capital Requirements (1) X (2) ($ Billions)	(4) Net Annual Capital Accretion ($ Billions)	(5) Capital Consumption Annual Rate of 4% (3) X (4 ($ Billions)	(6) Annual Gross Private Domestic Investment Requirements (4) + (5) ($ Billions)	(7) Gross Nat'l Product ($ Billions)	(8) Percentage GPDI of GNP (6) ÷ (7) X 100 (Percent)
1950	63*	10.	630				260	
1951	64	10.1	646.4	16.4	25.8	42.2	266.8	15.8
1952	65	10.2	663.1	16.7	26.5	43.2	273.7	15.8
1953	66	10.3	680.0	16.9	[illegible]	44.1	280.6	15.7
1954	67	10.41	697.2	17.2	27.9	45.1	287.7	15.7
1955	68	10.51	714.7	17.5	28.6	46.1	295.0	15.6
1956	69	10.62	732.4	17.7	29.3	47.0	302.7	15.6
1957	70	10.72	750.5	18.1	30.0	48.1	309.7	15.5
1958	71	10.83	768.8	18.3	30.8	49.1	317.3	15.5
1959	72	10.94	787.5	18.7	31.5	50.2	325.0	15.4
1960	73	11.05	806.4	18.9	32.3	51.2	332.8	15.4
Total				176.4	289.9	466.6		
Average (1951-60)				17.6	29.0	46.6		15.6

*Actual.

Bullish and Bearish Factors In Railroad Stocks

By ROGER W. BABSON

Mr. Babson, in discussing outlook for railroad stocks, lists both bullish and bearish factors, and concludes conservative investor should not be tempted to buy railroad stocks at this time. Says street railway stocks may profit by war, and, since they have not yet advanced along with railroad securities, they may prove good speculation in some cases.

In view of the railroad strikes in the United States and Canada, and the bullish tips that are being put out to get people to buy railroad stocks, I will this week discuss the railroads as an investment. At the close of World War II in 1946 the Index of Railroad Stocks averaged about 63.00. This declined to around 44.00 in June, 1949 and continued around these low figures until the Korean War broke out. Since then the Railroad Index has gone up to nearly 65.00. This means that these railroad stocks are now selling for almost as much as they did at their height during World War II.

Roger W. Babson

Reasons for Being Bullish

Following are reasons for optimism on rail securities:

(1) Railroads have always prospered during wartime. This applies not only to the railroads serving such industrial centers as Pittsburgh, Detroit and Chicago but particularly the transcontinental lines. This should especially be true so long as the Korean difficulty lasts.

(2) During the last depression many railroads cut their bonded debts and reduced other charges, which should help the stocks. Even roads that were not reorganized were able to spend huge sums on improving their roadbeds, bridges, equipment, machine shops, etc.

(3) Most railroads have little to fear from excess-profits taxes because they have such a large basic investment. In other words the railroads have no watered stock. In some cases the asset value of railroad stocks is 10 times the price at which they are selling on the market.

(4) After the war the railroads will have no reconversion problems such as many industrial companies will have. This is because war traffic uses the same rails, locomotives and equipment that peacetime traffic uses. The railroads should also benefit from the increase in population.

(5) The railroads have been able to abandon much unprofitable mileage and to streamline their organizations. This latter is especially being illustrated by what the New York, New Haven & Hartford Railroad Company is now doing.

Reasons for Being Bearish

Bearish factors are:

(1) The oldest of the strong labor unions are in the railroad field. These unions in peacetime have usually "skimmed the cream" from the railroad earnings and have been a source of great trouble. If railroad wages could be reduced when earnings declined after a war, a fair readjustment could be made. As a matter of fact, the railroad wage increases given during the war, when the earnings are abnormally good, cannot be withdrawn after the war is over, when earnings again decline.

(2) Railroads have (subject to disputed government rate concessions) more or less, a monopoly during wartime; but after a war is over, they are confronted with more airplanes, more buses and more trucks than ever before. Therefore, railroads normally are subject to tremendous competition during peacetime. This will certainly be true as a settlement is gradually made with Russia.

(3) When the Interstate Commerce Commission was formed railroads had a monopoly of transportation. There then were no private automobiles, no trucks,

no buses and no airplanes. Such highways as then existed were very poor. Hence, the regulation of railroad rates and service was a necessity. Today, this regulation has turned into a nuisance to all concerned—railroads, shippers and the public. Yet, the various Railroad Commissions, both Federal and State, continue in office. In order to hold their jobs, they feel obliged to continue to regulate the railroads in both an unreasonable and a costly manner. In addition, the Federal Government is now suing the railroads for "overcharging" on War II business.

(4) These competitors of the railroads, such as the automobiles, trucks, buses, etc., have their "roadbeds" built by the Federal Government and by the States, **for which cost the railroads are obliged to pay their proportion in taxes.** The railroads on the other hand, must pay the cost of building and maintaining their own roadbeds and terminals. In the case of the airplanes, they have no roadbed to maintain as they use the air; while their expensive terminals are built by the Federal or State governments, or by municipalities.

(5) One-third of the present railroad mileage is unprofitable and should be abandoned. Yet, when the railroads want to take up a little useless track, the shippers, the labor unions and the politicians combine to prevent it. Another fact to be considered is that each generation of young people will be less willing to patronize the railroads than are we older people.

Railroads as a Speculation

A study of the above and other factors leads a conservative investor to avoid being tempted to buy railroad stocks at this time. Some railroads may increase their dividends temporarily, but very few which now pay no dividends will go on a dividend basis. They will need the additional money for buying more equipment, etc. It probably would have been smart to have bought railroad stocks immediately when our troops first landed in Korea; but to buy them today for investment will be risky.

Probably some cheap railroad common stocks, upon which I never expect a dividend, may go up more in price due purely to speculation on the part of small speculators. There are only a relatively few years of these stocks outstanding; and a little increased buying could easily send them up in price. Furthermore, they have such a big leverage when selling at low prices, they could double or perhaps triple in price. However, after the war is over and earnings decrease, these very facts can cause these stocks to go down in price just as rapidly. Intrinsically, stocks go up only when there are more buyers than sellers; and go down when there are more sellers than buyers. Hence, purchasers of these cheap speculative railroad stocks may find themselves with good paper profits; but when they try to turn these paper profits into cash, it may be very difficult. If all speculators should attempt to do this at once, it would be impossible for any to cash in on their profits.

What About Street Railway Stocks?

Street railways and buses should profit from any war, especially if the war leads to the rationing of gasoline, tires, etc., or to the curtailment of the sale of new automobiles. Street railway securities have not yet gone up in price as have railroad securities; in fact, in some instances, they are now selling for less than they have sold for many years. Although the market is thin for street railway securities, yet certain income bonds are worthy of consideration.

From Washington Ahead of the News

By CARLISLE BARGERON

It may be the after Labor Day feeling when there comes the realization that vacation time is over and you've got to settle down to work, or the feeling which the kids have when they have to go back to school, but official and semi-official Washington this week is in the dumps.

Carlisle Bargeron

The military are fighting among themselves and then they are feuding with the State Department. The bitterness between Acheson and Johnson has become so acute that notwithstanding Truman's statements that he intends to hold on to both of them, it seems certain that something must be done. On Capitol Hill and at the Pentagon there is a rather general feeling that never in all our history have we faced such a serious situation and it is not uncommon at all to hear the exclamation: "What in the hell are we doing in Korea anyway?" The fear that the fighting is not to be confined to Korea, that the Chinese are prepared to keep up a seemingly inexhaustible supply of troops, is increasing, and throughout the government there runs a feeling of disgust for the bungling at the top that has brought about our present predicament.

I have some sympathy for Louis Johnson in the attacks on him for having been economy-minded. It is an irony of the times that a man who professed to be taking some of the waste out of the drunken military spending should be charged with the Korean fiasco, that the official answer to that fiasco should be to spend additional billions. The military and Johnson, of course, could not have been prepared to defend Korea because no defense of Korea was anticipated. It is difficult to see where the small savings which he effected in defense spending have anything to do with the situation.

The fact remains, though, that he is getting no more than his due. Johnson devoted no small part of his tenure as Assistant Secretary of War in the late 30's and early 40's to building a fire under his superior, Secretary of War Woodring, and finally succeeded in forcing Woodring out, only to learn to his intense chagrin that he was not to succeed him. Johnson is an opportunist by nature. Truman must have known that when he brought him in. But it is certainly asking a lot of American boys to go off to defend Korea under the bickering and backbiting and poison spreading that is taking place in the high councils in Washington.

Yet with the situation pretty obvious that the salvation of this country lies in ridding Washington completely of the crew that has been governing it these many tragic recent years, there are groups, racial and labor, the latter led by power thirsty men, who are turning Heaven and earth to keep it in power. In the face of the known, irrefutable facts, their conduct, to my mind, borders on traitorousness.

"Jumping Joe" Ferguson who, with the support of these groups, hopes to knock off Bob Taft, whose sanity has stood out in Washington through this crazy period as a shining beacon, was back in Washington the other day asking for advice. And Truman told him to go forth and campaign against Taft on the grounds he has "not made a single contribution towards the solution of our grave foreign problems." The underlying theme in this sort of an attack, of course, is that our problems have been so grave that naturally mistakes were made but Taft never sought to assist in solving them.

It strikes me that this is an indictment that Taft could accept with enthusiasm. There is not one single muddle made by the Washington gang, from the day he came here in 1939 to the present, to which he was a contributor. Indeed, at times he has seemed to be almost the lone voice in the wilderness against the downward path being taken. His opponents seek to justify their charge of his unhelpfulness on the fact he has tried occasionally to cut down on the pouring out of billions to Europe. The plain facts are that with all the billions we have spent, Stalin today, according to the military, could take over Western Europe within a few weeks. For one, I have never accepted the statements of Russia's tremendous physical strength but our policy of throwing away billions has been based upon the premise that it exists, and if it does, all of our billions would not keep Stalin out of France and Italy. On this I find no disagreement anywhere.

Taft, for sure, never contributed to; he was never helpful in bringing about this situation. As one who has followed his record in Washington closely, I am convinced that had his counsel prevailed we would not be in the terrible mess we are in today.

Taft, for sure, would never have saddled upon the American people an Alger Hiss, a Lee Pressman or a John Abt, men who were not only influential in the events that led up to World War II but in the amazing deluge that followed. They were among the architects of the disaster that seems to have been erected for us, and now their Communist machinations are being more fully revealed.

Yet the leadership of the National Association for the Advancement of the Colored Race has joined the unconscionable fight that is being made against Taft in Ohio, because he is opposed to the so-called Federal Fair Employment Practices Commission, a device to hound employers into employing whomever a government agency decrees. The fact is that his opposition to this measure has never stood in its way. A Southern led filibuster is what always checks it and Taft is opposed to the filibuster, which should make him a friend of the NACR, not an enemy. No, the leadership of this association is simply joining with the other irrational groups. It is also a fact that Taft gave the Negroes an FEPC, in effect, in a provision of the Taft-Hartley Act which is designed to prevent racial discrimination in unions. Notwithstanding the prating of Bill Green, Phil Murray, Walter Reuther et al about the need for a Federal FEPC to prevent racial discrimination in employment, the unions have been the major racial discriminationists in the past.

Quoting Markets in Over-the-Counter Securities

By LOUIS E. WALKER*

President, National Quotation Bureau, Inc.

Executive of leading quotation service describes sources for obtaining market prices and "bids" and "offers" of over-the-counter securities as well as methods used in compilation and distribution. Distinguishes between retail and wholesale or professional quotations, the latter being directed to exclusive use of security dealers. Stresses need of ascertaining authenticity and reliability of quotation sources and use of caution in their compilation and distribution. Sees investor well protected by adequate and accurate quotation services.

The subject we are to discuss this morning, "The Compilation, Distribution and Availability of the Quoted Markets in Over-the-Counter Securities," has to be divided into two parts, retail quotations and wholesale quotations.

Louis Walker

I will talk first of the retail or newspaper quotations which the National Quotation Bureau, of which I am President, compiles at the direction and under the supervision of the National Association of Securities Dealers. Quotations on some seven hundred securities are given to the newspapers each day for publication and distribution. These bid and asked quotations do not represent actual transactions. They are intended as a guide to the approximate range within which these securities could have been sold (indicated by the "bids") or bought (indicated by the "askeds") at the time of each day's compilation. The over-the-counter market is, for the most part, merchandising in character. Hence these markets for publication are on a retail basis—i. e., net—commissions or profits included.

We gather these quotations by telephone and wire from 105 security dealers, specialists in their field, who are selected by the Quotation Committee of the National Association of Securities Dealers. We pass them on to eleven of the principal newspapers in the New York District, also the United Press and Associated Press, who, in turn, distribute a large proportion of them to their newspaper subscribers throughout the country.

In Chicago and most other principal cities, the newspaper quotations are gathered and distributed to the newspapers by and under the supervision of the District Quotation Committee of the National Association of Securities Dealers. Boston is one of a few exceptions where quotations are gathered and distributed by a group of local dealers.

Recently, Mr. George Soule, Secretary of the Quotations Committee, District 13 NASD, issued a detailed report showing the number of newspapers that were carrying the over-the-counter quotations, their circulation and other interesting information on this subject.

Mr. Soule supplied me with sufficient copies of this report, to include with the literature I have brought for you. This report gives you actual figures which would take too long for me to read at this time, but I know you will find them helpful in completing your study of this subject. This (holding it up) will be the report you will find in the literature which gives you the information that I have mentioned.

Contrary to general belief, it is evident from the number of securities covered by the newspapers, that quotations on over-the-counter securities are readily available in most of the principal communities in the country. Many financial publications, such as the "Bank and Quotation Record" of the "Commercial and Financial Chronicle," Standard & Poor's "Stock Guide," Fitch "Stock Record," and Moody's "Bond Record," carry current over-the-counter quotations and ranges on the more active over-the-counter issues. Further, any investor who wishes to obtain a quotation on any fairly active over-the-counter stock or bond can obtain a market without the least bit of trouble by calling his local banker or broker.

This just about covers the question of retail quotations.

Wholesale and Professional Quotations

I will now discuss the second part of our subject, gathering and distribution of the wholesale or professional quotations. These quotations represent the price at which a security can be traded between dealers. This is the main function of the National Quotation Bureau. Our organization was formed in 1913 as a consolidation of the Monthly Services originated by Roger Babson in 1904. The Daily Service was originated by Mr. Arthur Elliot in 1911.

The object of both of these services was to gather from the security dealers daily and monthly reports covering the securities for which they were making bids and on which they were making offers. These bids and offerings were compiled and put in a convenient form of reference and redistributed to security dealers, so that when a customer gave an order to buy or sell a security, the dealer would be in a position to find the best market in which to execute that order.

Our company started with about one hundred subscribers to the Daily Service and several hundred to the Monthly Service. To produce these services required a staff of 15 people. Our present payroll numbers 300. Today there are approximately eighteen hundred firms and their branches offices using the services for reference and to advertise their wants and offerings. The list covers practically every firm that does a general security business, all the way from firms similar to Merrill Lynch, Pierce, Fenner & Beane, with their numerous branches throughout the country, to the small one-man office in Springfield, Mass., or Berkeley, Calif.

As I have said, this service reports professional or wholesale quotations. Therefore, its distribution must be confined to the security dealers. Each subscriber who wishes to receive the Daily Service is required to sign a contract verifying that he is registered with the Securities and Exchange Commission and is complying with any state regulations. Of necessity, the responsibility and integrity of the firms listed in the service must be of the highest. With the exception of the New York Stock Exchange member firms, all subscribers desiring to have their quotations published are required to fill out our application form giving the past ten years' business connections of the principal owners of the firm and their traders. They also are required to furnish two references, preferably from members of the New York Stock Exchange, their banking connections, and a statement as to their net worth. Another requirement is that a partnership must show a minimum net worth of $5,000 and a corporation of $25,000. Also, as part of the contract, they agree that at the time they submit their quotations to us they are ready and willing to buy or to sell at the prices given; or, where they do not show a price on a listing, that they have a real and genuine interest in the position they indicate.

There are many other standards a subscriber must live up to. I have therefore included in the literature a booklet entitled "Quotation Reporting Standards," which covers the question fully.

The Daily Service is published in three sections — the Eastern Section, which consists of the yellow and pink sheets, is published in New York; the Western Section, which consists of green and white sheets, is published in Chicago; the plain white sheets are published in San Francisco each day.

These services are published on every day that the New York Stock Exchange is open, or, if it should happen to be a holiday in New York and the Chicago and San Francisco Exchanges are open, they are published in their own local community and distributed to their members out there.

On an average business day, the combined three sections will carry approximately 22,000 listings with quotations on some 5,000 individual stock issues and approximately 2,000 bond issues. In the course of a year, an average of 25,000 different security issues will be covered in the Daily Service.

Methods Used in Gathering Quotations

Several different methods are used in the gathering of these quotations. In the two large cities, New York and Chicago, the quotations are picked up by messenger. Thirty-five messengers in New York call on some 700 firms between 11:30 a.m. and 1:00 p.m. In Chicago, ten messengers call on 120 firms during the same period. In both these cities, the subscribers have the right and are obliged to call us on the telephone and cancel or correct any quotations in which there has been a material change in the market up to the time of closing. Seventy-five per cent of all out-of-town houses send in their quotations by telephone or telegraph. The rest are received by mail. All quotations that are not current are symboled accordingly. Many of the out-of-town subscribers mail their listings in each night and bring these quotations up to date the following day by telephone or teletype.

As an example, we may take one firm in Boston which lists each day under 260 securities. Of this group, there are probably 100 or 150 that in a normal market won't change in price from day to day, so that the only time the firm has to spend on the telephone or teletype to bring the list up to date is to correct the more active issues that change daily. This saves them considerable

Continued on page 30

*A lecture given on Aug. 4, 1950 the 12th in a series of 17 on the New York Securities Markets and their operation sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

Dealer-Broker Investment Recommendations and Literature

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

Investment Facts About Common Stocks and Cash Dividends—Brochure tabulating 285 common stocks that have paid a cash dividend in every year for 20 to 102 years—New York Stock Exchange, New York 5, N. Y.

Natural Gas News—Recent developments in various companies in the industry—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

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

Railroad Income Bonds—Discussion of market action in 1950—Goodbody & Co., 115 Broadway, New York 6, N. Y.

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Birtman Electric Co.—Circular—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Also available is a circular on **Color Television.**

Blair Holdings Corp. — Memorandum—Davies & Mejia, Russ Building, San Francisco 4, Calif.

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

Also available is a bulletin on **Central States Electric.**

Emerson Electric Co. — Brief memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

General Fuse Company—Analysis—J. May & Co., Inc., 32 Broadway, New York 4, N. Y.

Lea Fabrics—Information—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

Mississippi River Fuel Corp.—Brief memorandum — Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex.

Missouri-Kansas-Texas — Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

St. Louis, San Francisco—Bulletin — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Standard Railway & Equipment Manufacturing Co.—Memorandum —F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill.

Thompson Products—Memorandum—Shearson, Hammill & Co., 14 Wall Steet, New York 5, N. Y.

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

Victor Chemical Works — Summary and analysis—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Winfield Scott With American Securities

Winfield A. Scott

Winfield A. Scott has become associated with American Securities Corporation, 25 Broad Street, New York City, as manager of the firm's municipal bond department, it is announced. Mr. Scott was formerly manager of the Municipal Department for the Title Guarantee & Trust Co.

Business Man's Bookshelf

Explanation of the 1950 Social Security Act—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—Paper—Part of Prentice-Hall's "Social Security Service"—Special subscription rates from publisher.

How to Run a Small Business—J. K. Lasser—McGraw-Hill Book Co., Inc., 330 West 42nd Street, New York 18, N. Y.—Cloth—$3.95.

Modern Corporate Reports to Stockholders. Employees and the Public—L. Doris—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—$10.00.

Prologue to Tomorrow—A History of the First Hundred Years in the Life of the Pennsylvania Salt Manufacturing Company—Robert Keith Leavitt—Pennsylvania Salt Manufacturing Co., Philadelphia, Pa.—Cloth.

Ratio Analysis of Selected 1947 Census of Manufacturers' Figures for Industries and Industry Groups—Bureau of Business Research, Boston University College of Business Administration, 685 Commonwealth Avenue, Boston, Mass.—Paper—$2.75.

Suggestions for Sales Training Meetings—Sales Personnel Division, United States Steel Corp., 436 Seventh Avenue, Pittsburgh 30, Pa.—(a limited number of copies available without cost).

Welfare State and the State of Human Welfare, The—Chamber of Commerce of the United States of America, Washington 6, D. C.—Paper—50c per copy (lower price on quantity orders).

N. Y. City College Announces Courses in Credit and Finance

Under supervision of Oscar Lasdon, series of courses in Credits and Finance will be given by specialists in field.

The operation and function of the American financial economy will be emphasized in the specialized program in Credits and Finance which opens for the 1950 Fall Term on Sept. 25 at the Evening and Extension Division, City College School of Business, New York.

Under the supervision of Oscar Lasdon, member of the New York Stock Exchange and Associate Editor of "The Banking Law Journal," the Credits and Finance program will offer a practical orientation in finance. Instructors for the program have been chosen from the ranks of qualified specialists in the field who bring to the classroom a rich background of knowledge and experience, thus keeping the training up-to-the-minute on latest trends and developments in the field.

The Credits and Finance program includes courses in all different phases of credit, each course being taught by a specialist in that particular field. "Investment Banking" is taught by Leonard F. Howard, Secretary of the General American Investors Corporation and former Financial News Editor of the "Journal of Commerce." "Principles of Investment" has as instructors Leonard Fischer of Merrill Lynch, Pierce, Fenner & Beane, and Marvyn Carton of Allen & Co. "The Securities Market" is taught by Philip B. Wershil, of the New York Bar, and "Commercial Financing and Factoring" by Walter S. Seidman, partner of Jones & Co.

In addition, the program will offer several courses dealing with mercantile and retail credits and collections, and business financial management. Instructors for these courses will include Frank Perrotta, Credit Executive of Burlington Mills Corp.; Sol Altschuler, Credit Manager of the National Safety Bank & Trust Co.; Raymond J. Dougherty, Assistant Credit Manager, North American Rayon Company and American Bemberg Co.; H. Binks Goldstein, Credit Manager, United Metal Box Co., and A. S. Kleckner, Credit Manager of The Namm Store.

Also included is "Commercial Financing and Factoring," a course sponsored by the National Conference of Commercial Receivable Companies. This course gives thorough coverage to factoring, financing of accounts receivable, inventory loans, import and export finance, and installment sales financing. The class will meet on Wednesday nights from 6:50 to 8:30 starting Sept. 27 and continuing for 15 weeks. As a special convenience, arrangements have been made for applicants for this course to register by mail. Applicants should send a check or money order for $20 covering all fees and made payable to the Board of Higher Education. Checks or money orders should be addressed to the Evening Session Office, City College School of Business, 17 Lexington Avenue, New York 10, N. Y., and mailed before Sept. 15.

Registration for all other courses in the program will take place in the Auditorium of the City College School of Business at the above address from 11:00 a.m. to 1:30 p.m. on Sept. 16, and from 6.00 to 8.30 p.m. on Sept. 18, 19, and 22. All courses are approved for payment of veterans' tuition under the G. I. Bill of Rights.

Malmin With Shearson

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Philip L. Malmin has become associated with Shearson, Hammill & Co., 618 South Spring Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Buckley Bros.

E. N. Anagnosti With Schweickhardt, Landry

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Evangel N. Anagnosti has become associated with Schweickhardt, Landry & Co., Hibernia Building. Mr. Anagnosti was formerly an officer of Weil & Co. and was head of Anagnosti & Walker, Inc.

Two With Francis duPont

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John B. Eaton and John F. Miller have become associated with Francis I. duPont & Co., 256 Montgomery Street. Mr. Eaton was formerly with Hooker & Fay, and prior thereto conducted his own investment business.

Pennsylvania Brevities

Pittsburgh Railways Board of Directors

Under the by-laws of the newly-forming Pittsburgh Railways Co., the board of directors is to consist of nine members; five to be nominated by Philadelphia Company, owning 50.9% of the new common, and four to be chosen from those placed in nomination by public holders of former system unguaranteed securities.

Philadelphia Company's nominees to the board are:

E. O. Boshell, Chairman of the Board and President of Philadelphia Company and Standard Gas & Electric Co.

George E. Devendorf, President, Consolidated Electric & Gas Co., and Chairman of the Board, Patchogue Electric Light Co.

Clyde F. Ligo, Research Manager, Pittsburgh Railways Co.

A. L. Lippe, Vice President and Treasurer, Standard Gas & Electric Co.

C. D. Palmer, Commercial Manager, Pittsburgh Railways Co.

The following nominations have been made by public security holders. Four will be named to the Board:

George Greer Coolidge, Director and Executive Assistant to the President, Harbison-Walker Refractories Co., Pittsburgh.

Maurice J. Dix, member New York Bar, New York.

James A. Geltz, member Allegheny County Bar, Pittsburgh.

George H. Heyman, Jr., partner, Abraham & Co., New York.

Stephen M. Kellen, Vice President and Director, Arnhold and S. Bleichroeder, Inc., New York.

Paul E. Kern, member New York Bar, New York.

Theodore W. Kirkpatrick, President and Director, Citizens Traction Co.; Secretary and Director, Pittsburgh Coke & Chemical Co.; Director, Colonial Trust Co.; Director, Pittsburgh Steel Co.; Vice President and Director, Pittsburgh Terminal Warehouses, Inc., Pittsburgh.

John L. Wilson, President, Allegheny Traction Co.; Director and Treasurer, Chavannes Industrial Synthetics, Inc.; associated with J. Arthur Warner & Co., New York.

* * *

Duquesne Light Program

Construction program of Duquesne Light Co. calls for the expenditure of $24,400,000 in 1950, $26,800,000 in 1951, and $20,000,000 in 1952. The Securities and Exchange Commission has authorized Duquesne to proceed with a financing plan currently involving $41,500,000.

Steps presently contemplated are:

Sale at competitive bidding of $12,000,000 first mortgage 2¾% bonds to mature Aug. 1, 1980.

Sale of $2,000,000 short-term bank note loan.

Sale of $27,500,000 new preferred stock (par $50) to Philadelphia Company for $27,200,000.

Redemption of $27,500,000 outstanding 5% preferred (par $100) at $110 per share.

Later, Duquesne will sell, at competitive bidding, an additional $7,500,000 par value of its new preferred, proceeds to retire all bank loans with balance going to construction.

* * *

The SEC has scheduled a hearing for Sept. 26 on part of a plan for simplification of Philadelphia Company's corporate structure. The program calls for retirement of all outstanding Philadelphia Company preferreds and the 6% preferred of Consolidated Gas Co. of Pittsburgh, a subsidiary. Payment will be made part in cash and part in shares of new Duquesne preferred.

* * *

"In Them Thar Hills"

PHILADELPHIA — Somewhere in the Pocono Mountains, 120 miles north of here, Fidelity Bond & Mortgage Co. is burying true copies of mortgages aggregating about $50,000,000, according to a United Press report. Joseph N. Gorson, company President, is not apprehensive but nevertheless visualizes the possibility of a disaster which would wipe out city office records, documents and personnel.

* * *

E. & G. Brooke Iron Co.

BIRDSBORO — Controlling interest in E. & G. Brooke Iron Co. has been acquired from Lukens Steel Co. and Worth Steel Co., by Bayou Interests, Inc., of which Charles Allen, Jr., partner in Allen & Co., New York, is President. The purchase is reported to be for investment and no stock offering or change in present management is contemplated.

* * *

Natural Gas in Pennsylvania

LOCK HAVEN—The fifth natural gas well in western Clinton County was brought in late last month, with an open flow of 3,220,000 cubic feet per 24 hours at a depth of 5,930 feet. It was drilled for the McKean-Venango Gas Producers Corp., which plans to proceed with five to eight additional wells in the immediate future.

Development of the new field dates back only to last January when Dorsey Calhoun, a farmer who had been using surface seepage gas for years to light and heat his home, raised sufficient capital to complete the first well.

* * *

Philco "Sold Out" for 1950

Reporting six months net profit of $6,672,000, equivalent to $3.86 per common share, compared with $1,998,000, or $1.08 per share a year ago, it is anticipated that Philco Corp.'s 1950 sales may reach a new high of approximately $300,000,000. William Balderston, President, states that demands for company's products is so great that it has been necessary to allocate refrigerators, freezers, air-conditioners, ranges, radio and television sets to distributors.

Costs of developing and starting production on the 1951 line of television receivers were absorbed in the second quarter. James H. Carmine, Executive Vice-President, says he believes the industry can reach a 1950 output of 6,000,000 receivers without running into serious material shortages and that Philco expects to meet its production goal of 1,000,000 sets.

* * *

Nazareth Cement Company

It is understood that a special meeting of Nazareth Cement Co. stockholders will be called in October to vote upon a plan to retire the outstanding 7,052 shares of 7% preferred (par $100) by means of an insurance company loan to bear interest at 3¼%. Earlier in the year, the Board of Directors placed the common stock on a quarterly dividend basis and changed the par from "no par" to $10 par value, thus reducing tax on sales. Earnings in the current year are reported to be well ahead of 1949.

* * *

Further Penna. P. & L. Expansion

Charles E. Oakes, President, Pennsylvania Power & Light Co., announces plans for further expansion of company's generating facilities at Sunbury, Pa. Present plant capacity is 150,000 kw., which will be boosted to 250,000 kw. early in 1951 when already ordered additions are completed. Now an additional 125,000 kw. of generating capacity has been ordered, which will bring the Sunbury plant total to 375,000 kw.

* * *

Freight rates on unprepared anthracite coal from mines to points where the coal is processed will be increased by 3 cents per gross ton on Sept. 11, subject to approval by the Pennsylvania Public Utility Commission. The nine Pennsylvania railroads which have filed the new schedules are: The Pennsylvania; Reading; Central RR. of Penna.; Delaware & Hudson; Delaware, Lackawanna & Western; Lehigh Valley; N. Y., Ontario & Western.

* * *

Steel Prices Raised

A number of Pennsylvania steel producers announced increases in the prices of their products late last month. Alan Wood Steel Co. increased price of pig iron $2 per ton; Allegheny Ludlum raised price of hot rolled carbon strip $5 a ton, and Lukens Steel boosted base price of carbon steel plates and low alloy steel plates 30 cents per 100 lbs.

* * *

Lush Plush

James Lees & Sons Co., carpet manufacturers, have been awarded contracts totaling about 9,000 yards of carpeting, to be installed on five new American luxury liners.

Douglas Hansel With Shields & Company

The appointment of Douglas R. Hansel as director of the Dealers Service Department of Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange, is announced today (Sept. 7). The firm has pioneered in developing a research service for dealers and Mr. Hansel will continue the development of this as well as Shield's nationwide trading and underwriting facilities for dealers.


Douglas R. Hansel

Mr. Hansel who has been a member of the investment community since 1920 was formerly associated with Wertheim & Co. for 19 years.

Railroad Securities

Chicago, Rock Island & Pacific

Chicago, Rock Island & Pacific stock has been giving a rather desultory performance in the past couple of months. For a while it had been one of the leaders on the upside, having climbed from a low last year of 25½ to 41¼ at the close of the year, and going on to a high this year of 47. Since then it has attracted little interest and, except for the break at the outset of the Korean incident, has drifted aimlessly. Action of the stock may probably be attributed at least in part to disappointment in some quarters over the failure so far of the directors to increase the dividend above a $3.00 annual rate. Recent earnings have also probably been a factor.

It is difficult to realize just how expensive even a short-lived strike can be to a railroad. Rock Island was one of the five western railroads against which strikes were called by the switchmen's union on June 25. Also, when the men went back on the other four properties, the strike against Rock Island was continued, as a test case. The strike ended on July 8, only after seizure by the Army had been ordered and a court injunction had been issued. In all, the strike lasted only two weeks. The effect was felt considerably longer, however, as it takes time to get a large railroad back into full operation, get an adequate supply of cars back onto the line, etc.

It was not until early August that J. D. Farrington, President, stated that the road was approaching normal loadings. The impact of the strike on June earnings was pretty bad, with net operating income off almost 50% from year-earlier levels. In July it was even worse. Net operating income for that month amounted to only $684,365 compared with $2,304,640 realized in July 1949. Under the circumstances, the road's showing for the seven months as a whole may be considered quite gratifying. Net income was only $1.8 million below the preceding year and common share earnings amounted to $3.62. This compared with $4.91 a share for the seven months through July 1949.

The unfortunate results of the two months affected by the strike can obviously not be taken as any criterion of what the road will be able to show in the way of earnings for the full year. The road is particularly well located, and physically in excellent shape, to reap substantial benefits from the stepping up of our defense program and the movement of material and men to the Pacific Coast. In this respect its status has been improved materially by the construction, by the connecting Denver & Rio Grande Western, of new yard facilities in the city of Denver. When this project was begun it was estimated that it could cut as much as 15 hours from freight schedules between Chicago and the Coast.

Full 1950 earnings will naturally not reach the level they might have without the strike. The lost traffic under such conditions does not back up or accumulate to be moved at a later date. It, and the earnings it would have produced, are lost permanently. Nevertheless, and even with the higher taxes that will be imposed, it is estimated that earnings this year will at least reach $10.00 to $11.00 a share. This would compare with $9.83 earned last year. Such net would certainly be sufficient to justify more liberal dividends than the $3.00 now being paid. In many quarters it is expected that an extra will be declared before the year-end.

One of the strongest elements in the Rock Island picture, and a consideration that should allow generally liberal dividend policies, is its highly conservative capital structure. It went through one of the most drastic reorganizations ever imposed on a major railroad. Following that it engaged in an aggressive debt retirement program, culminating in the issuance of $55,000,000 1st 2⅞s, 1980 to replace the old 1st Mortgage and Income bonds. This now represents the company's only non-equipment debt. It is followed by 705,238 shares of $5 preferred and 1,409,019 shares of common. Fixed charges amount to only $2.3 million, or 1.2% of 1949 gross, and preferred dividend requirements to roughly $3.5 million.

The New York Curb Exchange

Its Listing Procedures and Unlisted Trading Privileges

By MARTIN J. KEENA*

Vice-President, Division of Securities, N. Y. Curb Exchange

Describing New York Curb Exchange as one of the two really national exchanges as differentiated from regional exchanges, Mr. Keena outlines its organization and government. Gives details of listing requirements, which he says are not as stringent as those of New York Stock Exchange in matter of size of issue, national prominence, demonstrated earning power, and public distribution. Defends unlisted trading privileges, and looks for passage of laws requiring certain unlisted corporations to register with SEC. Notes Curb Exchange's facilities for trading in foreign securities.

Our President, Mr. Truslow, was originally scheduled to speak to you a few days ago. Unfortunately, he was called out of the country, so Professor Ricciardi asked me, as a preliminary to my talk (which is primarily on the listing procedures and unlisted trading privileges), to give you a few highlights on the background and statistics of the Curb. Our original understanding had been I would give you a strictly off-the-cuff talk this morning, which I will do, but I did prepare a brief opening memorandum on the statistical end of it, although I think perhaps John Sheehan covered some of this yesterday.

Martin J. Keena

The New York Curb Exchange is a voluntary association of brokers with 499 proprietary or regular members and 288 associate members. The value of a Curb membership, now running somewhat under $10,000, rose to a peak of $254,000 in 1929, and sank to a low of $650 in 1942.

The New York Curb Exchange is the second largest securities exchange in the United States. The Stock Exchange, of course, is the largest. The volume of business done on our Exchange generally averages about one-fourth to one-fifth that of the New York Stock Exchange. But, on the other hand, excluding the Stock Exchange, our volume generally averages more than the combined volume of all of the fourteen other regional exchanges in the country.

The New York Curb Exchange is one of the two really "national" exchanges in the country, as differentiated from "regional" exchanges, because our ticker service and the branch offices of our members cover virtually all parts of the United States. Our 488 member brokerage firms, a large proportion of which are also member firms of the New York Stock Exchange, maintain a countrywide network of over 1,400 offices located in 371 cities in forty-six states and the District of Columbia. Twenty-seven member offices serve investors in eight foreign countries. Approximately 600 Curb Exchange tickers located in sixty cities, twenty-one states and the District of Columbia carry our quotations across the nation.

The Curb Exchange is governed by a board of 32 governors, of whom 28, including the Chairman of the Board, are elected from the membership of the Exchange and are, therefore, in the securities business, and three are "public" governors, not engaged in the securities business, and elected to provide a representative outside public viewpoint to the policy-making decisions of the board. The other governor is the President of the Exchange, who is a full-time paid executive, not otherwise engaged in the securities business.

The President each year selects 10 standing committees to supervise the operations of the Exchange, with a staff of 300 employees. The work of the Exchange falls into three main parts: the divisions of administration, transactions and securities. I happen to be in charge of the securities division, and it is about that phase of the Exchange's activities that I want to talk to you today.

We provide a public marketplace for approximately 900 stock and bond issues of some 750 American and foreign corporations. At the beginning of this year these securities had a market value of something over $13 billion.

Slightly more than half of our total securities are fully listed, and the remaining minority balance are admitted to what is termed "unlisted trading privileges." First, I will talk to you about the fully listed securities.

Listing Requirements

I have here enough copies of our "Requirements for Listing Applications" pamphlet so each of you can take one and look it over at your leisure. As you look it over, you will find it calls for the usual information, such as a description of the history of the business, properties, capitalization, financial statements, etc., of the applicant company, and the usual statistical presentation.

As you know, every company which lists on any Exchange must concurrently register with the SEC under the 1934 Act. And you probably know, or will find as you look over the SEC 1934 Act registration requirements, the basic information called for in the 1934 Act registration is generally similar to what we get in a listing application. It cannot vary too much. If a particular company is being examined, either for listing or registration purposes, it is necessary to get about the same basic information as to history of the business, properties, financial statements, etc.

Likewise, the listing requirements in the mechanical and procedural form for the Curb are just about the same as the Stock Exchange, and just about the same as most of the other exchanges in the country; that is, as to the form of presentation, the mechanics of presentation, and the information that should be in the listing application. However, you get into variations between exchanges, not in the mechanical presentation of the application, but in the application of standards as to what must be met in order to qualify a stock for listing.

I believe that representatives of the Stock Exchange must have discussed with you their requirements for standards as to size, national prominence, demonstrated earning power, public distribution, in order for securities to be eligible for listing on that exchange.

The Stock Exchange, being the largest exchange in the country, naturally should have high standards in those respects in order to qualify stocks for listing. If we have any difference of opinion with them at all as to their requirements, it is that they are not high enough, although we have a somewhat selfish motive in that feeling. The standards which must be met for listing on the Curb Exchange are not as stringent as those of the Stock Exchange in the matter of size, national prominence, demonstrated earning power, public distribution, etc. That comes about from the fact that we are primarily a developing or a seasoning exchange for companies.

After we list stocks, as time goes on they become seasoned and grow and develop, and there is a natural flow of stocks from here to the Stock Exchange. The last survey we made shows that about 60% of all the stock issues listed on the Stock Exchange at some time in their prior history were dealt in on the Curb.

Our standards are not written into rigid requirements. We more or less take each case as it comes. We do have certain mental, somewhat elastic, yardsticks as to what minimums we will take in the way of listing standards, but each case is considered on its own merits.

For example, the Stock Exchange requires demonstrated earning power in the neighborhood of a million dollars for a period of years before they will list a stock. We list stocks with considerably less earnings. In fact, we have on occasion listed stocks which are still in the development stage and have not demonstrated any earning power. In those cases, we have to be satisfied, of course, that the company is adequately financed and has a management which we think will properly develop the company, and that its product or business is such that there is a good possibility it is going to develop into a successful company.

As an indication of a listing of a stock without demonstrated earning power we can take Kaiser-Frazer. We listed that stock about four years ago. You may remember on that situation there was first an initial public offering of approximately two million shares at $10 a share. That clearly, at the time of the original public offer, was not sufficient financing to complete the development of the company and to bring it to production. The company did not apply for listing at that time, and probably would not have been eligible if it had; it was not completely financed.

Subsequently, about a year later they made a second offering of stock at $20 a share, and the prospectus on that offering clearly illustrated that after they received that financing they were adequately financed to get into production. As a matter of fact, at that time they were only a few months away from production. That is the point at which they applied to us for listing. We listed the stock. The company subsequently went into production. They did produce a good many cars in their early stages, and earned substantial profits. They have since not done so well. They have subsequently had an additional financing program which resulted in the differences and litigation with Otis, but that does not change the basic fact which I am trying to illustrate, which is that when we listed that stock it had no demonstrated earning power. But still we felt it was a proper stock to be listed on the Exchange. That is a typical example of a developing company that was listed.

I think that pretty well covers the fully listed phase of our operation. You know that when a company is fully listed it has to register with the SEC, and thereby become subject to certain requirements of the 1934 Act; Section 13, which provides for the filing of annual and periodic financial reports; Section 14, which requires the companies which are listed and registered to conform to the proxy rules of the SEC; Section 16, which has to do with officers, directors and owners of more than 10% reporting all transactions in their stock; and also being subject to a recapture clause if they buy and sell stock at a profit within a six months' period.

Those are the principal requirements of the SEC to which fully listed and registered companies are subject, and therein lies one of the big differences between fully listed and registered companies and the stocks which are admitted to what we call "unlisted trading privileges."

Trading in Unlisted Stocks

On the unlisted stocks, prior to 1934 (when the Securities Exchange Act was enacted), the Curb, of course, was the sole judge—or any exchange was the sole judge—of what it would trade in. There was no registration required with any governmental agency. And in those early years, going back as far as you can go, the Curb always admitted stocks to what we called "unlisted trading privileges." Such admission usually resulted from some member of the Exchange calling to our attention some company whose stock was actively dealt in over-the-counter which he thought was a proper stock to be dealt in on the Exchange.

We would look into the company, going to statistical manuals and such other sources from which we could obtain information, and if we were satisfied that the stock had all the attributes for a normal listing and an exchange market, we would admit it to unlisted trading privileges without any application of the company, and sometimes over their objections.

We took the view then that if a stock was widely distributed, had an active market, and for some reason — inertia on the part of management, lack of pressure from stockholders, or whatever it may be—they had not seen fit to give their stockholders an exchange market, we were providing a public service in giving those facilities to the stockholders.

After the stocks were admitted to unlisted trading privileges, they were all commingled on our floor with the listed stocks. There were no separate trading posts for them; all were in together. Orders were executed in unlisted stocks on exactly the same basis as listed stocks. Sales received the print on the ticker in the same way. There was absolutely no difference in the service the public received for the unlisted stocks as compared with the listed stocks. The only difference in mechanics was that in printing sales of the listed stocks on the ticker for public information we used a symbol "L" to indicate it was listed; and the unlisted stocks were not so designated.

That was the situation prior to to 1934—and in the years prior to that time the Curb had built up a very substantial list of unlisted stocks. They represented the major portion of our trading volume.

Along came the bill to enact the Securities Exchange Act of 1934, and immediately the problem arose: What happens to the unlisted securities? Naturally, since the companies never had applied for listing, the probability was that if they were then asked to register with the SEC the great majority of them would not apply. It would have meant, if the bill as originally drafted had been enacted, that several thousand stocks dealt in unlisted not only on the Curb (although we were the largest) but also on most of the other exchanges in the country, except the Stock Exchange, would have lost an exchange market.

So we and representatives of other exchanges appeared before Congress, and the bill was enacted in a compromise form. It provided first that all fully listed stocks on exchanges had to register with the SEC by a certain date in order to be continued. As to the unlisted stocks it provided that the SEC would make a study of unlisted trading privileges on exchanges and report back to Congress by some specified date a year or a year and a half later.

The SEC Provisions

The SEC made its study, reported the results to Congress, and the upshot of it was that the Act was passed with Section 12 (f) covering unlisted securities.

That section was enacted with

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*A lecture given on Aug. 2, 1950, the 11th in a series of 17 on the New York Securities Markets and their Operation, sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

Estate Planning—Mobilize Now

By EDWARD M. HEFFERNAN

Trust Officer, Ann Arbor Trust Company, Ann Arbor, Mich.

Mr. Heffernan poin. ut reasons why everyone with property should begin work . . an estate plan as an all-out mobilization on home front. R. ..ls advantages of having work of estate and trust planning ..one by facilities afforded by trust companies. Lists reason for setting up trust funds by individuals.

Mobilization is the order of each and every day during the present world crisis. Everyone understands that mobilization is an action or process which calls for the assembling of material, manpower, natural resources, facts or assets, as the case may be, and placing them in a state of readiness or preparedness for any eventuality. It is the only way in which we can demonstrate our strength and provide the maximum of security for our country—and for all the free countries of the world. While our first step toward mobilization may not be 100%, it is part of a master plan which will insure protection for all democracies. Our leaders, both civilian and military, have spent considerable time and effort in working out a blueprint of these plans so that each one of us may be assured that we have the greatest protection when it is needed. They certainly did not wait until the emergency presented itself and then fumble around to see what could and what might be done. They realized that it probably would be too late at that point.

E. M. Heffernan

Each family is not unlike the government, which merely represents all of the families in the country. The average family has certain assets or resources, including the earning power of the head of the family. There is the home; there are the various types of insurance—to protect against fire, illness, burglary, disability, death or loss of earning power. Then some families have insurance which will provide for the education of children or for the retirement of the head of the family. Most families have savings of one type or another—a bank account, stocks, bonds, mortgages, land contracts, real estate or some other type of investment. Some already have inherited property, whereas others will inherit property in the future.

Many people complain about and criticize the plans the government has made for mobilizing the country in its present emergency. Yet there undoubtedly is a large proportion of these same individuals who have inadequate plans, or perhaps no plans at all, for their own estates. There is little doubt about the adequacy of the resources of the United States. We have sufficient amounts of most of the strategic items, or have made arrangements to obtain them. Yet equally important with having them, is a plan for utilizing them most efficiently and effectively. If we have been a bit slow in putting these plans into effect, it is one of the penalties of having a democratic form of government and society. The important fact still stands—we always have plans which can be placed into effect whenever any crisis arises.

Every family should have its own plan of the management and distribution of its assets or resources when the time comes. And it will come! There is nothing more certain in life than taxes and death. And a good estate plan can provide for both of these contingencies. It can be assumed that each family, to the best of its ability, attempts to provide the earning power necessary for its current maintenance and expenditures. It tries to provide some insurance against the many uncertainties in life; to provide a home; and also to set aside some funds in savings of one type or another. However, experience shows that each of these steps is often taken without full consideration and relationship to the others. There seems to be a definite lack of coordination in the building up of an estate.

Everyone has known of some friend or relative who was "taken before his (or her) time." And this same person may have failed or have neglected to "mobilize" his assets to provide the maximum use of them. His widow or children, or other loved ones, have been compelled to formulate their own plan for these assets. In many instances, a plan set up under such circumstances may be far from adequate. In fact, it may be impossible at that time to set up the plan which would provide the best management and distribution of his assets. Just another example of unpreparedness—"too little, too late"!

Of course, many people feel that they have made excellent plans for their estates. A man will tell you that he's going to leave everything to his wife. "Want her to have it all," is his usual comment. Therefore, he assumes that everything is taken care of. Then there is the husband who echoes, "We have everything joint." Again, such a reply indicates that there is nothing further to be done. The thought behind both of these statements is admirable—as far as it goes. But is it superficial at best. If either of those statements is examined carefully, it will soon be discovered that the husband is merely "passing the buck" to his wife or family. In the case of the average woman, what experience has she had in handling financial matters or managing property? Would she not be the recipient of additional worry and be dependent upon a busy friend or relative who has his own affairs to handle—or be subject to the preying of unscrupulous individuals of whom there always will be some in the world? And a grieving widow is in an extremely vulnerable position. In the present uncertain world situation no one can even be sure that any particular friend or relative will be around to donate his advice or time to assist in such important matters. At this point I should like to make an observation from my own personal experience. The advice, which a person receives—even from a friend—without adequate compensation, is usually worth just about what he has paid for it. It is just a corollary of that old saying, "You get what you pay for."

The tempo of life under an economy and society mobilized for either defense or war often leaves but little time for future planning. Each of us is concerned primarily with accomplishing the immediate task at hand. We are producing material for the armed forces; or we are serving as a member of one of the branches of the Army, Navy, Marines or Air Force; or we are engaged in a home front activity. Things change rapidly—almost over-night. Our duties may change from one day to the next or we may find it necessary to move from one section of the country to another section. Many will even find themselves in far-distant lands on extremely short notice. As a world power, our country is committed to protecting other parts of the world which are thousands of miles from our own shores. We have taken our stand against slavery and aggression and in favor of freedom and democracy throughout the world. And there is no backtracking at this junction. Yet in the face of all this we, as individuals, are obligated to our families to mobilize our own resources and assets to protect them to the utmost. So we should determine to work out and execute the best plan which will accomplish our objectives.

There are several different objectives which a person intends to accomplish for his family, either during or after his lifetime. Some of these may be found in the following list:

(1) Provide for the protection, welfare and care of minor children in the event of a common accident or disaster to the parents. (Not at all improbable in the eventuality of war!)

(2) Provide sound management and supervision of property for a widow or children.

(3) Protect property against a spendthrift or shiftless son—or a son-in-law!

(4) Provide for the well-being of an aged or incompetent parent or relative.

(5) Assure the education of children or grandchildren.

(6) Protect a business which a father has established, until such time as his son returns from duty with the armed forces and can decide whether he wants to participate actively in the business.

(7) Minimize tax liabilities—and this will become an ever-increasing item.

(8) Insure the orderly distribution of a person's property.

(9) Manage real estate, stocks or bonds while a person is busily engaged in defense or war production; or while he is serving with the armed services either in various parts of the United States or outside the continental limits.

(10) Relieve an inexperienced widow, friend or relative of the management of capital under the complex status of a defense or war economy.

(11) Select a dependable and experienced executor, who will always be available and qualified to act, to handle the administration of an estate.

Any one of these objectives would be reason enough in itself to take the time to do some planning for the future. The sooner that a person begins his over-all plan, the easier it is for both himself and his entire family.

Memories in general are short, but most of us can remember back to the last war. We have heard of the many tragedies that resulted from the lack of estate planning during that period. Men working under severe stress and strain died suddenly. Estates were lost or squandered by inexperienced widows or unscrupulous individuals. Men died in the service of their country and failed to make wills, leaving their brides inadequately protected because the widow, in some states, under such circumstances, received only one-half of the estate. Or there were hastily-prepared wills by unqualified individuals which brought on long, complicated and expensive court battles between the widow and the deceased's parents, brothers or sisters. In other cases, the service men neglected to change the beneficiary on his insurance policies, where pertinent, with a similar result. The one person on whom we thought our family could depend, if anything happened, had moved away or had become a war casualty himself. In fact, that still happens today! And these same things can happen to any one of

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The big news in banking circles last week was the announcement of the proposed merger of the Brooklyn Trust Company into the Manufacturers Trust Company.

Agreement on the merger was revealed in a joint statement by Harvey D. Gibson, President of the Manufacturers Trust Company, and by George V. McLaughlin, President of the Brooklyn Trust Company, on Aug. 31.

The initial announcement of the merger did not include the terms of the merger. They have subsequently been revealed and approved by the directors of the banks. Stockholders of Brooklyn Trust are to receive $183.00 in cash and one share of Manufacturers Trust for each share held. The one share of Manufacturers will be paid after a distribution to Manufacturers' stockholders of one share for each twelve shares held. Thus, with Maufacturers selling at around $60, the exchange, after the stock dividend, will be worth around $238 a share of Brooklyn. Both institutions are to hold special stockholder meetings Oct. 12 to approve the merger.

The merger of Brooklyn Trust with other institutions had long been rumored. For over a period of two years practically all of the major banks were mentioned as likely candidates to take over Brooklyn. Even in the days immediately preceding the announcement, the Chase National Bank was reported to be negotiating to obtain control. The announcement of last week, however, brought an end to the speculation as to the future of Brooklyn Trust. The officers and staff will be absorbed into the merged institution and some of the Directors of Brooklyn Trust will be placed on the Manufacturers' board.

The area in which Brooklyn Trust operates and its many branches make it a particularly desirable acquisition. Of 26 offices operated, 22 are in Brooklyn. The remaining branches are located in Queens and Manhattan. Manufacturers Trust at present has 79 offices scattered throughout the principal boroughs of New York City.

The combination of these facilities would, after allowing for some consolidations at specific points, result in a branch banking system of over 100 offices. It would be the largest branch system in New York City and while not so large as the Bank of America in the number of branches—Bank of America has over 525 offices in the State of California—its concentration in a particular city would be the greatest in the country. The hundred branches of Manufacturers will compare with the 76 of Corn Exchange, 67 of National City, and 54 of the Bank of Manhattan, the other large branch banks in New York City.

In terms of deposits the merger would increase the funds of Manufacturers by approximately $226 million, or to around $2,336 million. The gain would put Manufacturers close to the deposit total of Guaranty Trust. Only National City and Chase in New York would be larger by any substantial amount.

The merger of Brooklyn Trust with Manufacturers Trust brings to three the number of such transactions which have taken place within the past two months. The most recent development, prior to the Brooklyn Trust, was the proposal of Bankers Trust to merge with the Lawyers Trust. The stockholders of these banks are meeting next week to approve the terms of this merger. This proposal followed closely the acquisition by Bankers Trust of certain banking functions and operations of Title Guarantee and Trust Company.

The merger of Brooklyn Trust, however, is the biggest combination since before the war and the eleventh in the past five years. The economics of the situation continue to support such developments and we would expect the trend towards larger and fewer banks in the New York area to continue.

Announcement of the merger had been preceded by a sharp upward movement in the price of Brooklyn Trust shares in the over-the-counter market, indicating that something was going on of importance. From a price of around 132 in mid-July, the stock moved up to about 160-170 in early August and then settled back for a few days. It then proceeded to rise sharply again to around 200 and once more hesitated. The final move came just before and after the merger statement last week and pushed the stock up to its present level of around 235.

The merger is interesting from a number of points of view, not the least of them being the indicated payment to the stockholders of Brooklyn Trust. The book value of Brooklyn as of June 30, 1950 was $195.60 per share and the indicated value to be received for the shares is around $238.00. The book value of the company is obviously conservatively stated and the payment in excess of the book value represents in part the valuation of certain reserves. With only 82,000 shares of stock outstanding, a million dollars additional valuation means $12.00 in per share totals. The adjustment and appraisal of Brooklyn's assets provided the additional equity.

The merger is also interesting in that it provides for partial compensation in stock, something that has not been used in the recent mergers in this area.

Banks' Role in Present Struggle With Communism

By F. RAYMOND PETERSON*
President, American Bankers Association
Chairman, First National Bank and Trust Co., Paterson, N. J.

ABA executive, warning conflict between communism and freedom is no "small war," asserts banks in these critical times are sound and strong, but warns financial and economic conduct of war must maintain integrity of national debt and credit structure. Lists among wartime services of banking: (1) providing credit and other financial services to government and producers of war material; (2) financing agriculture; (3) cooperating with Federal authorities in restricting unnecessary commercial and consumer credit; (4) maintaining war loan accounts for Treasury; and (5) providing trust services for individuals in armed services.

Today I want to bring to you some of the views of the banking industry with regard to the war.

I also want to tell you about the war plans of banking and some of the things we are prepared to do in support of the war.

F. Raymond Peterson

During the past two weeks, the United States has been able to get enough men and material into Korea to give pause to the communist onslaught. The determination of the American people to win in Korea may bring eventual victory in that single sector of the communist front. But Communism does not rest. It is a self-declared mortal enemy of democracy, and so long as it exists we must be prepared to fight it with weapons as well as with words. We do not know whether the next blow of Communism will be a full scale invasion of Korea by the Chinese Reds, or a strike at Formosa, Indo-China, or some other part of the world. Nor do we know when such a blow is coming, but this country would be foolhardy not to expect it, and to prepare for it, regardless of the time element.

So the prospect of eventual total war is an ugly reality that we must all recognize. It can create many more serious problems for the nation than we already face. It can require of us all the same full war support that the American people, industry, commerce, and finance provided throughout World War II. We must be ready to provide that same support, and even more if it is needed.

War is the test of men. It is also the taskmaster of an economic system. All that the people of this nation have done since the end of World War II to achieve peace and prosperity, and their hopes and plans for an even better future are now being set aside while the nation begins to bend to the tasks of war to defend this country and the remaining free nations against the aggression of the growing communist empire.

Between Communism and Freedom, There Is No "Small War"

In the conflict between Communism and freedom, there is no such thing as a "small" war. Our real adversary in this war can use satellites, as in Korea, to confuse the issues; to select its own time, place and weapons of war; and to bait us into economic exhaustion, with intervening false gestures toward peace. But for almost five years it has seemed inevitable to most political and military experts that a final struggle—the showdown—must eventually come, because war is the weapon and conquest is the real goal of Communism.

This country's real opponent in war is formidable and aggressive. This adversary has almost unlimited manpower, strategic defense in the vast space and depth of Europe and Asia, and the ability and ruthlessness to seize and regiment troops, labor and the materials of war in her own country and the nations she has conquered. High government officials have stated that Communism also has some form of atomic weapon.

But I, for one, believe that America's tremendous industrial and economic capacity, when mobilized, can largely compensate for her strategic handicaps, for her commendable unwillingness to arm herself by seizure and violence, and for what she may lack in manpower. Because of America's technical ability and industrial capacity, this country can design and produce more and better weapons than her adversary. Admiral Halsey has recently pointed out that the free men of democratic nations are slow to mobilize and fight, but their wrath, their skill, and their strength have always proved invincible when they are finally and fully turned upon the enemy.

Our industrial and economic structure is as complex as it is productive. It is not an easy job to convert it to war. But we know from experience that it can be done, with such completeness that the flow of war material becomes a torrent. In war or in peace, banking is an essential part of the nation's productive economic organization because it provides the government and industry with credit and other indispensable financial services. War has always produced profound effects upon the nation's banks. They may be required this time to provide as much—and perhaps more—credit and war services than during World War II, although the nature and extent of some of these services may differ from those of the last war.

Banks Are Sound and Strong

It is fortunate at this critical point in the nation's history that the banks have never before been so sound and so strong. Never have they had such great resources, exceeding $170 billion, or so vast a backlog of wartime "know how" with which to aid this country during war. Banking is alert now to all that it may be required to do. Financial and economic planning is as vital to success in war as military planning.

Must Maintain Debt and Credit Structures

Underlying the success of all plans for economic and financial mobilization and warfare is this major fact: the financial and economic conduct of the war ought to be carried on in such ways, and with such skill, that the fundamental integrity of the national debt and of the credit structure, and of the values behind money, is not dissipated and can be maintained at the war's end.

The first requirement for the successful outcome of any war is, of course, military victory. Defeat in a war with Communism would mean the destruction of almost all our social and economic institutions. Military victory cannot be taken for granted. It must be fought for and won at the price of human suffering, casualty lists, and all the destruction and hardships of war, as we have again learned in Korea.

Confidence is vital, but no one can blithely assume that military victory in total war is a foregone conclusion. Military leadership does not and cannot assume that victory in war is a certainty. But a victory won over Communism at the price of economic and social disaster, and collapse of its democratic institutions, would be a Pyrrhic victory for democracy. So the nation's economic and financial operations during the war ought to be carried out in ways that will help preserve the future soundness of the national debt, the dollar, and the credit structure, because the economic and social institutions which comprise the democratic way of living depend upon their soundness at the war's end.

Equally important, the survival of democratic institutions in this country depends on prompt abandonment by the government at the end of the war of the restrictions and controls already and yet to be established by law and regulation during the war. Throughout the nation's history, our people have been willing to forego many of their rights and privileges, and submit themselves to all that is necessary to win a war. Although they appear necessary, the economic powers conferred upon the government by the highly controversial Defense Production Act are so sweeping that this country could emerge from the war as a statist nation.

The potential controls the law establishes over labor, industry, and finance are very broad and farreaching. Our experience in World War II taught every one the necessity for restoring economic freedom, curbing the government's powers over production and credit, and liberating the consuming public from the shackles of control as promptly as possible. In our own field of banking, we go on record now for repeal of the government's wartime guaranties of industrial credit and for abandonment of Federal powers over consumer loans and of such other powers over credit as the law prescribes, when the war emergency ends.

The experiences of banking in World War II are valuable to the nation now in many other ways. Of course we do not know how rapidly the war with Communism may progress, in what respects it may differ from the last war, or how long it will last. But our plans must be based on the assumption that it may become total war, and a long war. We can hope for the best, but it is safer to plan for the worst.

Let me emphasize that by drawing upon our experience in World War II, we are not committing the blunder of "planning for the last war." Military leaders do not disregard the lessons they learned in their war experiences in former wars. The same holds true with respect to banking, finance, and industry in wartime. They, too, must make their plans for future war operations with an eye on their experiences in past wars.

Banks' Wartime Services

The wartime services the banking industry can perform are:

(1) Providing credit and other financial services for the government as it expands, maintains, and supplies the armed forces, and helping the United States Treasury distribute its securities among investors.

(2) Providing credit for technical and industrial producers of war materiel.

(3) Financing farmers in the production of food and other agricultural commodities needed for both military and civilian uses.

(4) Assisting the government in locating and freezing enemy funds in this country that are intended for espionage, sabotage, and other subversive activities.

(5) Restricting unnecessary civilian, non-military uses of commercial credit.

(6) Cooperating with Federal authorities in the regulation of consumer credit.

(7) Providing financial assistance in the construction of defense housing and administering the granting of real estate mortgage credit prudently and in accordance with Federal regulations.

(8) Providing branch banking facilities for Army, Navy and Air Force bases and encampments, and check-cashing services for families of men in the armed forces receiving dependency allotments.

(9) Providing coupon accounting and clearing services for the government as an essential part of the rationing system it may establish.

(10) Maintaining War Loan accounts for the United States Treasury serving as its tax depositories.

(11) Providing trust services for men and women who are called to serve in the armed forces.

The first of these fundamental tasks of banking is to help the United State Treasury finance its war expenditures. In the simplest terms, this means helping the Treasury meet its borrowing requirements for money. There is no known means of determining or even approximating the cost of this war. This of course, is because we do not know yet the war's exact nature, its totality, its duration, or the future movement of costs and prices. However, this was the Treasury's experience in financing the materiel and per-

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*An address by Mr. Peterson before the Rotary Club of Paterson, N. J., Aug. 31, 1950.

Realty Inv. Co.

SOUTH NORWALK, Conn.—Edward C. Sterling is engaging in a securities business under the firm name of The Realty Investing Co. from offices at 1 Ann Street.

Mutual Funds

By ROBERT R. RICH

Wellington Sets Record in Two Months

A record $9,803,385 increase in net assets was recorded by Wellington Fund in the two months ended Aug. 30. The increase, largest for any similar summertime period in the Fund's history, boosted net assets to a total of $135,983,227 or $18.39 a share, according to the Fund's interim investment report, made public yesterday. This compares with net assets of $126,179,842, or $17.80 a share on June 30, last.

The report revealed various adjustments in the Fund's portfolio made as a result of the Korean war. Portfolio changes were made, the report stated, under a policy of maintaining a balanced program in senior securities and commons with the commons adjusted to a semi-war economy.

In line with this policy Wellington Fund on Aug. 30 had 59.9% of its total net assets in common stocks and these commons were diversified among three major groups classified as so-called war stocks, peace stocks and stocks which may do comparatively well in either a semi-war economy or a peace economy. Other investments on Aug. 30 included 1.29% of net assets in appreciation bonds and preferreds; 0.68% in convertible seniors; 18.26% in investment bonds and preferreds; and 19.87% in U. S. Governments and cash.

The Fund reported that in the readjustment certain growth stocks considered less attractive in view of higher taxes were sold and purchases were made of commons expected to benefit in a war or semi-war economy. As a result of these and other investment changes since Jan. 1, realized security profits of the Fund amounted to $2,474,375 on Aug. 30. The Fund on that date also had a net unrealized appreciation on investments of more than $4,000,000.

New common stock investments listed in the report included Southern Pacific, Union Pacific, Goodyear Tire & Rubber, American Steel Foundries and Pullman. These securities, as well as holdings of Bethlehem Steel common which were increased, were classified by the Fund as among those expected to benefit in a semi-war economy.

In the classification of stocks which may do comparatively well in either a semi-war or peace economy, the Fund reported increases in its common holdings of Standard Brands, Swift & Co., Continental Oil, Standard Oil of California, Texas Co., Westinghouse, Chicago Corp., Northern Natural Gas, United Gas, Peoples Gas Light & Coke, S. H. Kress, H. L. Green and Marshall Field.

In its group of peace stocks, the Fund said it had added to its holdings of Aetna Insurance, American Can, American Tobacco, Phoenix Insurance, Philip Morris, National Cash Register, U. S. Plywood, Atlantic City Electric, Consolidated Edison and Illinois Power. "Most of these purchases," the report stated, "were made at prices which appeared to have discounted in good part the expected increase in taxes."

Selected American Looks at Last 10-Year Record

Selected American, in examining the last ten years of its performance, reported that:

"Within the ten-year period there were numerous occasions when prices of leading industrial stocks were falling — sometimes very sharply. There was a bad drop from late 1940 to the Spring of 1942. Then there was a big break in the Autumn of 1946, and another here recently when the North Koreans started the present war. But even recognizing these and other instances of falling stock prices, the net result for the ten years is a plus figure of importance.

"You may be interested in seeing what has happened to the investor who owned Selected American Shares ten years ago, and still owns it. The following table compares his experience with the performance of the Dow-Jones Industrial Stock Average, from the point of view of capital:

CAPITAL PERFORMANCE

	Dow-Jones Industrial Stock Average	Selected American Shares, Net Asset Value Per Share
July 31, 1950	$209.40	$11.28
July 31, 1940	126.14	7.58
Market appreciation	$83.26	$3.70
Capital gains distribution	----	2.31
Total capital enhancement	$83.26	$6.01
Percentage capital enhancement in relation to July 31, 1940	66.0%	79.3%

"But, capital gain or loss is only part of the investment story. Income received meanwhile is also an important consideration. The accompanying table gives a summary of the income story:

INCOME

	Dow-Jones Industrial Stock Average	Selected American Shares
Total dividends paid in 10 yrs. to 7-31-50	$84.44	$4.415

Knickerbocker at New High

The Knickerbocker Fund on Aug. 17 reached a new high Asset Value of $5.32 per share for the year 1950. This compared with a previous high of $5.30 per share on June 9. In the interim the Fund paid an $0.08 distribution—$0.04 from income and $0.04 from capital gains. This was made possible by the adoption of a conservative 15.3% cash and equivalent position during the latter part of May and early June. A large portion of the cash was reinvested after the Korean market decline. The Fund is now in a fully invested position with less than 5% in cash.

Keystone Up Four Million In Last Six Months

Combined net assets of the 10 Keystone Custodian Funds at market values on July 31, 1950, amounted to $209,000,000, an increase of $4,257,700 over the $204,742,300 reported on Jan. 31, 1950, it is disclosed by the annual reports of Keystone Funds B3 and S4 made public on Sept. 6. The number of shareholders of the 10 Funds reached a total of 52,532 at the end of July.

Net assets of the Low Priced Bond Fund B3 increased to $38,932,741 as of July 31, 1950. This compares with $37,061,610 on Jan. 31, 1950, and $31,419,446 at the close of the last fiscal year on July 31, 1949. The number of shares outstanding for the same periods were 2,205,892 on July 31, 1950; 2,173,897 for the six months ending Jan. 31, 1950, and 2,068,656 at the end of July, 1949. The asset value per share on July 31, 1950, was $17.65 compared with $17.05 on Jan. 31, 1950, and $15.19 at the close of July last year.

The report of the Keystone Low Priced Common Stock Fund S4 shows assets on July 31, 1950, of $16,870,921 and compares with assets of $17,694,218 for the previous six months ending Jan. 31, 1950, and $14,917,806 on July 31 a year ago.

The report shows the number of S4 shares outstanding as 3,220,830 on July 31, 1950, compared with 3,581,316 for the previous six months and 3,722,525 at the close of the last fiscal year on July 31, 1949. The asset value per share on July 31, 1950, was $5.24 compared with $4.94 for the previous six months ending Jan. 31, 1950, and $4.01 for the 12 months ending July 31, 1949.

National Securities Relates Bond Story

Stressing that both bonds and stocks are needed in every well-balanced portfolio, National Securities commented this week that investors might do well to remember that bond interest is a business expense which is deducted before Federal and State income taxes are calculated, and consequently that this tax advantage is thus not affected by higher taxes or excess profits taxes.

National's Bond Series have performed as follows in the past:

NATIONAL BOND PERFORMANCE

	Korean Break 6-23-50 to 7-31-50	Market Low 6-13-49 to 7-31-50
National low-priced bond series	+7.6%	+33%
National bond series	+1.5%	+11%
Dow-Jones 40 bond average	+1.0%	+ 4%

Dividend's Six Million Becomes Effective

A registration statement of Dividend Shares, Inc., filed with the Securities and Exchange Commission July 27, 1950, covering 6,000,000 shares, with estimated market value of $9,900,000 became fully effective on Aug. 28.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

It was made known yesterday (Sept. 8) in a joint announcement by Harvey D. Gibson, President of **Manufacturers Trust Company of New York**, and George V. McLaughlin, President of **Brooklyn Trust Company of Brooklyn, N. Y.**, that at separate meetings of the directors of the two institutions on Sept. 6, "the terms of the proposed merger of the Brooklyn Trust Co. into Manufacturers Trust Co. were approved." A week ago (Aug. 31), Messrs. Gibson and McLaughlin, in a joint announcement, had revealed that "an agreement providing for the merger of the Brooklyn Trust Co. into the Manufacturers Trust Co. has been agreed upon by the managements of the two institutions." It was added at that time that the agreement would be presented to the directors of each institution at special meetings Sept. 6, "for formal authorization and approval," and that the terms of the merger would be announced "immediately after action by the two boards." The Sept. 6 announcement of Messrs. Gibson and McLaughlin in part said:

"Under the terms and conditions of the merger, the stockholders of Brooklyn Trust Co. are to receive for each of the 82,000 shares of stock of Brooklyn Trust Co. outstanding one share of stock of Manufacturers Trust Co. and $183 in cash, such stock and cash together representing the aggregate net value per share of the tangible assets of Brooklyn Trust Co. which will be received by Manufacturers Trust Co. upon the merger becoming effective. This value was arrived at after adjustment of the value of such assets and after providing appropriate reserves.

"Prior to the issuance of Manufacturers Trust Co. stock to Brooklyn Trust Co. stockholders, Manufacturers Trust Co. will, subject to authorization by the stockholders of the necessary stock increase, distribute to its own stockholders a stock dividend of one share for each 12 shares held. In addition the next regular quarterly dividend of 60 cents per share was declared today. Both the stock dividend and the cash dividend will be payable Oct. 16, 1950 to stockholders of record Sept. 18, 1950. The $3,750,000 increase of capital of Manufacturers Trust Co. required for the proposed stock dividend will come entirely from recoveries and Valuation Reserves. The payment of the stock dividend will not affect its surplus and undivided profits heretofore shown. At the time of the merging of the two institutions, $6,000,000 will be transferred from undivided profits of Manufacturers Trust Co. to surplus. The combined deposits of the merged banks as of June 20, 1950, were $2,326,578,000. The Manufacturers Trust Co. will take over the 26 offices of the Brooklyn Trust Co. The entire personnel of Brooklyn Trust Co. will join the staff of Manufacturers Trust Co."

It is further stated that the merger agreement provides that Mr. McLaughlin, President of Brooklyn Trust Co., and John Gemmell, Jr., presently directors of the Brooklyn Trust Co., will become members of the Board of Directors of Manufacturers Trust Co. Mr. McLaughlin and George A. Barnewall, Vice-President, will become respectively Chairman of the Executive Committee and Vice-President of Manufacturers Trust.

In the New York "World-Telegram and Sun" of Aug. 31 it was noted that the merger announcement "came as a climax to a sensational rise in the market for Brooklyn Trust." From the same paper we also quote:

"This spurt started last June at $132 a share. Since then the advance has been sharp and almost without interruption. This morning the bid was $214. Soon after the merger announcement there was a nominal bid of $220."

In its Sept. 1 issue the paper from which the foregoing is taken stated:

"When the Brooklyn Trust executive committee went into session yesterday morning it had two separate proposals. One was from Manufacturers and the other from Chase. It is understood that the meeting adjourned about two hours before the decision was announced."

* * *

The Chemical Bank & Trust Company of New York on Sept. 1 moved its United Nations office into the new Secretariat Building at East River Drive and 44th Street. Services of the office are limited to providing deposits, withdrawal, check-cashing and foreign exchange facilities and are available to persons connected with the United Nations organization exclusively.

* * *

Central Hanover Bank & Trust Co. of New York announces the appointment of Nelson J. Hogenauer as Auditor of the company. Mr. Hogenauer, a resident of New York City, was graduated from Haverford College with the degree of Bachelor of Arts and holds the degree of Master of Business Administration from New York University. He has been with Central Hanover since 1930. He was appointed Assistant Auditor in 1935.

* * *

B. Hollon Smith, Second Vice-President of the Bankers National Life Insurance Co., of Montclair, N. J. has been elected a director and a member of the Trust Investment Committee and the Executive Committee of the American Trust Co. of New York, Harvey L. Schwamm, President, announced on Sept. 5. Mr. Smith was formerly a director of The National Bronx Bank of New York, now in liquidation.

* * *

Irving Trust Co. of New York announced on Aug. 31 the election to its board of directors of Philip F. Gray, senior loaning Vice-President of the company.

* * *

An exhibition of handwrought silver will be on view in the lobbies of the five Manhattan branches of the **East River Savings Bank of New York** from Sept. 6 to Sept. 29 arranged through the courtesy of the Craft Service Department of Handy & Harman, refiners and fabricators of precious metals, as part of their non-profit educational program. The silver shown will include presentation pieces, works done by contemporary silversmiths and work done by teachers attending Handy & Harman's Fourth National Silversmithing Workshop Conference held in August at the School for American Craftsmen, a department of the Rochester Institute of Technology. The presentation pieces will be on view at 40 Rockefeller Plaza and will include the rose-water bowl in silver gilt, designed by J. L. Auld, given to the City of New York by the City of London and loaned by the Museum of the City of New York. Some of the other exhibits include eight pieces of handwrought silver designed and executed by Margret Craver which will be on view at 26 Cortlandt Street; handwrought silver done by Madeleine Turner, Adda Husted Andersen, James B. Hamlin, and Walter Rhodes will be on view at 291 Broadway.

* * *

A plan for the proposed merger of the **Home Bank & Trust Co. of Darien, Conn.**, with the **Stamford Trust Co. of Stamford, Conn.**, has been made known in a joint statement issued by Harold E. Rider, President of the Stamford institution and Judge William A. Kelly, President of the Darien bank. Associated Press advices from Darien, Aug. 25, in the New Haven "Evening Register" reported Messrs. Rider and Kelly as stating that the directors have approved the plan, which is to be placed before the stockholders. The Darien institution is to be known as the Home Bank Branch of the Stamford Trust Co. It is also stated that the combined resources of the proposed merger will be in excess of $38,000,000 and the combined trust fund over $30,000,000. It is added that all present officers and employees of the two institutions will be retained.

* * *

William J. Crean, a Trust Officer of the **Fidelity Union Trust Co. of Newark, N. J.**, died on Aug. 26. He was 51 years of age. In its Aug. 28 issue, the Newark "Evening News" said:

"Mr. Crean joined the Fidelity Trust Co. as an office boy 34 years ago, before the firm merged with the Union National Bank to become the Fidelity Union Trust Co. As Trust Officer of the merged bank, he served as a director of the A. W. Faber-Castell Pencil Co. of Newark, the Heller Bros. Co., an Ohio firm with a Newark office, and the Forest Hill Land Co. and Forest Hill Association, both of Newark and both associated with the Heller company."

Mr. Crean, it is added, was a member of the New Jersey Bankers Association and the American Institute of Banking.

* * *

The common capital stock of the **Scottsbluff National Bank of Scottsbluff, Nebraska**, has been increased, effective Aug. 24, from $150,000 to $225,000 by a stock dividend of $75,000, it is learned from the Aug. 28 Bulletin of the Office of the Comptroller of the Currency.

* * *

City National Bank & Trust Co., of Kansas City, Mo., has issued an employees' manual outlining for the 350 members of its personnel the employment policies and benefits offered by the bank. The booklet gives a short history of the bank, showing its growth in deposits from $277,074 in 1913 to $137,498,512 in 1948 at the end of 35 years, and $150,000,000 in 1950. Likewise the personnel policies are set forth, followed by a listing and description of employee benefits, such as retirement plan, sickness insurance and life insurance benefits. The booklet is illustrated with pictures of the new bank building, completed in 1947.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LONGMONT, Col.—Dwight L. Sullivan is associated with Waddell & Reed, Inc., of Kansas City, Mo.

Dale H. Wise Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Col.—Dale H. Wise is engaging in a securities business from offices in the Colorado National Bank Bldg.

Lawrence Gardner Opens

Lawrence F. Gardner is engaging in a securities business from offices at 11 West 42nd Street, New York City.

Role of Bank Credit In Nation's Economy

By KENNETH K. DuVALL*

President, First National Bank, Appleton, Wis.

After stressing importance of banking in today's monetary scene, along with its inflationary and deflationary aspects, Mr. DuVall reviews role played by commercial banks in period 1929-1949. Points out rapid rise in credit since war was due more to price increases than to growth of economy. Calls attention to rapid expansion of instalment and real estate mortgage credit, and contends, for banking system as whole, prospect of further inflation due to increased private credit demands is far more serious than at outset of World War II.

Too many bankers fail to grasp the far-reaching consequences of their daily routine of making loans and collecting loans—causing credit in use to expand or contract.

Kenneth K. DuVall

Perhaps at the risk of over-simplification we might summarize and review some fundamentals that point the role of bank credit in the nation's economy.

Our capitalist economy is based upon the use of money as a medium of exchange. By means of it the mass production of highly specialized goods and services is translated into the high levels of consumption that go to make our standard of living. That is to say, the worker spending a lifetime producing only wheat, or only shoes, readily exchanges the product of his effort for the myriad products of all other workers.

The supply of money at any given time, therefore, becomes vital to the processes of production and consumption. As we all know, prices in a free market are a reflection of the impact of the supply of money upon the supply of goods and services.

In the beginning money was supplied by government which printed currency or coined metal. The widespread acceptance of the currency thus printed and, eventually, the coin thus minted, rested on belief in the implied promise of the government that, within reasonable limits, its currency and coin would remain stable in value. Currency and coin as the sole or chief medium of exchange became cumbersome, so in time individuals deposited it with well known business firms or individuals and paid for goods and services purchased by issuing a written order to pay on the holder of the deposit. In this manner the modern use of "checking account" money evolved as a supplement to currency and coin in effecting the exchange of goods and services.

As the next logical step the individual arranged to establish a deposit with the well known business firm or individual by giving a note or promise to pay instead of turning in currency or coin. Thus we came to have banks that paid checks against not only currency deposited with them but also against a deposit created by the acceptance of a promissory note. This could only mean that banks were not only handling currency and coin entrusted to them but more important they were actually creating money by granting credit.

While these simple facts are well known, the purpose in reviewing them is to establish the backdrop against which our economy functions today.

Today's Monetary Scene

Let us look on today's monetary scene. In order to distribute one year's production of goods and services valued at roughly $250 billion, and in order to meet annual payrolls in the neighborhood of $140 billion—just to mention two jobs—our economy is making use of some $28 billion in currency and coin, circulating outside the banks, plus checks clearing our banks at an annual rate in excess of $1¼ trillion. Thus the $28 billion of currency—large though it appears—is dwarfed by the $1¼ trillion of checks paid by banks each year.

By the same token it is the $90 billion of demand deposits in the nation's banks turning over more than 12 times a year that constitute the major medium of exchange. It is highly important to bear in mind these points concerning the $90 billion of deposits now held by banks: (1) they exist largely as a result of credit extended to borrowers — private or government—rather than through the deposit of currency or coin; (2) the total has more than doubled since 1941; (3) the amount in existence in the future (as in the past) will depend largely upon and fluctuate with the loans and investments held by the commercial banks. The volume and rate of turnover of demand deposits, as the predominating medium of exchange, is a prime factor in the twin problems of inflation and deflation in the nation's economy.

These facts are the key to the alternating emphasis placed by organized banking on the need aggressively to expand bank credit at one time and the need to exercise restraint in making loans at another time. These facts explain the shifts in Federal Reserve policy from time to time. As inflationary forces at one time are in the ascendancy only to be followed by the dominance of deflationary forces at another, it is the part of sound monetary policy to encourage restraint in credit at one time and expansion at another.

Role of Banking, 1929-1949

With our fundamental premises thus established we may, with profit, go on to trace the general role of bank credit in the nation's economy during the past two decades from roughly 1929 to 1949.

In studying the trend of bank deposits since 1929 it is interesting to divide the period into two parts, that is, 1929 to 1941, the prewar period, and 1941 to 1949, the period of war and postwar expansion. It is particularly useful to do this because a widespread misunderstanding has led many observers to the false conclusion that the inflation we know has resulted from deficit financing by the government for ten years before the war as well as the unavoidable deficit financing of the war period.

The record shows that between 1929 and 1941 bank deposits in the United States rose by some $21 billion primarily as a result of an increase in the country's gold holdings of approximately $20 billion. Some $6 billion of the addi-

Continued on page 33

*An address by Mr. DuVall at the School of Banking, University of Wisconsin, sponsored by Central States Conference, Madison, Wis., Aug. 21, 1950.

Inflation—It Must Be Conquered, Not Just Restrained!

By ROBERT L. BUNTING
Assistant Professor of Economics, University of North Carolina

Professor Bunting, maintaining sources of inflationary pressures must be controlled, points out price control and rationing are ineffective measures unless combined with heavy taxation to absorb accumulating cash at disposal of populace. Says Federal Reserve powers are sufficient to contribute to "pay-as-you-go" program.

The United States has just witnessed a paradoxical reversal of roles: Congress seemed in the mood to impose more controls over our economic life than our "Fair - Deal" President requested. For a short while it was touch and go: no one could tell from the news reports what the results of the hectic scrambling in Congress would be. Although it now seems that a fairly sensible program might be forthcoming, the recent antics of members of Congress give one reason for wondering just how many of them have a sympathetic understanding of a free enterprise system. Surely the approach of those sincere believers in the superiority of a free market system should be to seek out those measures necessary to meet the emergency which are consistent with the maintenance and preservation of that system; surely the approach of sincere and comprehending free enterprise adherents would not be the immediate subsitution of government decree for market forces as the primary source of economic decisions.

Robert L. Bunting

The problem at issue is how to control inflationary pressures. The Administration has asked for tax increases on individuals and corporations abetted by curbs on consumer and mortgage credit. Opposition to this program was spearheaded by the Baruch testimony before the Senate Committee on Banking and Currency. In this testimony Mr. Baruch stressed the necessity of immediate all-out economic mobilization. At first it seemed that most members of Congress were more sympathetic to the Baruchian suggestions than to the President's requests; now it appears most likely that Mr. Truman will get what he asked for along with the power to impose the more stringent price and wage controls when and if he decides that they are necessary. It is the belief of the writer that the general powers requested by the President, used in conjunction with the existing monetary powers of the Federal Reserve Board of Governors, are adequate to do the job at hand, and that proper use of these powers will not only make unnecessary future imposition of a rigid system of direct controls but is a preferred alternative to these controls in combating a general price rise.

The formulation of policy designed to control inflation must rest upon an analysis of the sources of the upward pressures on prices; such insight is necessary for an examination of the advantages and limitations of alternative control measures available.

A free enterprise system generates enough income to permit the purchase, at prevailing prices, of goods and services currently produced—i. e., the incomes of individuals after taxes plus the "income" of governments plus corporate saving is just equal to the value of goods and services produced in any period of time. Inflationary pressures arise when the rate of the combined expenditures of individuals, business units, and governments rises relative to the flow of goods and services into markets. This is precisely what is happening at the present time: the Federal government, business units and individuals are stepping up the tempo of their expenditures — the government for military reasons, business units and individuals in anticipation of price rises and "shortages"—at a time when a full employment situation exists. Given increased money outlays and aggregate output at its approximate maximum, prices must rise.

The problem of controlling inflation, then, is one of decreasing expenditures. Since there is general agreement on the desirability of an increase in Federal expenditures for military preparedness (and no such agreement on a corresponding cut in non-military outlays) the problem is largely one of putting a damper on the expenditures of individuals and buisiness units—effecting a decrease roughly equivalent to the aggregate increase in Federal outlays.

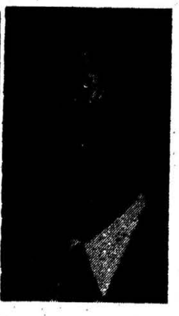
This can be accomplished through rationing and price controls. It must be recognized, however, that these devices do not dispose of inflationary pressures — they merely contain them. Clearly, if the government increases its rate of expenditure drastically without a concomitant increase in the rate of taxation (financing these expenditures to a large extent by borrowing from banks as in World War II), the incomes of individuals will be greater than the value of goods and services available for purchase. The resulting upward pressure on prices may be temporarily suppressed, but it is still there in the form of increased cash balances. And it may confidently be expected that that pressure will be felt in black markets during the period of control and in a general upsurge of prices after the controls are lifted.

In contrast with the price control and rationing approach, reliance upon general tax and monetary measures represents an assault upon the sources of price rise. The tax-credit controls combination is a double attack upon expanding expenditures: the tax measures decrease incomes available for all expenditures at the same time that the credit controls make consumer durables (the output of which will be most severely affected by the rearmament program) more difficult to purchase. In complete harmony with these measures, Federal Reserve powers can and should be used to make refined changes in the overall monetary situation as needed. The powers of the Board of Governors to influence the loan-making and deposit-creating ability of commercial banks are the flexible element of these general control measures. It should be added, however, that the effective utilization of Federal Reserve possibilities requires a singleness of purpose not characteristic of the Board's action during the post-World War II price rise, when its anti-inflation measures were subverted by its bond-support program.

There simply can be no doubt that these general measures, used immediately and decisively, can conquer and dispose of present inflationary tendencies; moreover, they leave prices free to perform their function as guides to the most efficient use of our resources. In view of the imminent dislocation and reorientation of our economy, these guides, far from being luxuries to be enjoyed only in periods of normalcy, are more necessary than before.

No new grants of authority are necessary for the Federal Reserve System to make its contribution to this program. And, given the very strong feeling expressed by Congressmen to "pay (for the war) as we go," it can hardly be argued that the required tax increases aren't politically feasible. The opportunity to avoid stumbling into costly and cumbersome controls is immediately upon us.

John Weller to Manage Herbert Blizzard Co.



Herbert H. Blizzard — John F. Weller

PHILADELPHIA, Pa.—Herbert H. Blizzard has been recalled to active service and announces that John F. Weller has accepted the management of the complete business and trading operations of the firm of Herbert H. Blizzard & Co., 1421 Chestnut Street.

Mr. Weller was formerly in the trading department of Hallowell, Sulzberger & Co. and prior thereto was with Buckley Brothers.

Kurt Wechsler With Walston, Hoffman

Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other leading stock and commodity exchanges, announce that Kurt Wechsler has become associated with the firm in its New York office, 35 Wall St., New York City. Mr. Wechsler formerly was a partner in Heimerdinger & Straus.

Wanna Bet!

Figure This One Out for Yourself

Write down your age.
Multiply by 2.
Add 5.
Multiply by 50.
Add the loose change in your pocket. (Any amount under a dollar.)
Subtract 365.
Add 115 to total.

Result will be the first two figures are your age; the last two the amount of change in your pocket.

Try This One on Yourself

Write down your phone number.
Multiply by 2.
Add 5.
Multiply by 50.
Add your age.
Add 365.
Substract 615.

Result: First figures will be your phone number and the last figures will be your age.

NSTA Notes

AD LIBBING

Sept. 20 is the deadline for advertising in our NSTA Convention Issue, so please forward your order and copy direct to the "Commercial and Financial Chronicle" in order that it may be included in this excellent medium of contact with your contemporaries throughout the country.

The success of your National Advertising Committee depends on many unforeseen happenings and conditions. Again I refer to Herb Blizzard, who, after proving himself as our **number one** Chairman in securing ads, is now in uniform again. We do hope he will meet with us all at the Convention. Good luck Herb, and many thinks for your outstanding job in the Association's behalf.

For many weeks "Ad Libbing" notes have been appearing in the "Chronicle" in order that our entire membership could get better acquainted with our work. Personally, I think it brought out more quickly various ideas and made for greater progress than letters to the members would have done.

Our Convention at Virginia Beach the last week of this month will undoubtedly be the largest and most successful we have ever held, so try to be there to participate in the discussion meetings of your association. **Make it a must.**

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

P.S.—Our advertising total to date is over $15,000.

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

John M. Hudson, Thayer, Baker & Co., Philadelphia, Chairman of the Public Relations Committee of the National Security Traders Association, has addressed the following letter to the President of each NSTA Affiliate:

John M. Hudson

"One short month from now your Public Relations Committee will submit its report to the delegates assembled for our National Convention at The Cavalier, Virginia Beach. Our report will feature literature of a constructive nature relating to investments and finance. A display will be set up making available to our delegates various pamphlets and articles of interest.

"As President of your Affiliate, we are asking you to submit any comments or ideas of a worthwhile nature to be passed along to your fellow members around the country. Should you have access to any interesting literature or reprints in quantities of 200 or more, please forward to the undersigned to be included in our display.

"Please report to me promptly in order that your Affiliate may be directly represented in our Public Relations Committee report."

SECURITY TRADERS CLUB OF ST. LOUIS

The Nominating Committee, appointed by the Board of Governors of the Security Traders Club of St. Louis, which was headed by Clarence J. Maender, G. H. Walker & Co., Chairman, have submitted the following slate of officers for the year 1950-51:

Edward H. Morfeld — W. T. Kitchen — B. L. Schlueter

C. F. Corley — Eugene V. Koch — John W. Bunn — Earl Hagensieker

President: Edward H. Morfeld, Morfeld, Moss & Hartnett.
First Vice-President: W. T. Kitchen, Scherck, Richter Co.
Second Vice-President: B. L. Schlueter, Newhard, Cook & Co.
Third Vice-President: C. F. Corley, C. J. Devine & Co.
Secretary: Elliot H. Stein, Mark C. Steinberg & Co.
Treasurer: Eugene V. Koch, St. Louis Union Trust Co.
National Committeemen: John W. Bunn, Stifel, Nicolaus & Co.; Earl Hagensieker, Reinholdt & Gardner.

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Col. Troster Recalled To Active Duty

Oliver J. Troster, general partner in the securities firm of Troster, Currie & Summers, 74 Trinity Place, New York City, has been called to active duty on September 11 as commanding officer of the 307th Replacement Depot, U. S. Army, it was made known Sept. 1. He holds the rank of colonel. This marks the fourth time in an Army career which began in 1916 on the Mexican Border, that Colonel Troster has returned to service. During World War II, he was Chief of the Movements Branch, Army Service Forces, in the office of General Brehon Somervell.

Oliver J. Troster

Long active in the New York Security Dealers Association and the National Association of Securities Dealers, Inc., Colonel Troster will continue as a general partner in Troster, Currie & Summers, which he joined in 1946. Louis P. Singer will continue as active partner of the firm.

D. M. S. Hegarty & Associates Is Formed

Formation of D. M. S. Hegarty & Associates, Inc., to conduct a business in financial and stockholder relations has been announced. Mr. Hegarty, President of the company, recently resigned as Vice-President of the investment banking firm of Blair, Rollins & Co., Inc., to organize the new corporation. Offices are located at 52 Broadway, New York City. Mr. Hegarty was a Commander in the U. S. Navy during World War II and a member of both the Army and Navy Price Adjustment Boards. He is a former Vice-President of E. H. Rollins & Sons, Incorporated, a predecessor of Blair, Rollins & Co., Inc., and a former Vice-President of Commercial Investment Trust, Incorporated.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

An advancing bill rate continues to keep pressure on the government market, with the intermediate and long-term issues joining the uncertain group. Although in the midst of an important refunding operation, Federal is following the policy of firming short-term rates in order to combat the inflationary forces. Accordingly, the muddle of the money markets carries on with the Central Banks the main centers of activity in government securities. The higher coupon called obligations are being bought, as bills and other outstanding issues are being sold by the Reserve Banks. How this will work out will be a matter of record in the not too distant future.

Operations in the government market have been centered mainly in the refundable issues and the shorter-term obligations. Swops and switches have really been very sizable in this end of the list. Owners of the called issues are exchanging them for other securities, in an attempt to insulate against the uncertainties which both the taps and the eligibles again weakened after having previously recovered their equilibrium.

Important Developments Ahead

The subscription period for part of the refunding having been set by the Treasury (Sept. 5 through Sept. 8), it will not be long now, before the results of at least one phase of the gigantic operation will be made known. What will happen during the time in which the books are open will be watched with much more than passing interest by the money markets. The amount of the 13 months 1¼s which Federal will underwrite will have a decided effect upon the future action of the government market. Whether or not there will be changes in reserve requirements of member banks of the system will depend upon the size of the purchases of new securities, as well as the sale of outstanding ones by the Central Banks. Then there will also be an answer to the question as to whether the Treasury will have to borrow directly from the Reserve Banks in order to pay off holders that for the time being at least prefer cash to other government securities. All of the points of speculation over the early fall refunding will be cleared up in the not too distant future. The money markets will then have an opportunity to see how many scars have been left by the controversy between the two monetary authorities over the level of interest rates.

Investors Move Cautiously

Volume and activity again picked up in the government market after the long weekend. This was not unexpected with the subscription books open for the refunding. There is considerable self-refunding of the so-called "play it safe variety" going on. Other short-term securities which yield slightly more than those presently being offered by the Treasury are being taken on as replacements for the called 2s and 2½s. The feeling is, keep to the nearer-term side of the market, with the best possible return, until the trend of rates has been determined. The somewhat more venturesome operators, however, have gone out a bit farther and are using the 1952/54s as replacements for the issues which are being retired by the Treasury. The opinion here is the 52/54s would not be effected by higher short-term rates.

The belief that a 1⅜% certificate rate or higher is in the offing is tending to keep the 2½s of 1956/58 and the 2¼s of 1956/59 under wraps. These two issues would be in for some downward price adjustments under such conditions. Nonetheless, there has been no sizable liquidation of these securities despite the feeling that higher yields are in the offing. The opinion is that if prices should recede, it would be a buying opportunity and more funds would be put into the 2½s and 2¼s of 1956. The lack of higher coupon bank issues will bring plenty of buyers in these two obligations if there should be some price irregularity because of the feeling that a 1⅜% certificate rate might become a form of measuring stick in the near future.

Eligible 2½s of 1972 Continue Active

The only remaining issues in the eligible list which still seems to be getting considerable attention is the 2½% of September 1967/72. Although the price of this obligation came down with the rest of the long-term securities, buyers have not ceased to make commitments in this issue in fairly substantial amounts. Whether this bond would be vulnerable with a higher certificate rate is open to question. The fact it is the only eligible security giving a yield of more than 2%, together with the limited floating supply, does not make it unattractive as a replacement for the called 2s and 2½s. The smaller commercial banks continue to be the principal buyers of this issue, despite current competition from the larger money center institutions.

The ineligibles were again set back, but are showing a tendency now to back and fill near the lows of the year. Federal has enough control over these securities to keep them within desired limits. The 1952 eligibles appear to be the leaders at this time, despite the demand which still makes the Vics the important issue as far as yield buyers are concerned.

Lyman Logan With Clark, Dodge & Co.

Clark, Dodge & Co., 16 Wall Street, New York City, members of the New York Stock Exchange, have announced that Lyman S. Logan has become associated with the firm in its research department. Since 1941, Mr. Logan had been associated with Argus Research Corporation as economist and senior researcher, specializing in non-ferrous metal, building, steel, rubber, paper and container industries.

Iowa & Nebraska Inv. Bankers Field Day

DES MOINES, Iowa—The Iowa and Nebraska Investment Bankers Association are having a Field Day at the Wakonda Club, Des Moines, Iowa, on Sept. 14, 1950. The day will consist of breakfast in the morning at the Savery Hotel, usual golf game, special events, and lunch and dinner at the Club.

Registration fee is $20 for members; $25 for guests.

Labor's Security Package And the Collapsing Dollar

By E. S. PILLSBURY
Chairman of the Board, Century Electric Co.

Prominent industrialist, taking note of current pension and wage plans built up on assumption present currency is trustworthy store of value, points out purchasing power of dollar has been "collapsing" and thus bond buyers as well as wage-earners are being "looted." Urges immediate action to head off a catastrophe and advocates legalizing free gold market. Warns, if buying power of dollar continues to decline, our economy and way of life is threatened with destruction.

Many of our great corporations are being pressured to guarantee future wage advances, life pensions, etc. This is, of course, being done on the assumption that our currency is a trustworthy storehouse of value.

E. S. Pillsbury

Those who are giving or accepting such commitments should note the following: Our dollar has slipped, on construction operations, from 100c to 20c since we started issuing currency against promises to pay. During the same period, the dollar has lost from 50 to 80% of its value in every other direction. Furthermore, prices have become muddled to where many are way out of alignment and are getting worse. The forces that have muddled prices and driven the dollar's purchasing power down were never more powerful than now. They are fully capable of pushing the dollar on down to 1/20th or 1/100th of its former purchasing power if no one cares enough to do anything about it. The latter figure (1%) is approximately where the franc landed after going through numerous collapses. However, somewhere along the line, before a currency reaches a low level, people are sure to awake to what is going on and to lose confidence in their currency. Panicky conditions and general stagnation are sure to follow the destruction of confidence in a currency; so the time to correct the practices that are doing the damage is while the confidence still persists.

A very fine analysis of the "collapsing dollar" problem has recently been made by Mr. Henry H. Heimann, Executive Manager of the National Association of Credit Men, of 1 Park Avenue, New York City 16, N. Y. This article will be found in the July 14, 1950, issue of its "Monthly Business Review." The whole paper is well worth thoughtful study. We quote only three paragraphs that deal specifically with the collapsing dollar and what is likely to result from mishandling it. The following is part of what Mr. Heimann has to say with reference to such currency:

"This is a time when business must do its own thinking about our existing economy. Regardless of its appearance, it is not healthy by any known standard of evaluation.

"The continuing decline in the purchasing value of the dollar over the years should have been protested much more vigorously not only by every citizen, but by business and particularly those businesses dealing in future promises to pay. This decline constitutes, of course, an appropriation of one's life savings or an indirect confiscatory tax. It definitely dulls one's inclination to practice thrift and it makes uncertain the wisdom of storing dollars for a rainy day since the dollars decline in purchasing value month by month. Because of their great faith in our own type of government, and because of a century and a half of fiscal integrity, people are not apt to inquire into nor doubt the safety of their money as a storehouse of value. Europeans, of course, are accustomed to the tragedy of monetary inflation and run to cover when they see it in the offing. Our failure to make our money redeemable in gold automatically closes the door to one means of protection. If our money were convertible into gold, it would be one, but only one, important factor leading to a sounder fiscal policy. Convertibility would not be the sole answer, but it would be a very distinct contribution.

"In considering our financial policy, there is one point that should be emphasized, and particularly to businessmen since many seem unaware of the consequence of a prodigal government. Many of them feel that our deficit policies will run their course and that when they get severe enough so that inflation really gets snow-balling, you will have a change in personnel in government and in the party in power. They may be right in assuming there will be a change. They are wrong, however, in assuming the change will necessarily be towards a conservative group. History doesn't back them up in that conclusion. On the contrary, history is replete with examples where, if a serious crash occurs, the rabble-rouser moves in. When a serious monetary crisis occurs, your chances of a socialistic form of government are at least ten to one stronger than the possibility of your getting a conservative government to correct the situation. Just consider what occurred in Europe in our own times and think of the rise of Hitler and Mussolini, and the causes of their assumption of power, and you will recognize that continued excesses of monetary inflation lay the foundation stones for dictatorships, socialism, and regulated peoples. Perhaps if this were fully understood, there would be much more aggressiveness in demanding a halt be called to the way the government is conducting its fiscal affairs. After all, a debt of $6,400 on each and every family is something to cause concern."

Now Is the Time to Act

The time to start to head off such a catastrophe as Mr. Heimann foresees, is now. One of the simplest ways to start about it is to make it lawful to buy and sell gold in free markets with our paper currency. To be sure, that is not a final solution of the monetary problem, but it is a step that will bring the price problem out into daylight. Moreover, it can be accomplished at no expense to anyone. Few problems are solved by turning off the light, whether obscurity is brought about by an iron curtain, or by exacting laws that prohibit open market operations in a metal like gold that has served as a standard for comparing values for thousands of years. The overall result is to compel

Continued on page 29

Canadian Securities

By WILLIAM J. McKAY

Canada ranks first among exporting nations in value of fishery products shipped. In 1949 these were worth almost U. S. $103 million. The same year Norway, a major competitor, exported U. S. $93 million worth of fish and its products. In total landed weight, however, Canada with a catch of 1,802 million pounds last year, ranked only eighth. These observations are contained in the current issue of The Canadian Bank of Commerce "Monthly Commercial Letter." Canada's leadership value-wise is based on a large part of her fishery exports being relatively high-priced species such as lobster, halibut, whitefish, and fresh, frozen or canned salmon.

Canada has the fishery resources needed to develop a large-scale industry. With better methods for quick freezing, refrigeration and canning, as well as better trawlers and other fishing equipment, the whole field of activity has expanded in recent years. New products and new market forms show that new life is entering the fishing industry.

The Dominion Government some months ago started a fisheries development and rehabilitation scheme. With the long-term prospects of the industry in mind, further measures are being taken to preserve stocks of fish, protect spawning grounds and eliminate exploitation. In addition, biological research, essential to the full development of fisheries, is being carried on by the Fisheries Research Board.

On the Pacific Coast, production of salmon, halibut and herring, the mainstays of the industry there, has been relatively well developed. Further expansion is limited somewhat by controls over fishing. Ground fisheries, cod, sole and the like, and the tuna industry, are capable of further development. The manufacture of a great variety of fish by-products also has many possibilities.

The Atlantic fisheries present the greatest opportunity for expansion. The entrance of Newfoundland into Confederation added about $35 million to the $140 million value of Canadian fish production in 1949. Including Newfoundland, the Atlantic fisheries produced about two-thirds of the landed weight of Canadian fisheries in 1949. At the present time the Atlantic coast industry is not operated on as large a scale, nor is it as efficiently equipped as that on the west coast. Much is expected of the Government's development and research schemes. It is hoped to modernize the east coast industry and open up new resources for it.

The inland (fresh water) fishing industry is limited by the availability of resources. A well organized conservation program, however, together with the opening up of new areas for fishing, such as Great Slave Lake, provide some scope for expansion to meet the strong demand for fresh water fish.

Edward J. Bourbeau Co. Being Formed

LOS ANGELES, Calif. — Edward J. Bourbeau & Co. is being formed with offices at 510 South Spring Street to engage in the securities business. Officers are E. J. Bourbeau, President and R. J. Henderson, Vice-President and Treasurer. D. A. Fareed is Secretary. Mr. Bourbeau was formerly with Daniel Reeves as manager of their Los Angeles office and prior thereto was a principal of Bourbeau & Douglass. Mr. Henderson was associated with him in both those firms.

Edward J. Bourbeau

Cohu Co. Exhibits At NY State Fair

The New York State Exchange firm of Cohu & Co., in an exhibit at the New York State Fair in Syracuse (Sept. 2-9), has hit upon the novel idea of featuring a list of some twenty corporations with which Syracusans and Central New Yorkers generally are thoroughly familiar. It is felt by the Cohu people that "mysteries" and misunderstandings of high finance and Wall Street can be explained more effectively to visitors who "know" the companies featured. In addition to showing actual stock certificates of the "Syracuse" companies, representative products or services of those local corporations are prominently displayed.

The Cohu exhibit shows a translux stock quotation machine in operation and visitors are invited to view a short movie entitled "A Letter to a Rebel," sponsored by the Small Business Economic Foundation. The movie emphasizes how the small town businessman is just as much a part of the free enterprise and profit system as the giant corporations which are owned by thousands of stockholders throughout the country. The exhibit is housed in the Manufacturers and Liberal Arts Building on the Fair Grounds. Representatives of Cohu & Co. from the Syracuse office and the New York office are in attendance to explain to visitors the story of investments.

Hamilton Managem't Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John F. Ehrhart, John C. Greer and William M. Winberry are with Hamilton Management Corp., Boston Building.

Truman Reports on Korean Crisis

In radio address to nation, he expresses optimism as to final victory, but warns armed forces must be increased "for a long time to come," and civilians must work harder and longer. Reiterates faith in United Nations and cautions Russia not to underestimate power and will of United States, as Hitler and Japanese leaders did. Promises another talk on new sacrifices of public to come.

In a "fireside" report to the nation over all radio networks on Sept. 1, President Harry S. Truman reviewed the developments in the Korean Crisis and predicted, because of threatened further aggression of Russia and her satellites, the civilian population will have to work harder and longer and will have to undergo new sacrifices, which he promised to announce later in another address. He also revealed a plan to increase the armed forces to three millions, or double the present number.

President Truman

The text of the President's address follows:

Tonight, I want to talk to you about Korea, about why we are there, and what our objectives are.

As I talk with you, thousands of families in this land of ours have a son, or a brother, or a husband fighting in Korea. I know that your thoughts and hopes are constantly with them and so are mine.

These men of ours are engaged once more in the age-old struggle for human liberty. Our men, and the men of other free nations, are defending with their lives the cause of freedom in the world. They are fighting for the proposition that peace shall be the law of the earth.

We must and shall support them with every ounce of our strength and with all of our hearts. We shall put aside all else for this supreme duty.

No cause has ever been more just or more important.

For the first time in all history, men of many nations are fighting under a single banner to uphold the rule of law in the world. This is an inspiring fact.

If the rule of law is not upheld, we can look forward only to the horror of another world war and ultimate chaos. For our part, we do not intend to let that happen.

Two months ago, Communist imperialism turned from the familiar tactics of infiltration and subversion to a brutal attack on the small Republic of Korea. When that happened, the free and peace loving nations of the world faced two possible courses.

One course would have been to limit our action to diplomatic protests, while the Communist aggressors went ahead and swallowed up their victim. That would have been the course of appeasement. If the history of the 1930s teaches us anything, it is that appeasement of dictators is the sure road to world war. If aggression were allowed to succeed in Korea, it would be an open invitation to new acts of aggression elsewhere.

The other course is the one which the free world chose. The United Nations made its historic decision to meet military aggression with armed force. The effects of that decision will be felt far beyond Korea. The firm action taken by the United Nations is our best hope of achieving world peace.

It is your liberty and mine which is involved. What is at stake is the free way of life—the right to worship as we please, the right to express our opinions, the right to raise our children in our own way, the right to choose our jobs, the right to plan our own future, and the right to live without fear. All these are bound up in the present action of the United Nations to put down aggression in Korea.

Must Support Freedom Elsewhere

We cannot hope to maintain our own freedom if, freedom elsewhere is wiped out. That is why the American people are united in support of our part of this task.

During the last five years, we have worked day in and day out to achieve a just and lasting peace. We have given every possible proof of our desire to live at peace with all nations. We have worked for liberty and self-government for people the world over. Most nations have joined with us in this effort, but the Soviet Union and the nations it controls have unceasingly hampered all efforts to achieve a just peace.

The Soviet Union has repeatedly violated its pledges of international cooperation. It has destroyed the independence of its neighbors. It has sought to disrupt those countries it could not dominate. It has built up tremendous armed forces far beyond the needs of its own defense.

Communist imperialism preaches peace but practices aggression.

In these circumstances, the free nations have been compelled to take measures to protect themselves against the aggressive design of the Communists.

The United Nations was able to act as it did in Korea because the free nations in the years since World War II have created a common determination to work together for peace and freedom.

Every American can be justly proud of the role that our country has played in bringing this about.

Steps Already Taken to Create International Unity

We have taken the lead in step after step to create unity and strength among the free nations. The record of these steps is impressive. Let me recall some of them to you.

In 1945, we helped to bring the United Nations into existence at San Francisco.

In 1946, the United States gave its full support to the successful action taken by the United Nations to protect Iran against Communist invasion.

In 1947, we began our military and economic aid to Greece and Turkey, which has helped those countries to keep their independence against Communist attacks and threats.

Also in 1947, by the treaty of Rio de Janeiro, we joined with the other American nations to guarantee the safety of the Western Hemisphere.

In 1948, the Marshall Plan checked the danger of Communist subversion in Europe; and, since that time, it has brought the free nations more closely together in a strong economic framework.

The Berlin airlift in 1948 and 1949, defeated the Soviet effort to drive the free nations out of the democratic outpost of Western Berlin.

The North Atlantic Treaty, in 1949, served notice that the nations of the North Atlantic community would stand together to preserve their freedom.

Today, in 1950, we are going ahead with an enlarged program for military aid to strengthen the common defense of free nations.

Step by step, these achievements in the struggle between freedom and Communist imperialism have brought the free nations closer together.

When the Communist movement turned to open, armed aggression in Korea, the response of the free nations was immediate.

Fifty-three of the fifty-nine members of the United Nations joined in meeting the challenge. Thirty have already pledged concrete aid to the United Nations to put down this aggression.

Thus far, the brunt of the fighting has fallen upon the armed forces of the Republic of Korea and the United States. In addition, naval forces from Australia, Canada, France, Great Britain, the Netherlands, and New Zealand have been and are now in action under the United Nations command. Fighting planes from Australia, Canada and Great Britain have joined the operation.

Ground forces have been offered by Thailand, the Philippines, Turkey, Australia, France and other countries. Some British troops have landed in Korea and more are on their way. All of these will serve under the flag of the United Nations and under the United Nations commander, General MacArthur.

U. S. Forces Fighting Well

Our own men, with their gallant Korean commander, have held the breach. In less than eight weeks, five divisions of United States troops have moved into combat, some of them from bases more than 6,000 miles away. More men are on the way. Fighting in difficult country, under every kind of hardship, American troops have held back overwhelming numbers of the Communist invaders. Our naval and air forces have been carrying the attack to the military bases and supply lines of the aggressors.

Our men have fought with grim gallantry. All of us, epecially those of us who are old soldiers, know how worthy they are of a place on that long and honored roll of those who created and preserved liberty for our country.

The soldiers of the Republic of Korea have been fighting fiercely for their own freedom.

The determination of the South Koreans to maintain their independence is shown not only by the valor of their soldiers in the battle line, but also by countless supporting activities of the whole population. They are giving every possible assistance to the United Nations forces.

These United Nations troops are still outnumbered. But their hard and valiant fight is bringing results. We hold a firm base of about 3,500 square miles. For weeks the enemy has been hammering, now at one spot, now at another, some times at many points at once. He has been beaten back each time with heavy loss.

The enemy is spending his strength recklessly in desperate attacks. We believe the invasion has reached its peak. The task remaining is to crush it. Our men are confident, the United Nations command is confident, that it will be crushed. The power to do this is being gathered in Korea.

Right now the battle in Korea is the front line in the struggle between freedom and tyranny. But the fighting there is part of a larger struggle to build a world in which a just and lasting peace can be maintained.

That is why we in the United States must increase our own defense strength over and above the forces we need in Korea. That is why we must continue to work with other free nations to increase our combined strength.

The Congress is now acting on my request to increase our program of arms aid to other free countries. These nations are greatly increasing their own efforts. Our aid is not a substitute, but is an addition to what they themselves do.

In Western Europe alone, there are over 200,000,000 people. Next to ours, their industry is the world's greatest workshop. They are joining with us to develop collective forces for mutual defense — our defense as well as their own.

Our Armed Forces—Key Element in Free World

The armed forces of the United States are a key element in the strength of the free world. In view of the threats of aggression which now face us, we shall have to increase these forces and we shall have to maintain these forces and we shall have to maintain larger forces for a long time to come.

We have had about one and a half million men and women on active duty in our Army, Navy, and Air Force. Our present plans call for increasing this number to close to three million, and further increases may be required.

In addition to increasing the size of our armed forces, we must step up sharply the production of guns, tanks, planes, and other military equipment. We shall also have to increase our stockpile of essential materials, and expand our industrial capacity to produce military supplies.

We Have the Ability and the Resources

We have the ability and the resources to meet the demands which confront us. Our industry and agriculture have never been stronger or more productive. We will use as much of this economic strength as is needed to defend ourselves and establish peace.

Hitler and the Japanese generals miscalculated badly, ten years ago, when they thought we would not be able to use our economic power effectively for the defeat of aggression.

Let would-be aggressors make no such mistake today.

We now have over 62,000,000 men and women employed—more than we ever had before. Our farmers are producing over 20% more than they were in 1940. The productive capacity of our manufacturing industry is 60% greater than it was 10 years ago, when the Axis dictators threatened the world.

We must now divert a large share of this productive power to defense purposes. To do this will require hard work and sacrifice by all of us. I know all of us are prepared to do whatever is necessary in the cause of peace and freedom. We have never yet failed to give all that is needed in that cause, and we never will.

In order to increase our defense effort rapidly enough to meet the danger that we face, we shall have to make many changes in our way of living and working here at home. We shall have to give up many things we enjoy. We shall all have to work harder and longer. To prevent inflation and runaway prices, we shall have to impose certain restrictions upon ourselves.

The Congress has today completed action on legislation to enable us to channel the necessary effort to defense production, to increase our productive capacity, and to hold down inflation.

After this legislation is signed, I intend to talk to you again, to explain what your government intends to do, and how each citizen can play his part in this national effort.

As we move forward to arm ourselves more quickly in the days ahead, as we strive with the United Nations for victory in Korea, we must keep clearly in mind what we believe in and what we are trying to do. We also want the rest of the world to understand clearly our aims and our hopes.

Has Faith in United Nations

First: We believe in the United Nations. When we ratified its charter, we pledged ourselves to seek peace and security through this world organization. We kept our word when we went to the support of the United Nations in Korea two months ago. We shall never go back on that pledge.

Second: We believe the Koreans have a right to be free, independent, and united—as they want to be. Under the direction and guidance of the United Nations, we, with others, will do our part to help them enjoy that right. The United States has no other aim in Korea.

Third: We do not want the fighting in Korea to expand into a general war. It will not spread unless Communist imperialism draws other armies and governments into the fight of the aggressors against the United Nations.

Fourth: We hope in particular that the people of China will not be misled or forced into fighting against the United Nations and against the American people, who have always been and still are their friends. Only the Communist imperialism, which has already started to dismember China, could gain from China's involvement in war.

Fifth: We do not want Formosa or any part of Asia for ourselves. We believe that the future of Formosa, like that of any other territory in dispute, should be settled peacefully. We believe that it should be settled by international action, and not by the decision of the United States or any other state alone. The mission of the 7th Fleet is to keep Formosa out of the conflict. Our purpose is peace, not conquest.

Sixth: We believe in freedom for all the nations of the Far East. That is one of the reasons why we are fighting under the United Nations for the freedom of Korea. We helped the Philippines become independent and we have supported the national aspirations to independence of other Asian countries. Russia has never voluntarily given up any territory it has acquired in the Far East; it has never given independence to any people who have fallen under its control. We not only want freedom for the peoples of Asia, but we also want to help them secure for themselves better health, more food, better clothes and homes and the chance to live their own lives in peace. The things we want for the people of Asia are the same things we want for the people of the rest of the world.

Seventh: We do not believe in aggressive or preventive war. Such war is the weapon of dictators, not of free democratic countries like the United States. We are arming only for defense against aggression. Even though Communist imperialism does not believe in peace, it can be discouraged from new aggression if we and other free peoples are strong, determined and united.

Eighth: We want peace and we shall achieve it. Our men are fighting for peace today in Korea. We are working for peace constantly in the United Nations and in all the capitals of the world. Our workers, our farmers, our businessmen, all our vast resources, are helping now to create the strength which will make peace secure.

We Invite Peace for All Peoples

We want peace not only for its own sake but because we want all the peoples of the world, including ourselves, to be free to devote their full energies to making their lives richer and happier. We shall give what help we can to make this universal human wish come true.

We invite all the nations of the world, without exception, to join with us in this great work.

The events in Korea have shown us again all the misery and horrors of war. The North Koreans have learned that the penalties of armed conflict fall as heavily on those who act as tools for the Communist dictatorship as they do on its victims. There will be no profit for any people who follow the Communist dictatorship down its dark and bloody path.

Against the futile and tragic course of dictatorship, we uphold, for all the people, the way of freedom—the way of mutual cooperation and international peace. We assert that mankind can find progress and advancement along the path of peace. At this critical hour in the history of the world, our country has been called upon to give of its leadership, its efforts and its resources, to maintain peace and justice among nations. We have responded to that call. We will not fail.

The task which has fallen upon our beloved country is a great one. In carrying it out, we ask God to purge us of all selfishness and meanness and to give us strength and courage for the days ahead.

LETTER TO THE EDITOR:

Our Bloodless Political Revolution

Correspondent criticizes alleged abdication of its rights by the Congress in President's decision to send troops to Korea.

The most vitally significant and important event in our history has occurred right under our noses without causing hardly a ripple of comment let alone precipitating the knock-down, drag-out fight to a finish that it deserves. That event is this: a bloodless, political revolution has, for all practical purposes, transformed our government from that of a Republic to a Monarchy. Not in every respect, since we are still permitted to vote, but in connection with one of the most sacred and important functions of any nation, namely: the power to initiate war.

I undertake to submit valid evidence of the truth of the foregoing by the following facts.

Republic vs. Monarchy

The primary difference between a Republic and a Monarchy is that a Republic is a state in which the sovereign power resides in a certain body of the people (the elecorate), and is exercised by representatives elected by and responsible to them only. That was the original form of our government when we adopted our Constitution, which clearly defined the powers and limitations of Congress and the President. When in the course of time any one of our elected Federal officials assumes a sovereign power beyond that granted him by the Constitution, our state is no longer a true Republic.

A dictatorship is a state ruled by an individual or a group who exercise sovereign power. By this is meant a ruler of Hitler's type, not the present King of England.

Specific Provisions of Our Constitution

Prior to assuming his office, our Constitution requires the President to take this oath:

"I solemnly swear (or affirm) that I will, to the best of my ability, preserve, protect and defend the Constitution of the United States."

Our Constitution does not grant to the President the power to declare or initiate war, but specifically delegates it to Congress in Article I, Paragraph II, of Section 8, in these words:

"The Congress shall have the power to declare war, grant letters of marque and reprisal, and make rules concerning captures on land and water."

The Constitution specifies the primary duty of the President in Article II, Par. I, of Section I, as that of exercising Executive power in the following words:

"The Executive power shall be vested in a President of the United States of America."

That is, to execute, not make the laws of Congress.

The first paragraph of Section II, Article II, states: "The President shall be the Commander-in-Chief of the Army and Navy and of the militia of the several states when called into actual service of the United States."

Although the Constitution makes the President the C.-in-C. of the armed forces, it does not specifically grant him the power to order those forces into combat against an enemy nation in time of peace any more than the C.-in-C. of a U. S. Fleet is authorized to do so merely by virtue of such high rank.

Specific Example to Illustrate the Point at Issue

What is written herein is not meant as disapproval of our President's decision *per se* to wage war in Korea. That is not the issue involved. It may have been the wisest thing to do and may have met the approval of 90% of our citizens. What I am objecting to is the manner, the procedure in making that decision. The following hypothetical incident will illustrate this point:

Suppose the General in Command of a Division of our Army in time of peace which was located near a potential enemy leaves his Headquarters for a few hours to inspect a base hospital in the rear. Prior to his departure, he issued strict orders to his Chief of Staff, whom he left in temporary command of the Division, not to open fire during his absence without first consulting him, since the hospital was connected by telephone with Headquarters.

Upon his return to his Headquarters, the General was astounded to find his Division fighting a full-scale, bloody battle with the enemy. He immediately relieved his Chief of Staff of all duty and recommended that he be tried by General Court Martial, not because the action of his Chief of Staff wasn't the wisest thing to do, since the General himself would probably have done the same thing if he had been present but because of his subordinate's disobedience of orders and usurping the General's authority.

Is Korea a "Police Action" or a War?

Only in the White House and amongst the Administration leaders of Congress is Korea called a "Police Action." I leave it to the intelligent judgment of the reader to form his own opinion about this point from the daily press and radio reports from the battlefront, the casualty lists, the draft, the large-scale mobilization, the sudden upsurge of wild inflation and rearmament boom, as to which of these two terms is the true one.

If it is a "Police Action," it is the most expensive one this world has ever known since the President has asked Congress to authorize an additional 10 billions of dollars pronto to continue it.

Whether it be War or Police Action, "A Rose by any other name would smell just the same."

Is There a Calhoun in Our Congress Today?

It is true that Congress, through its individual leaders, has been consulted by the President, but only **after** he had made the decision to wage war, and most of these Congressmen have publicly expressed their strong approval of that decision, regardless of its cost in blood and treasure. The crucial point at issue is that **all** of Congress should have been asked to register their votes on it **prior** to any decision.

Granted, too, that the President and Congress can point to many previous events in our history where the President has usurped the power to initiate war in violation of the provisions of the Constitution and in defiance of the rights of Congress, but those events merely add evidence to show that this particular Korean affair is an action taken by a monarch, not a republic. Those former events were comparatively minor and did not result in too much of a political upheaval. Nor did they result in a permanent change in our form of government. But the decision at issue transcends all those former ones in that it will transform not only the United States but **all** the world into an armed camp.

As an indication of how far down the road to serfdom we have traveled in recent history, consider the following bold and characteristic declaration made on Feb. 9, 1837 by Senator John C. Calhoun, addressed to the then President Andrew Jackson:

"I, as a legislator, have the right to investigate and pronounce upon his conduct, and to condemn his acts freely, whenever I consider them to be in violation of the laws and the Constitution. I, as a Senator, may judge him; he can never judge me."

Consequences and Conclusions

The main mission of this article is to make clear that this Korean decision of the President will probably prove to be the most important one made since Caesar decided to cross the Rubicon, because this one possesses the ingredients essential to plunge the whole world into such a raging war that its flames could destroy not only our own form of government but also all other existing democracies on the face of the globe.

In all history since the time when the Roman legions under Julius Caesar conquered most of Western Europe and the Near East has the world been faced with such a formidable array of military power as that which now confronts the non-Soviet nations.

Therefore, the personal decision of the President to initiate war in Korea did not amount merely to starting a local "Police Action" but may turn out to be—like the shot fired at the Archduke of Austria in Serbia on June 28, 1914 which ignited the flames of World War I—the beginning of World War III.

The foregoing is cited as one of the many instances of the supine abdication of its rights by Congress.

R CHARD H. EDISON.

Boston, Mass.

Higher Interest Rates?

By PAUL EINZIG

Dr. Einzig, in commenting on recent increase in Federal Reserve discount rate from $1\frac{1}{2}\%$ to $1\frac{3}{4}\%$, points out, despite falling off of Lord Keynes' followers, the economist's theory that war can be financed on low interest rates still holds in Britain. Does not look for any substantial rise in Continental or British interest rates because of Federal Reserve action.

LONDON, Eng.—The increase of the rediscount rate of the Federal Reserve Bank of New York from $1\frac{1}{2}\%$ to $1\frac{3}{4}\%$ gave rise to a certain amount of speculation about the possibility of a period of dear money resulting from rearmament. For, even though there had been a distinct inflationary tendency in the United States for some time before the decision to rearm, it seems reasonable to assume that, but for the additional inflation expected of rearmament, the Federal Reserve authorities would not have decided in favor of raising the Bank rate. The question is, will the United States proceed further in the same direction, and will Britain and other countries follow their example?

Dr. Paul Einzig

The object of the increase of the New York bank rate is presumably to discourage productive activity for non-military purposes, in order to ensure that a sufficient share of productive capacity is reserved for rearmament. At the same time the United States authorities are naturally anxious to curtail civilian demand, whether for productive purposes or for consumption, in order to avoid an unduly sharp increase of prices. It is true, these aims are also served by direct means of physical controls which are already in force or are under consideration. But the stage does not seem to have been reached at which the United States are prepared to submit to a sufficient degree of physical control in order to obviate the necessity for control by means of tighter money conditions. It is conceivable that money rates may have to be raised even higher before that stage is reached. A 2% Bank rate may well be within the realm of practical possibility. There is no likelihood, however, of a really sharp rise in money rates and a corresponding policy of really tight money.

In the United States as elsewhere, rearmament is primarily an industrial problem and not a financial one. The ease with which astronomic figures of additional military expenditure have just been voted shows that lack of financial resources is not likely to handicap the progress of rearmament. At the same time, it seems unlikely that the Washington Administration would wish to spend more on rearmament than is absolutely essential. Since a very large deficit is now inevitable, the cost of government borrowing will be an important factor in the cost of rearmament. On the other hand, if as a result of inflationary financing the cost of production should increase materially, the Treasury would pay a very high price for the relatively low cost of borrowing.

It seems, therefore, that the rise in prices will be sought to be kept down by means of dearer money until it becomes possible to achieve that end without having to increase the cost of borrowing. An increase of interest rates by ¼% or even ½%, is a comparatively small item, even if it has to be paid year after year over a fairly long period. But when it comes to paying an additional 1% or more, then the authorities concerned may think twice before pursuing such a policy.

As far as Britain is concerned, there is no likelihood of an increase of interest rates. The 2% Bank rate will celebrate its tenth anniversary in October. Indeed, if we disregard the short-lived panic measure of August 1939 when it was raised to 4%, the Bank rate remained at 2% in London ever since 1932. It has come to be regarded as a permanent figure, and any departure from it would produce a psychological effect that would be quite out of proportion to its material significance. An increase of the Bank of England's rediscount rate would be regarded as a panic-measure. It is not likely to be resorted to unless the weight of argument is overwhelmingly in favor of an increase, which does seem to be the case at present.

The late Lord Keynes has taught the British Treasury that it is possible to finance an expensive war by means of borrowing at low interest rates. Although Keynes' teachings have no longer the same following, even in his native country, as they had a few years ago, in this respect Britain is not likely to unlearn the lessons of the second world war. It is true, Sir Stafford Cripps has abandoned Dr. Dalton's policy of cheaper money, and has allowed long-term interest rate to rise quite considerably from the low level to which it was reduced by his predecessor's policy. Even he would not embark, however, on a policy of deliberately dear money.

Apart from other considerations, it will be easier for Britain to restore controls than for the United States. It is true, during the last twelve months or so the British Socialistic Government has embarked on an essentially anti-Socialistic policy of decontrol. This policy can easily be reversed, however, especially as Mr. Churchill has made a public declaration promising that, should the Government adopt unpopular measures in the interest of rearmament, they would be supported by the Opposition. There is therefore no danger that the Conservative Party might make political capital out of the restoration of rationing and other control measures.

Possibly some Continental Central Banks might follow the American example in raising their interest rates in an effort to prevent deflation. Resistance to inflation by means of dearer and scarcer money has already been resorted to during the postwar period by Italy, Belgium, France and other Continental countries. There the teachings of Lord Keynes have never penetrated so deep as in Britain. But the mere fact that the New York Bank rate has been raised does not necessitate corresponding measures in any European country. For there is no longer any degree of solidarity between the money markets. There is very little international discounting done nowadays compared with before the war, and what is done is arranged as a result of negotiations, independently of the current discount rates. Psychologically, the decision of the Federal Reserve authorities is likely to influence many Central Banks, owing to the immense prestige and power of the United States in the financial sphere.

Even so, there is no likelihood of a recurrence of the experience of the bad old days when international political and military considerations were apt to result in an all-round spectacular rise of Bank rates and interest rates. The orthodox idea that anything that goes wrong can be put right if only the Bank rate is raised high enough has long been discredited.

Foresees European Dollar Shortage Continuing

Survey of Research and Planning Division of the UN Economic Commission for Europe concludes that after end of European Recovery Program in 1952 European countries are unlikely to have sufficient dollars to spend on imports from U. S., and therefore must continue to impose import restrictions.

The recently published "Economic Survey of Europe in 1949," prepared by the Research and Planning Division of the United Nations Economic Commission for Europe, contains a summary of the prospects of a continuing shortage of dollars with which European countries can meet their demands for imports from the United States when the European Aid Program (ECA) expires in 1952.

According to the report:

"It appears that the impending reduction in United States Government financial assistance to foreign countries to a fraction of the present level in the course of the next few years is not likely to be offset appreciably by increases in the supply of dollar funds from other sources. United States imports, the most important source of dollars, have recovered from the recession levels of mid-1949 and, if a high level of economic activity is maintained, may continue to rise. It seems improbable, however, that the total value will, within the next few years, greatly exceed the level reached in 1948, a year of strong domestic demand when import prices were moderately higher than at present. Dollar earnings by other countries on investment income and from service transactions could scarcely be expected to show any significant increase, since the rise in American travel outlays will probably tend to be offset by decreases in miscellaneous expenditures. There is every reason from past experience to expect private relief aid and personal remittances to decline, and little prospect that this will be more than compensated by increases in the flow of private capital for investment abroad. All told, the amount of dollars supplied directly by the United States in these ways to the rest of the world as a whole, plus some allowance for dollar funds supplied by international financial agencies or obtained through the sale of currently produced gold, will probably be within the range of $12 billion to $13 billion annually in the course of the next few years, if general economic conditions are favorable. In 1948, the amount of dollars supplied in these ways — excluding, however, United States Government financing and also drawings on the Fund and on gold and dollar reserves—amounted to $12.4 billion, but in 1949 the corresponding figure fell to less than $11 billion for the year as a whole and was still at about that level in the last quarter of the year.

"Against this prospective supply of dollars, there are certain demands which can be foreseen, apart from the purchase of American goods. It will be noted that payments to the United States in the form of earnings on American investments abroad and for service transactions have been in the order of $3.5 billion during each of the last few years. There is little reason to expect the total volume of such payments to decline. While the amounts due on American shipping services have fallen from their postwar peak and can be expected to recede further, any savings thus made in dollar requirements will be offset by the increasing volume of interest and dividend remittances to the United States on loans and investments in other countries.

"On this basis, there would remain available to the world generally something in the neighborhood of $9 billion annually for the purchase of American goods, assuming that economic and financial conditions otherwise do not give rise once more to heavy losses through the flight of private capital such as have been experienced in the recent past. This compares with a total value of United States exports of about $13.4 billion in 1948 and $12.4 billion in 1949.[1] As previously observed, however, the level of American exports was very much lower in the second half of 1949 than in the first half of the year, partly because of a decline in prices, but chiefly because of a decrease in volume, and the annual rate for the last six months was slightly less than $11 billion. As compared with that level, there would have to be a further reduction of some $2 billion in purchases of United States exports by other countries to correspond to the likely level of dollar availabilities in the world as United States official financing comes to an end.

"This further curtailment of imports from the United States may give rise to difficult readjustments, both in the United States itself and in many other countries, whose demands for the products of American industry and agriculture might be expected to increase as their own production and incomes rise. The adjustment to a lower level of imports from the United States is, however, likely to fall with particular severity on European countries. Their own dollar resources will, of course, be directly reduced as American financial aid comes to a close, only a small part of which will be compensated by increased earnings in the United States on the basis of present prospects. Such earnings by European countries from current transactions with the United States totalled approximately $2.6 billion in both 1948 and 1949, although falling slightly in the course of last year. Less than 50% of this total was accounted for by exports, the remainder representing gross receipts from shipping, American travel expenditures, disbursements of American military personnel in Europe, and other service transactions. As seen above, some of these transactions will tend to decline, and it is difficult to see how the total could expand to more than $3 billion at the most during the next two or three years. These earnings have been supplemented by receipts of private remittances and small amounts of American investment capital, totaling between $400 million and $500 million during the past two years, and here also some decrease seems likely. Against these receipts, it may be reckoned that European countries will have to pay something over $1 billion to the United States on services, figured on a gross basis, including interest and dividends, transportation account, and miscellaneous services such as cinema royalties. Amortization payments will also be due to the United States on loans extended since the end of the war, and are due to rise to a peak during the period 1951-1953. After the end of the European Recovery Program, European countries are therefore unlikely to have more than about $2 billion out of their own earnings to spend on imports from the United States. This would be less than half of the 1948 value of such imports and roughly $1.5 billion less than the reduced level in the second half of 1949. This would therefore be the amount of reduction which can be expected in imports of European countries from the United States, unless they succeed in converting their present dollar deficits into dollar surpluses in third markets abroad."

1 These figures are as adjusted in the United States balance of payments estimates to take account of unrecorded shipments, and cannot be directly compared with the figures as usually given in United States trade returns.

Herbert Lax Joins Stanley Pelz & Co.

Herbert Lax

Herbert Lax has become associated with Stanley Pelz & Co., 40 Exchange Place, New York City. Mr. Lax was formerly an officer of Greenfield, Lax & Co.

John Miller Co. Formed in NYC

Formation of John E. Miller & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, has been announced. John E. Miller, Joseph Weinberg and George R. Cooksey, Jr., are general partners in the new firm.

Well known in the investment field as a market analyst, Mr. Miller had been associated with several Wall Street firms since 1920. Earlier in his career he served as financial editor of the New York "Evening Mail."

Mr. Cooksey has been a member of the New York Stock Exchange since 1941, prior to which he had held membership on the New York Curb Exchange for 12 years.

Joseph Weinberg has been a specialist in security analysis since his discharge from service in 1945.

Formation of the new firm was previously reported in the "Chronicle" of Aug. 24th.

First National Secs.

PHILADELPHIA, Pa. — First National Securities Corp. has been formed with offices at 1520 Locust Street to engage in a securities business. Officers are Perry N. Selheimer, President and Treasurer; E. A. Selheimer, Secretary. Mr. Selheimer was formerly with Walston, Hoffman & Goodwin, Buckley Brothers, and Reynolds & Co.

W. F Henshaw, Jr., is also associated with the firm.

Continued from page 4

The Corporate Bond Market

sell to yield 2.42%, while Boston Edison 2¾s are selling to yield 2.51%, or only 9 basis points more than Victories. It is thus apparent how the spread between governments and corporates is affected by open market policy of the Federal Reserve.

Bonds of the power and light companies and of the telephone companies provide an interesting example between two groups in the utility field. There again the question of supply and demand is the dominating factor. At the end of 1945 the ratio of telephone bonds to power and light bonds outstanding was 21%. In the post-war period the telephone industry embarked on a very large expansion program, as did the power and light companies, but the expansion in the telephone field was proportionately larger and at a faster pace.

This resulted in large issues of telephone bonds at short intervals during the early postwar period. By the end of 1947 the ratio of telephone bonds to power and light bonds had risen to 43%, almost double the ratio at the earlier period.

As a result, prices of telephone bonds declined faster than those of the electric companies. At the end of 1948, the American Telephone & Telegraph Company sold $200 million of debentures. The issue was announced in October, to be bid on in early December. This immediately affected telephone bond prices.

On Oct. 21, American Telephone & Telegraph 2¾s of 1975 and New York Power & Light 2¾s of 1975, same maturity and rating, sold respectively at 93¾ and 96¾, a price spread of 3 points and a yield differential of .16%. The spread widened through the period prior to the bidding date on Dec. 9, American Telephone & Telegraph declining to 92 and New York Power & Light's advancing to 97½ (the bond market had begun the post election rise), a spread of 5½ points and .31% in yield.

The Telephone issue came at an attractive yield of 3.28% and sold quickly. As is often the case, successful sale of a large issue removes the pressure on a company's outstanding bonds. By the close of the year, the American Telephone & Telegraph, '75s rose to 95. During 1949, telephone financing tapered off considerably, but power and light issues continued to finance in large volume. By December, 1949, American Telephone & Telegraph 2¾s of 1975 had advanced to within one point of New York Power & Light 2¾s, selling respectively at 101¾ and 102¾.

Fluctuations in Railroad Bonds

As I have explained, railroads regained a considerable amount of their credit status which was lost during the prewar period when many railroad systems were threatened with bankruptcy. Many roads had improved their financial position through retirement of debt and by refunding outstanding issues at lower rates of interest. Chicago and North Western Ry. First Mortgage 3% Bonds due 1989 were sold at par in April, 1945, to refund the company's outstanding 4% First Mortgage Bonds. It will be interesting to compare the price movements of this bond with a public utility bond similarly rated. For this purpose, I have selected Central New York Power 3s of 1974. At the peak of the bond market in 1946, Chicago & North Western Ry. 3% bonds were selling at about 106 to yield 2.75%. This compares with a yield of 2.62%, or a yield differential of 13 basis points on Central New York Power 3s. In the postwar period railroad securities again suffered in popularity, and by November, 1949, Chicago & North Western 3s were selling at about 86 or 87, a decline of about 20 points, as compared with a decline of only 2 points in Central New York Power 3s. The yield differential between the two issues was 97 basis points. This year there has been some recovery in the price of railroad bonds, and Chicago & North Western 3s have improved in price and are now selling at about 92, while Central New York Power 3s are selling at about 105.

Now, to show what can happen to the price of two mortgage bonds of the same company under changing conditions in the bond market. In February, 1949, Ohio Power 3¼s of 1968 and 3s due 1978 sold at 108 and 103, respectively, yielding 2.72 and 2.85%. This is a normal relationship. The shorter term issue sells at a lower yield basis than the longer term issue. As the bond market advanced, the 3% bonds improved in price to 106, the yield was reduced to 2.68%, while the 3¼s declined to 106 to yield 2.82%. In other words, the longer term 3% bonds sell to yield 14 basis points less than the 3¼s, whereas back in February of last year, the 3s were selling to yield 12 basis points more. This change in price relationship is brought about because of the call price of 104 for the 3¼s. In a strong bond market the probability of refunding the 3¼% bonds becomes much greater. That is, the corporation can save money by calling a 3¼% bond and replacing it with an issue bearing a lower interest rate. Hence, an investor is unwilling to pay too great a premium over the call price.

These are only a few examples of changing price relationships among debt securities. It is one of the most interesting and important phases of the security markets and lends itself to broad and profitable research.

The third and final part of this talk will be devoted to some of the aspects of bond trading.

To reduce some of the mystery surrounding it, I like to compare it to a merchandising business. The larger investment firms may be compared to a department store, and others to specialty shops. The former maintains departments to handle almost every type of security, while other firms specialize in only one type, ranging from government bond houses, to those dealing in over-the-counter stocks.

Thus, trading bonds is the buying and selling of inventory, in which case the firm the trader represents acts as a dealer; or he may buy and sell for the account of another, a brokerage or agency transaction.

Inventory is known as the "position." As in any merchandising business, the size of the position is guided by the demand for and supply of high grade investments during any given period. Demand is put first because this is the prime determining factor. If mortgages and other forms of investments are available to the investing institutions in large amounts there will be less demand for corporate bonds on the part of these investors. Dealers will tend to keep moderate positions. Supply is the second factor in determining the amount of inventory. By that I mean that there is not always a supply of bonds available in the open market at a reasonable price Sizable inventory may be acquired through underwritings.

Where and how are bond transactions consummated? Either on the bond market of the exchanges or in over-the-counter transactions. As was pointed out at the beginning, the bond market is really divided into two sections, the high grade market and that for second grade and speculative issues. I mention this because of the bearing it has on bond business transacted on the exchange.

Take a typical day's business. On Friday, Aug. 4, total volume in corporate bonds on the New York Exchange was $3,250,000. Of this amount about $600,000, or less than 20%, was in high grade bonds. Consolidated Edison Company of New York has several issues of mortgage bonds listed, yet there was a transaction in only one of these for $15,000, while $101,000 of the company's convertible debentures traded. If one were to seek reasons for the small proportion of business represented by high grades, I would say that the size of the institutions buying and selling them, plus the cost factor, are the important ones. To obtain a given yield to maturity, every fraction counts and investors desire to do business at net prices, avoiding the commission involved in exchange transactions. Investors in the more volatile issues represented by lower quality and convertible issues buy for profit and the commissions represent only a fraction of the expected dollar gain. A fair share of business is generated by the dealers themselves. Here again the cost factor is important. To trade in and out on the exchange costs $2.00 per bond, representing two give up commissions of 75 cents each and the bond transfer tax. When you realize that the average profit on dealer bond transactions is about one quarter of a point, or $2.50, the limitations become evident.

Although about 80% of bond business transacted on the exchange is in second grade and the more speculative issues, there is a considerable amount of trading in these types in the over-the-counter market. In the high grade sector of the market, a preponderance of the transactions take place in the over-the-counter market. A large share of these are done "off to off." That is, the trade never reaches the Street except for the firm involved in negotiating the transaction between the buyer and the seller, usually represented by two financial institutions. These are treated as brokerage transactions, with one of the institutions involved paying a commission of $2.50 per bond. At other times, brokerage transactions involve another dealer or a Street broker. The securities are bought from or sold to them for the account of an insurance company, bank, etc. The dealer who has a position in a number of issues (our corporate bond position today approximates two hundred different issues) buys and sells against it, and here again deals with financial institutions, other dealers and the Street brokers, but at net prices. The last named play an important part in this over-the-counter market. It is physically impossible to check all other dealers as to markets in any given situation, and of course, as in any other business, there is some reluctance to disclose full information to one's competitors. The Street broker, through a large number of private telephone connections, keeps the various dealers posted on over-the-counter quotations, the availability of bids and offers, and in turn, acts as a go-between in over-the-counter trades. As quotations are made in multiples of one eighth, their commission or differential is $1.25 per bond. In effect, he performs a service to investment firms similar to those performed by the latter to its customers.

I have tried to give you a general impression of what transpires in the high grade bond market. It does lend itself to a great deal more detail, but time is running out and perhaps we can cover some of it during the question period.

Public Utility Securities

By A. M. SAKOLSKI

Inflation and Public Utility Rates

In view of the threat of inflation induced by the Korean crisis, investors in public utility securities are deeply concerned over the prospects of proper adjustment of rates and charges to rising costs. Experiences of previous wars have shown that a fading purchasing power of the dollar seriously affects net revenues of utilities corporations and unless offset by higher and compensating rates and charges, common stockholders not only suffer from decrease in the dollar's value, but also in reduced dividends. Holders of public service corporation securities following World War I were for a while acutely affected, and their securities underwent severe depreciation until rates and charges were adjusted to meet the new situation; and at the time this was a slow process, due to the elaborate investigations and hearings then required by the various state public service commissions.

A. M. Sakolski

During the inflation period of World War II, the situation was not so bad, due largely to improvements in technology of the period and the heavy demand for the expanded output of the services. Another and important factor of improvement was the more rapid adjustment of rates to rising costs on the part of the utility regulating authorities.

Much of this improvement in the regulatory process is due to revised theories of rate-making that have come into vogue in recent years. From the time of the **Smyth** vs. **Ames** case of almost a half century ago, the state public utilities commissions, backed up by decisions of the United States Supreme Court, based their rate-making theories on the "fair-value" rule. This standard was founded on "the reproduction cost, less depreciation, of the property in use." To establish such a "fair value" in rate proceedings involved considerable time and expense, so rate adjustments were slow and difficult, and when made, were found impractical or inadequate. This was exemplified in railroad rate cases, where the elaborate valuations made of railroad properties, under heavy expense to both the railroads and the Interstate Commerce Commission, have proven to be useless in adjusting railroad rates, so that the whole theory of basing rates on reproduction values or original cost or any other fixed standard, has been, in effect, abandoned for all practical purposes.

As a result of all this, neither the state regulatory bodies nor the United States Supreme Court are now basing their rate decisions on any set or fixed rule. In two important cases before the Supreme Court in recent years involving the Natural Gas Act of 1938, the "fair return on fair value" of the property has been, to all intents and purposes, set aside. In the Natural Gas Pipeline Case, decided March 16, 1943, Chief Justice Stone stated that "the Constitution does not bind rate-making bodies to the service of any single formula or combination of formulas. Agencies to whom this legislative power has been delegated are free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstance. Once a fair hearing has been given, proper findings made and other statutory requirements satisfied, the Courts cannot intervene in the absence of a clear showing that the limits of due process have been overstepped. If the Commission's order, as applied to the facts before it and viewed in its entirety produced no arbitrary results, our inquiry is at an end."

Having this dictum in view, it may fairly be presumed that public utility regulatory bodies will, without elaborate and prolonged studies or an adherence to strict formulas, adjust public service rates to meet rising costs when conditions come about which make neccessary changes in rates to protect the equities and earnings of stockholders. A more conciliatory attitude toward rate increases than in the past may be expected, and each case will be judged upon its own merits and the circumstances surrounding it, rather than on arbitrary formulas or fixed standards, application of which may have no practical significance. All this will mean that investors in utilities will be protected, as far as practically possible, in a regime of spiraling prices, and will be in no worse position than other classes of security holders.

FHLB Notes on Market

Offering of $290,000,000 consolidated notes of Federal Home Loan Banks was made yesterday (Sept. 6) through Everett Smith, fiscal agent. The offering consists of $174,000,000 of 1⅝% notes, Series B-1951, maturing May 15, 1951, and $116,000,000 of 1.70% notes, Series C-1951, maturing Aug. 15, 1951. Both issues are dated Sept. 15, 1950, and were priced at par. A countrywide selling group of securities dealers participated in the offering.

Proceeds from the offering will be used to the extent of $145,000,000 for the payment at maturity on Sept. 15, 1950 of $75,000,000 1.35%, Series C-1950, and $70,000,000 1⅜%, Series E-1950, consolidated notes. The balance of $145,000,000 will provide funds for making available credit by the Federal Home Loan Banks to their member institutions.

Upon completion of this financing and the retirements to be effected on Sept. 15, next, the Federal Home Loan Banks will have outstanding on that date consolidated obligations in the aggregate amount of $472,000,000, consisting of the $290,000,000 notes presently offered, $85,000,000 of 1½s, due Nov. 15, 1950, and $97,000,000 of 1⅜s, due Feb. 15, 1951.

Hubert F. Young Co.

FLORENCE, Ala. — Hubert F. Young has formed Hubert F. Young & Co. with offices at 125 South Court Street to engage in the securities business. He was formerly with King Merritt & Co.

Heimerdinger & Straus

Kurt Wechsler has withdrawn from partnership in Heimerdinger & Straus, 50 Broad Street, New York City. Ruth Straus has been admitted to partnership in the firm.

Sharp Upswing In Business

Business Survey Committee of National Association of Purchasing Agents finds, however, rise in materials prices, with few exceptions, has not been high percentagewise. Holds immediate imposition of price or inventory controls would be harmful.

A report of the composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Conn., indicates that, during August general business continued the sharp upswing started in July. Production and new orders increased steadily throughout the month. There are indications that the movement has about reached the top and, for the next few months, may level off on the high plane it has attained. Military orders have not as yet had much effect on the overall business picture. Purchasing agents believe there is some possibility of a lag between the lessening of the current high civilian demand and a pickup in a defense production program.

Robert C. Swanton

Industrial materials prices continue to rise, but, with a few exceptions, the advances are not high percentage-wise. Inventories are headed down, following a three-month rise. Employment is the highest since the Fall of 1948. Buying policy is necessarily of longer range, to cover the extended production schedules of suppliers.

To the specific question of, "Would price, material, and/or inventory controls be helpful or harmful?" the predominant opinion of purchasing executives is that their imposition now or in the immediate future would be harmful. The reasons given are: (1) voluntary allotments are working fairly well; (2) present defense requirements are not so heavy that they cannot be satisfied without controls, and (3) price ceilings become, in effect, price protection, eliminating free play of supply-demand forces on prices.

A minority expressed the opinion that controls would be helpful, but only if managed by a separate, temporary government agency specifically set up for the purpose of controlling everything, including prices, wages, profits, strikes, farm products, government subsidies, wasteful government spending and the credit controls needed to curb inflation.

The present situation and the foreseeable future are being regarded with utmost caution by industrial buyers.

Commodity Prices

More and more price increase in August, much of it the result of high demand and low supplies. An inflationary step-up is noted in the pricing of many fabricated items, where the prices have increased out of proportion to the rise in their contained basic materials. Anticipated wage demands and increasing taxes are a strong influence in the price movement. Escalator clauses are more common and they give free play to the use of materials at gray, black or premium prices.

Inventories

For the first time in three months, purchased industrial material inventories show a down trend. Twenty-one per cent, the largest number since May, report this condition. Capacity consumption with piecemeal receipts accounts for much of the thinning out of protective stocks. Materials management is concerned over the developing trend of unbalance in industrial inventories. With heavy production schedules, backed by large order books, it is difficult to decide to curtail intake of easier-to-get materials while waiting for larger shipments of currently critical items or the development of a substitute for them. Over all, there is little hoarding apparent; endeavoring to supply top production is the generally reported condition, as sales departments can move all that can be produced, and then some.

Employment

Again, a spurt in payrolls is reported for August, with industry hard put to fill jobs requiring skilled workers. Overtime is increasing and additional shifts are appearing where manpower is available. Contrary to this trend are the industries dependent on copper, zinc and aluminum, where severe cutbacks in voluntary allotments by producers are forcing a reduction in working hours.

Buying Policy

The trend to longer commitment periods continues. Very few companies can maintain a range of 60 days and under, while 28% report over 90 days, with a strong push on four to five months. The predominant comment is that the extension is for definitely booked orders, with no element of speculation. It is favorably noted that many manufacturers are screening incoming orders and accepting only reasonable quantities in relation to previous customer experience. The multiple ordering of the immediate postwar period should not be a problem, when the course of business changes, if sales organizations curb the attempt to extend and overextend order booking.

Specific Commodity Changes

Commodities that did not move up in July seem to have moved up in August. Copper was pushed into a split price market—lead and tin were outstanding in the size of their increase. Other important materials up were: Abrasives, bearings, brass, building materials, castings, chemicals, containers, dyestuffs, electrical equipment, explosives, food, fuel oil, glycerine, lumber, steel scrap, oils, paints, paper, platinum, rubber, textiles, wire.

In very short supply: Aluminum, brass, cellophane, caustic soda and soda ash, cement, copper, lumber, pipe, steel, wire, zinc.

Canada

Canadian business did not keep pace with that in the States during August. While production is substantially up, new orders are far below the United States rate. Prices are all up. Inventories are lower than in the United States. Employment is much improved. Buying policy is the same as in the United States. Canadian Purchasing Agents see no immediate requirement for governmental controls—expect none will be imposed in Canada until they are in the United States.

J. B. Hanauer Officers

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—J. B. Hanauer & Co., 639 South Spring Street, is now doing business as a corporation. Officers are J. B. Hanauer, President; Edith Hanauer, Vice-President and Evelyn Sabloff, Treasurer.

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The New York Curb Exchange

three separate clauses—Clauses 1, 2 and 3.

Clause 1 provided that any security which was admitted to unlisted trading privileges on an exchange prior to March 1, 1934, could be continued on that exchange.

Clause 2 provided that on any security which was fully listed on an exchange, and thereby registered under the Securities Exchange Act of 1934, a second exchange could apply for unlisted trading privileges in that stock, provided the exchange could establish to the satisfaction of the SEC that the stock had a widespread public distribution and enjoyed an active market in the vicinity of that second exchange.

That particular Clause 2 has not been of much use to the Curb Exchange, because all it did was open the door to us applying for unlisted trading privileges in stocks dealt in on the regional exchanges throughout the country, and there was not too much of a field there. But it has been very advantageous to the regional exchanges, because it has permitted them to bring in for unlisted trading privileges on their floors many hundreds of stocks which are fully listed in New York, either on the Stock Exchange or on the Curb Exchange.

Clause 3 was the important clause from our viewpoint. That clause theoretically provided that any exchange could admit to unlister trading privileges a security which had not been fully listed and registered with the SEC, provided that the exchange could also establish that there was an active market and widespread public distribtuion in the vicinity of that exchange.

But there was a kicker in it, because it went on to state that this privilege of trading unlisted in a stock can only be given to securities which are subject to the same or substantially the same requirements as though they were registered under the Securities Exchange Act of 1934, the requirements being, as I mentioned before, contained in Sections 13, 14 and 16 of the Act having to do with financial statements, proxies and stock ownership reports.

That in effect meant that while theoretically an exchange could admit a stock to unlisted trading privileges, practically speaking you could not because in specifying that a stock could be admitted to unlisted trading if it was subject to the same reporting requirements as a fully registered security the Act was in effect stating that you could bring it in if listed on some exchange, since no stock is subject to all of the requirements of the 1934 Act unless it is fully listed and registered on some exchange. So it did not mean anything to us in the way of bringing in new securities, except for one out that was in Section 12 (f).

That out was that another sentence of Section 12 (f) went on to say that notwithstanding the foregoing provisions the Commission may in any special case or class of cases admit a stock to unlisted trading privileges on an exchange even though it is not required to conform to all the registration requirements of the SEC, provided the Commission is satisfied that in that special case or class of cases the admission of that particular stock to unlisted trading privileges would be in the public interest.

Nobody knew what that meant in the early stages of the Securities Exchange Act, so we finally decided to test it out and see what it did mean. In 1943, we picked the six most active stocks we could find over-the-counter. We first obtained from our members records of their trading volume in those stocks for a period of time, which showed that they were actively dealt in. We obtained distribution figures on the stocks to show that they met the requirement for a widespread public distribution in our vicinity. Therefore, we met the technical requirements of the Act.

But as to the legal phase of it—the section which said that you cannot admit them anyway unless they are subject to the same SEC reporting requirements as a fully listed security—we frankly admitted that these stocks, except in one or two minor cases, were not subject to all of the registration and reporting requirements of the SEC. But we stated that this public-interest section of the Act, which gave the Commission power to admit them even without compliance with those sections, put it up to the Commission to give these stocks unlisted trading privileges on the ground that we were going to prove that the stockholders of those companies would be benefited by the advantages of an exchange market versus the over-the-counter market they then had and, therefore, they met the public-interest requirement of the SEC.

We filed those applications. We were opposed, of course, by the National Association of Securities Dealers, which represents the over-the-counter securities dealers.

Finally, in order to establish once and for all how much difference there was between exchange trading and over-the-counter trading, particularly in costs to the public stockholder, the Commission undertook to make a survey of the over-the-counter trading in these six stocks, and nothing like that had ever been done before. They sent a questionnaire to every over-the-counter dealer in the United States, requiring that he submit a record of every transaction he made in these six stocks for a period of six months. That was a very elaborate job. It took a long time for the figures to come in.

After the information came in, the Commission staff set up a series of exhibits showing the results of those reports filed by over-the-counter dealers, but the Commission, of course, took no stand as to what these figures proved — that was up to us to prove. We, in turn, made an exhaustive study of the figures, presented a very elaborate brief to the SEC, and I think that we proved conclusively that from the viewpoint of the cost to the public an exchange market was of great advantage to the stockholders versus the over-the-counter market.

I am talking in particular now of widely held, active stocks; I am not attempting to say it is more advantageous in the more closely held stocks which are subject to a negotiated market rather than an auction market.

Although I think we did prove our case from the statistical viewpoint, we still lost the case from the purely legal aspect of Section 12 (f). Unlisted trading privileges was approved for one of the six stocks solely because that particular stock happened to be a public utility holding company which was registered with the SEC under the 1934 Act, and as a result of that registration was subject to substantialily the same reporting requirements as a fully listed and registered stock on an exchange.

Since the other five stocks were not registered with the SEC, the SEC took the viewpoint that those companies they just could not admit to unlisted trading privileges because the law prohibited them.

They said, in effect, "While the law states we can admit any stock notwithstanding noncompliance if in a special case or class of cases we deem it to be in the public interest, there is no more of a showing of special case of public interest in these five stocks than there would be in any actively deal stock over the counter. They are all in the same category; these are not special cases."

So we were effectively stopped, by that decision, from bringing in any more stocks for unlisted trading privileges except for a few isolated cases where the companies had some form of registration with the SEC which makes them subject to all the reporting requirements of the SEC.

That condition has continued now for several years. As I mentioned, we have kept for unlisted trading privileges any stocks we had prior to 1934, but we have been able to add very few new stocks for unlisted trading privileges. We have lost companies in many cases due to reorganizations, mergers, etc., and are not able to replace them with the new stock on an unlisted basis.

SEC's Proposed Amendment—the Frear Bill

About three years ago the SEC submitted a report to Congress in which they pointed out that many hundreds of stocks are dealt in unlisted both on the exchanges and over-the-counter that are widely held by the public, and the public which holds them does not have the same protection as if they were fully listed stocks because the companies and their managements are not subject to the reporting requirements of the 1934 Act.

The SEC, therefore, suggested to Congress an amendment of the 1934 Act so as to bring those companies under the jurisdiction of the SEC. That report was made three years ago, approximately, and nothing materialized at that time, but early this year they made a second report along the same lines as the first, bringing it up to date, following which Senator Frear of Delaware introduced a bill in Congress which would have had the effect of requiring every company of a certain size in the United States, whether it is on an exchange or off, to be subject to registration requirements.

The sole criterion was size. It had to have $3 million of assets and 300 stockholders. If it met those size requirements, it had to register with the SEC, and would become subject to the provisions of Sections 13, 14 and 16 of the Act.

There were hearings of that bill before the Senate Committee on Banking and Currency. We attended them, as did many other representatives of the securities industry. But the bill has not been passed and, from what I hear, it has been sidetracked at least for this session of Congress.

That brings us to the status we are in now. While we originally had a very large unlisted department, it has dwindled over the years. We still have a large amount of unlisted securities, but are effectively stopped from bringing in any new securities.

If the Frear bill had passed in its original form, it would have opened a field for us to bring in more unlisted stocks. All those presently unregistered companies which meet these $3 million, 300 stockholders standards would be required to register, and would become subject to all the registration provisions of the Act. Since these provisions of the Act are the only thing that has stopped us in admitting stocks to unlisted trading since the Act was passed, they would, therefore, have been eligible if we could have proved sufficient distribution and trading activity in our vicinity.

However, even before this bill was sidetracked, there was an amendment tacked on to meet the objections of the representatives of the over-the-counter dealers. The effect of this amendment would have been that no exchange can bring a stock in for unlisted trading privileges for a period of a year and a half after this bill was passed, with the provision that within that period the Commission would make a study of unlisted trading privileges and report back to Congress whatever their recommendations may be as to a continuation of it.

Whether the Frear bill or some variation of it is going to be passed in the future, I do not know. I think sooner or later there is going to be some form of regulation of unlisted securities which will make the requirements to which they are subject comparable to those of listed securities. When that will come, I do not know. In the meantime, we take the position now (and we always have in the past), that securities should be permitted to be dealt in unlisted on the exchanges; that if the management has seen fit not to list those widely held, active, traded-in securities which are logically adaptable to an auction market, the stockholders of those companies are better served if the stocks are on an exchange, with a public auction market, with bids and offers matters of public knowledge, with every transaction reported on the ticker. Notwithstanding the fact they may not have supplied all the information of a listed security, there still is an advantage to their stockholders in having the stock on an exchange. That is the position we take and always have taken, and we have argued it before Congress and otherwise.

Trading in Foreign Securities

I think that about finishes the unlisted phase of our operation. There are just two other phases of the operations of the securities division of the Exchange I wanted to talk to you about. One is foreign securities. There are about 100 to 150 foreign securities dealt in here on the Curb Exchange. Many of them are listed, but the majority are admitted to unlisted trading privileges. They are so admitted because we had them prior to the passage of the Act in 1934.

Back in the 1920s, the Curb Exchange pioneered in the development of what we called the American depository receipt, or the American share certificate, which is a device for foreign securities. I think that Phil West of the Stock Exchange touched on that in his discussion, but the main purpose of these American share certificates, as you know, is to facilitate trading between United States exchanges and the European exchanges upon which they are traded. Particularly it facilitates arbitrage because of the rapidity with which stock can be transferred back and forth by cable without the necessity of physical transfer of certificates. It facilitates delivery of foreign securities in the Street among the cashiers and representatives of brokerage houses who are not familiar with foreign transfer requirements.

This American share certificate we have is in registered form of the same type as that of a domestic company, and facilitates deliveries of dividends to American holders.

As I said before, we pioneered in developing that. We built up, in the 1920s, a very active market here in a large number of foreign securities. We then had, and we still have, the largest list of foreign securities in the country, including the Stock Exchange. Back in the 1920s we had stocks of corporations of practically all European countries traded here.

Now, our foreign list of course includes first about 50 Canadian issues, which we really don't handle as foreign. We handle them the same as American corporations. We do not require American depository receipts for Canadian stocks.

Aside from the Canadians, we have several dozen English corporations—most of them the largest English companies, a few South American corporations, a Spanish, a French and a South African corporation. And while those stocks in years past were very active here, since the war the restrictions on the exchange of foreign currency have pretty well dried up the market in most of them.

Operations for Protection of Investors

The one other phase of the operations of the securities department is to service the listed and unlisted securities after they have been admitted to trading, along the lines of seeing that they issue, and we obtain, annual reports to stockholders, notice of dividends, etc. And having been notified of dividends and other matters that affect trading, we then, of course, take care of the issuance of all rulings that are necessary for the regulation of trading on our floor.

We put out weekly bulletins establishing dates on which stocks shall be ex-dividend here, because when a stock sells ex-dividend there is a reduction in the bid price to reflect the fact the buyer of the stock is not going to receive that particular dividend. So each week we put out a bulletin in which we schedule all stocks to be ex-dividend during the following week so the brokers have a knowledge of it, and each morning we put out over the ticker notices repeating the stocks that are going to be ex-dividend that day.

In establishing these ex-dividend date, we have a few mechanical problems. First, we have our three-day delivery plan, so that while normally you would expect a stock to sell ex-dividend on the date when the record of stockholders is taken, actually we have to sell stocks ex-dividend which transfer in New York two full business days prior to the record date.

In addition to that, we have a further complication in this Exchange particularly, as differentiated from the Stock Exchange, in that we list or admit to trading stocks which are transferred anywhere in the United States. There does not have to be a transfer agent in New York, such as the Stock Exchange requires. We have always found that works out satisfactorily.

However, in establishing ex-dividend dates, we not only have to allow two days because of our three-day delivery plan, but also have to allow so many more days which represent in each case the time in transit from New York to wherever the transfer office may be located in order to have the stock certificates of the company registered for the purpose of the dividend.

That is one of the services we perform on stocks traded in here. We take care of all that ex-dividend information. We take care of the issuance of all rulings that may be necessary for the regulation of trading and deliveries, such as form of stock certificates which are a "good delivery," establishment of ex-rights dates when there are rights or any special matter that comes up that may call for a ruling establishing either the time or the form of delivery.

In our division we also, on a day-to-day basis, rule by telephone on deliveries as between brokers, settle disputes when there are disputes between brokers as to whether a particular security is or isn't a good delivery, and whether the buyer must accept it, etc.

Those disputes come up occasionally when stock is in the name of a woman or the assignment is not properly signed, and things of that type.

Also, of course, the securities division, in addition to the original listing of securities, takes care of the listing of all additional issues of companies that are already listed. In fact, we have continuous contact of the Exchange with all of the companies that have securities traded in here, and maintain that contact for the purpose of obtaining information for the proper regulation of trading on our floor, and the proper regulation of deliveries as between members.

I think that about covers what I wanted to tell you. One other thing that I think I skipped over earlier: I mentioned that we are primarily a seasoning and developing market for newer and smaller companies, but that does not necessarily indicate that all stocks on our floor are small, developing companies. A very substantial percentage are old, well-established companies. Many of them have the necessary attributes to meet the Stock Exchange listing standards, but for whatever the reason may be they have not seen fit to list on the Stock Exchange.

For example, 75% of our stock issues are dividend payers, and 40% of them have paid dividends for over 10 years consecutively, and some of them have a consecutive yearly dividend record running up to close to a hundred years. So we are not exclusively a seasoning and developing exchange, although primarily we are.

As companies grow and develop, they transfer to the Stock Exchange. We never greet those transfers with any great enthusiasm, because each transfer means that we have lost another issue to trade in, but over the years we have come to accept those transfers philosophically on the basis that at least we are performing one of our economic functions of assisting in the growth and development of smaller companies up to the point where they are large enough for Stock Exchange listing.

LeRoy Godfrey With Shields Co. Chicago

CHICAGO, Ill.—LeRoy D. Godfrey, veteran figure in the grain business of the United States and Canada, has taken up La Salle Street headquarters as manager of the grain department of Shields & Co., 209 South La Salle Street.

Before joining Shields, Mr. Godfrey for 10 years was manager of the grain department of Corn Products Refining Co. Prior to that he was Vice-President and Manager of the country elevator system of the Van Dusen-Harrington interests at Minneapolis, Minn., and operator of a grain export brokerage business at Winnipeg, Can.

Alberta-Canada Oils Com. Stock Offered

Public offering of a new issue of 1,000,000 shares of Alberta-Canada Oils, Inc. common stock was made on Sept. 5 by Thomas G. Wylie Co. at $2.50 per share.

Net proceeds from the financing will be held as general funds.

The company, incorporated in Deleware, proposes to engage generally in the business of prospecting for, acquiring and developing oil and natural gas reserves with particular reference to Alberta, Canada, and, possibly, at a later date in Saskatchewan and British Columbia.

J. A. Hogle Expands in New York City

J. A. Hogle & Co., 61 Broadway, New York City, members of the New York Stock Exchange, New York Curb Exchange and principal western exchanges, have recently expanded their order room and wire facilities to handle the growing interest of eastern dealers in far-west and inter-mountain issues. Their transcontinental private wire system links New York with the firm's offices in 12 western cities, which include Salt Lake City, Denver, Spokane and Los Angeles. Joe Monahan supervises the firm's unlisted business while Larry Sheehan is in charge of the listed order department. The New York office is under the management of Ken Howard, resident partner.

Securities Salesman's Corner

By JOHN DUTTON

Make the calls, but make them where they **count.** Some years ago a friend of mine who had raised his annual earnings substantially in a year that was not considered very good in the securities business, told me this: "I had been making too many calls and not enough interviews. I found myself putting a dozen cards in my pocket in the morning and starting out. By nightful I found that about half the people were not in, or were too preoccupied to talk to me seriously. I was meeting a lot of people, and that was about the size of it. Then one day I met a salesman who told me that his main trouble was persuading people to sit down." For the first time it dawned upon this salesman that in order to sell anything as important as the investment of a sizable sum in securities or anything else—you just can't take orders.

He told me that the salesman who tipped him off and started him on a successful career in selling, told him how he would go into a factory and walk around the place with the buyer. Other times this salesman would have to stand on his feet and talk to a plant foreman while he was directing operations in a busy factory. He was selling a highly competitive product used in industrial plants and he could rarely get a man to sit down at a desk because the buyer was nearly always an active operator of the business instead of a desk man. Then one day he fell upon the idea of inviting a foreman over to a nearby lunch stand and they had a soft drink together. He made the sale. He did this whenever he had the chance—he got his buyer **off his feet** as often as he could do it. His sales increased. Then he began building up the importance of his call. He used the telephone and made appointments. He began to qualify prospects over the telephone. He did more planning **before** the call and his sales went **up.**

This security salesman told me of a typical case which proves the point. He had a lead that was obtained through some newspaper advertising which was done by his firm. He telephoned the prospect and was told that he shouldn't make a special trip to see him, but if he was in the neighborhood someday he could call by. He said he waited a week and then drove out to see his prospect. He found him working in his garden. He introduced himself, and after a short ten minutes, in which he allowed his prospect to do most of the talking (he did this by asking questions about the man's garden), he then made a specific appointment for the following evening. He asked if this man's wife was interested in their financial affairs and, finding out that this was so, he asked if she could be present when he called. He was told that this would be very acceptable. The next evening when he called, he asked if the three of them could **sit around a table.** He put his books and papers out in front of them. He talked a program of investment. He found out first what their desires and objectives in life really meant to them. He made the sale and opened a good account. He left this house at 11:30 that evening after a four-hour interview. The sale was worth it.

If you don't think what you are doing for people is important, how do you think they will feel about it?

J. W. Weller Co. Formed

BLOOMFIELD, N. J. — J. W. Weller has formed J. W. Weller & Co., with offices at 2 Broad Street, to engage in a securities business. He was formerly connected with First Investors Corp. of New York.

La Branche to Admit

On Sept. 14 Thomas F. Callahan will acquire the New York Stock Exchange membership of John I. Dakin and will become a partner in La Branche & Co., 50 Broadway, New York City, members of the New York Stock Exchange.

Continued from first page

Our Defense of the Home Front

To whatever else we may be called upon to do as individuals, we must add the responsibility of preserving American freedom. We must remember that there is a most serious threat against freedom that comes from within and that it will be difficult to guard against, because, it will be said, we must surrender freedom at home to protect it against attack from abroad. We must defend against this threat. And this is a defense that cannot be made in Korea or in other remote places. It must be made here on the home front.

Expansion of Federal Government

Specifically, the great internal threat to American freedom is the further expansion of the power of the Federal Government. Everyone accepts the fact that in war the Government must have a certain measure of control over the economy. Winning the war then becomes the supreme purpose of the nation, and Government is the only agency big enough to organize the nation to accomplish that purpose. Every good American must willingly accept whatever sacrifice is required as his personal contribution toward winning a war or toward preparedness against war. But every American also has the right to expect that Government will use this sacrifice only for the purpose given and not to broaden and entrench Government's power over the people of this country. In view of the character and record of our present national leadership, that is a real and serious danger against which we must guard in the present situation.

Some people take the position that we cannot afford to think about such matters now. They say, in effect, let's give government a blank check and worry about the consequences later. If I were a Communist, this is exactly the kind of thinking I would like to see prevail. It is the "emergency" psychology; the "act first and think second" type of attitude that has been the basis for the great bulk of national policy and action during these past 17 years. In my opinion, it is the thing that is largely responsible for the fix the United States is in today.

As we all know, the Federal Government's direction and control over the American economy was expanded in the period from 1933 to the start of the war to an extent that had no precedent in the previous history of our country. Following the war, the Truman Administration made no move whatever to diminish the swollen power of government. It also continued in a period of inflation during peacetime the spending and controls that had been supposedly introduced to combat depression. In addition, it reached out for new and greater controls over industry, agriculture, medicine, education and other fields—to attain what it considered socially desirable objectives. Though it bitterly denies this, the Truman Administration is socialist in spirit, and, in my opinion, its actual objective is a socialist United States. We can be thankful to some good Americans in Congress that it has not succeeded entirely in reaching this objective.

But it has succeeded to the extent that, although our form of government remains unchanged, a profound change has been achieved in the relationship between the Federal Government and the people of the United States. The Government has vastly more to say and the people vastly less to say about the affairs of the people. It is a fair question to ask where all this has brought us. And I believe a brief and accurate answer is: that it has brought us to Korea.

Incompetent, Unrealistic Leadership

Some of the things you read and hear create the impression that in some way the American people are to blame for the situation we are in. To the extent that the people gave too much authority and responsibility to Government and kept too little in their own hands, that may be true. From that point on, the major responsibility for this situation lies at the door of incompetent, unrealisitc leadership.

Who made it possible for Russia to become such a terrible threat to our security? Who made the deals at Yalta, Teheran and Potsdam? Was the American public informed about these agreements? The fact is that the American public—and even Congress—did not know at the time and does not know now what commitments were made in its name. We have learned bit by bit from Russia's actions. Did the American people have any voice in the decision to stop the American armies on a line which gave Eastern Germany, including Berlin, to Russia and permitted Communist domination of Czechoslovakia, Hungary and other countries? Why was Germany dismembered, and why was the United States isolated from Berlin and allowed passage in and out of the city only as a favor from Russia? In return for just five days in the Japanese War, why was Russia given a virtual lease on Asia? Who repeated in Korea the pattern of division set up in Germany and established the 38th parallel as a potential line of battle?

Practically every advance in the expansion of Russia and every vantage point from which she can harass us at will was acquired by Russia under agreement with the leadership of our country—and at no time were the American people informed, let alone consulted. The practice of secrecy has been carried down to the present day. For reasons best known to itself, the present Administration does not believe in taking the American people into its confidence.

I believe the first news from Korea hit the American people with something of the shock of Pearl Harbor. That certainly was the effect on me. After all, representatives of our Government had been in Korea for almost all of the five years since the end of the war. Korea is not a large country. North Koreans and South Koreans are the same kind of people, and there must have been considerable travel both ways across the 38th parallel. How was it possible for a large-scale North Korean army to be organized, trained, equipped and moved into position for invasion without our representatives having advance warning of any kind? Or if they knew in advance, why were the proper preparations not made to resist this?

Of one thing we can be sure. Our Government had no clear policy on Korea. Early this year, the Administration brushed off Korea and some other parts of Asia as not worth defending. That policy may have been perfectly valid from both diplomatic and military standpoints. But if it was, why was an attempt then made to defend Korea? Or, if there was good cause to reverse the policy, why were no adequate preparations then made for defense? One way or the other, there was a terrible blunder. It is being paid for now by young Americans who were sent into Korea too few in numbers and with too little arms, ammunition and equipment to fight anything but a battle of retreat.

We should all be clear about one thing: that is, that General MacArthur is in no way responsible for this situation. We can be mighty thankful that he was nearby, and I understand that other military men marvel at the skill and speed with which he got men and supplies into action — doing in three weeks a job that would have required three months even in World War II. When the war broke out, Korea was not in General MacArthur's jurisdiction. The government representatives there reported to and were directed by the Department of State. So the responsibility for Korea rests squarely on the present Administration.

Another shocking thing was brought to light by the Korean situation. We have all been conscious of the huge military expenditures item in the Federal budget. In fact, this item has been given as a major reason for taxing the people on a war basis in time of peace. Now we find that out of all this money—a total of \$50 billion since June, 1946—less than one-third has been spent on men and machines that could actually be used in fighting a war and only one dollar out of seven has been spent on new weapons and equipment. The rest went for what is designated as "housekeeping expenses." Only \$600 million were spent on weapons in the entire four years and that is less than the amount spent on military travel.

This certainly is not a record to inspire confidence. Operating with a free hand in the diplomatic field during and since the war, the Administration has made mistake after mistake and has reduced us to a condition which it now describes as one of grave national danger. With a free hand and billions of dollars to spend, the Administration has allowed our military strength to decline to 10 partly trained and poorly equipped divisions. Can we find security in making the whole United States into a military garrison under the command of such leadership? I say the record does not support any such conclusion.

Blind Dependence on Government

It is time to stop the blind dependence on Government for so many things. It is time for all individuals to reassume the responsibilities of self-government. This means constant vigilance over the activities of public servants; determination to know what is going on in public affairs and why, and insistence that not a single economic function be transferred unnecessarily from private to public control. In final analysis, in peace, war, or preparation for defense, our country is dependent on the enterprise of the people as a whole, and American history proves that the private way is the successful and productive way.

Who can doubt that in the last war, the chief advantage possessed not only by the American armed forces, but also by the nations allied with our country was the mass of material and equipment made possible by the enormous production of the United States? Our military leaders repeatedly testified to this fact. Even Joseph Stalin admitted it.

Government did not achieve that production. Its total contribution to production was very small. The gigantic and complex production for war came from factories and industrial plants throughout the country which were themselves the product of our American free, private, competitive, capitalist economic system. Free enterprise demonstrated an amazing capacity to convert from usual peacetime operations to the unfamiliar jobs of war production. Furthermore, in case after case, the products made wholly by free enterprise methods were superior to those made by government or under its direction.

Hanson W. Baldwin, a recognized expert on military affairs, had this to say in a recent article in "The Saturday Evening Post": "There is no doubt that in some items of equipment we lead the world in quality, as well as in quantity. But those items which are best . . . are those which are the outgrowth of commercial usage, designed or developed by private industry or research scientists. Those items in which we lag — and they are many — are primarily the product of military designers and have been developed chiefly at government arsenals or proving grounds."

On the atom bomb he said: "The bomb was built chiefly because of the genius of American industrial and engineering knowhow, not because of American military development skill."

He said finally: "The greatest of our assets—one which must be preserved and fostered—has been and still is our enormous industrial strength and our capacity for mass production."

Economic System Must Be Kept in Private Hands

Mr. Baldwin is right. Our country's basic strength is her economic and industrial strength. If we want to preserve that strength and keep it growing, the economic system must be kept in private hands. The surest way to undermine our national strength will be to allow government to impose a deadening system of controls. And this is not true solely because government control means taking the job of production out of the hands of people who know how to do it and placing it under the direction of people who don't. It is also because under government control the job of production is bound to become mixed up with political and ideological considerations that have no place in it.

The steel industry affords a splendid illustration of why no controls are required in the present situation. It is estimated that military requirements covered in the regular Federal budget this year would take only 1.6% of total steel production. The increase of those requirements by the proposed extra expenditure of \$10½ billion would need only another 3% to 5% of steel production. On this basis, even when the foreign aid programs are added, the total requirement for steel for all of these purposes will not exceed 10% of total production.

Now against that requirement consider that the steel industry has increased its capacity by almost 19 million tons—or 23%—in the past 10 years. In other words, this increase in capacity alone would take care of about double the military and foreign aid requirements. Let's look at it another way. In 1943, the year of peak war production, direct war uses required only 38% of total steel shipments—and that would amount to only 30% of present capacity. In the 52 months from early 1941 through April, 1945—that is to the end of the war in Europe — the total amount of finished steel delivered to shipbuilders and the makers of ordnance, projectiles, planes and tanks, and for the construction of defense plants, cantonments and bases amounted to a total of only 27% of total steel shipped. That same amount of steel would be only 21½% of present capacity.

I don't like to overburden you with figures, but I want to point out just one more thing. Since the war, approximately 29 million tons of ingot steel production has been lost through strikes. That strike loss equals more than one-third of the total amount of steel shipped for direct war use from 1941 through April, 1945.

Certainly, the military demand for steel in our present situation does not begin to approach the demand in full scale war. And even if demand should grow to the proportion of the peak year in World War II, it can be met with 30% of the present capacity of over 100 million tons—and new facilities that are now under construction will bring our total capacity to 106 million tons by the end of 1952.

There is ample steel for military needs and a very large reserve for civilian requirements. All that government has to do is let steel companies know what steel it requires. The steel companies will see that all essential demands have priority. They can do that by voluntary allocation. Beyond that, steel companies should be left free to serve their normal markets by normal methods. If they are not left free—if government imposes controls — you may be sure that the result will be confusion, waste and worse.

All Industries Can Produce More

I am sure that what applies to the steel industry also applies to the entire economy. I do not know of a single important industry that is not able to produce in larger quantity and more efficiently than it could 10 years ago. The manufacturing capacity of the country as a whole has increased at least 50% since 1940. Think of it. Against this greater capacity to produce, we must also remember that today we still have much of the equipment and many of the installations built during the last war. There is a very large reserve of ships, for instance, both combat and commercial. Defense plants, cantonments and bases are still in existence and should have been maintained in reasonably good condition. To the extent that they have been, there will be no need for the steel and other materials that went into them nor for the manpower required to build them.

Compared with this enormous economic potential of the United States, I cannot see how the present situation creates any genuine need for a regimented economy. The present Administration has shown consistently that a government-controlled economy is exactly what it wants. The thing I most fear is that the confusion and distraction of an atmosphere of crisis will afford an excellent cover for the further promotion of its socialistic program.

This is a most serious danger—one that must not be pushed into the background even by the danger of war. It creates a problem that is by no means partisan. It is a problem for all Americans. There are Republicans who have willingly helped the Truman Administration shove our country down the road toward socialism. And there have been no sharper critics of the socialistic nature of the Administration program than Senator Byrd, former Secretary of State Byrnes and other outstanding Democrats.

The Truman Administration denies that it is socialist with a vehemence which indicates that the truth hurts. But its socialistic character has been noted frequently by neutral observers who certainly qualify as experts on the subject. One instance is the statement of the Englishman, John Strachey, who was attacked in his own country as unfit to hold his present position of Minister of War because of his Communist sympathies. Strachey said the Truman Administration was—and I quote—"one of the most left-wing in the world today."

Another expert is Earl Browder, former head of the American Communist Party, who said that state capitalism (or socialism) has progressed farther in America than in Great Britain under the Labor Government.

Strachey and Browder did not speak critically. They believe in socialism, and their observations are abundantly supported by the facts of the Administration record. To mention just a few, in January, 1949, President Truman demanded that he be given at that time complete wartime control over the American economy. He actually asked for more and greater powers than Congress allowed in the Control Bill. He demanded the authority to put the government into the steel business, and this was followed up by the Administration attempt to introduce the Spence Bill which would empower the President to put the government into any business under any terms and conditions he saw fit.

Then the Administration proposed the Brannan Plan which would bring every farm and farmer in the country under government control at enormous additional cost to the people as a whole. Add to these things the Administration's plans for public housing and the control of medicine, education and other activities, and you have socialism clearly blueprinted.

Excessive Government Expenditures

Speaking here in White Sulphur last April, Senator Byrd warned that if Congress adopted the Adminstration program it "would commit us irrevocably to a socialistic state from which there can be no retreat."

We have a very practical measure of the magnitude of this Administration program. It is contained in a report of the Senate Committee on Expenditures in the Executive Departments. This report was made last March—long before the Korean situation arose. In the letter transmitting this report, the Committee Chairman, Senator McClellan, of Arkansas, revealed this startling fact: The legislation which the Administration was urging Congress to enact would add a total of $25 billion to the annual budget and within the next few years would increase total Federal expenditures to $65 billion or more each year.

I want to emphasize that the Administration wanted to add this $25 billion—an increase of more than 50%—to the **peacetime** budget of the country. And I want to point out that against the $5½ billion deficit in the current budget, there has been an increase of $6 billion in the past two years in nonwar-connected, civilian, domestic spending.

That $6 billion, of course, came out of the pockets of the American people. That would also be the source of the projected $25 billion. And the thing the Administration wants to buy with this huge spending is a Socialist United States. It wants the American people to pay this vast amount to have individual freedom and the right of self-government taken away from them.

Anyone from Weirton can speak with more than average authority about the attitude of the present Administration toward individual freedom and self-government. For 17 years, the employees of the Weirton Steel Co. have been under the pressure of a continuous campaign to make them give up self-government in labor relations and accept imposition of the Administration's labor policy. That policy has been to use the power of the Federal Government wherever possible to stamp out independent unions and leave employees with the alternative of having no labor organization at all or of joining one of the big national unions.

In the case of Weirton, under NRA, the Wagner Law, and the Taft-Hartley Law, there have been three lengthy legal proceedings. Each was instituted by a Labor Board and based on charges that the Weirton Steel Co. dominated and controlled the labor organization of its employees. The latest case ended a month ago with a ruling from a Circuit Court.

Although the Court ruled that the Weirton Independent Union was formed through the voluntary action of a large majority of Weirton employees who desired to have their own labor organization, the Court also ruled that after the Union was organized, it was dominated and interfered with by the Company in a specific case which I shall describe. On this ground, the Court ordered the Company to end its relations with the Union. This, of course, destroyed the Union's reason for existence.

The Wierton Steel Labor Case

Now here is the basis for that order. In 1944—in the middle of the war when the Weirton plant was operating day and night on war production — and after the Weirton Independent Union had represented the Weirton employees without opposition of any kind for three years, the CIO suddenly started an organizing drive in the course of which it brought a large group of outsiders into Weirton to block the gates and shut down the plant. At that time, Weirton was unincorporated and was entirely dependent for law enforcement on the Sheriff of Hancock County. The Sheriff told the Weirton management that he would be unable to preserve the peace without a large group of deputies. He said also that in view of the war manpower situation the only source of deputies would be Weirton employees and that since he had no money to pay deputies, the Weirton Steel Co. would have to provide funds for this purpose. The Weirton management agreed to provide the funds and to give time off to employees willing to serve as deputies. The Sheriff then enlisted a body of about 150 men which he held under his jurisdiction in readiness to be deputized if needed. These men were never actually deputized. But the company's action in this respect was construed by the Court as domination of the Weirton Independent Union and interference with the organizing efforts of the CIO.

What was the alternative? Noninterference, under this construction, would have meant giving the CIO a free hand to shut down the Weirton plant. Would the Court have ruled that this be done at the time these events took place? Now remember, all this happened in 1944—at the climax of the war. The Weirton plant was producing regular steel at capacity. It produced critical non-steel materials, most of which were made nowhere else. It produced 8-inch shells at a time when they were so urgently needed that they were flown across the Atlantic directly to the battlefronts.

No consideration was given by the Labor Board or the Court to the propriety of the CIO attempting to shut down a plant under those conditions. No question was raised about the CIO taking a large group of men away from jobs — war jobs — and forming them into an army for the invasion of Weirton. The fact that the Weirton Independent Union was the clear bargaining choice of the vast majority of Weirton employees was ignored. No importance, apparently, was attached to the fact that labor relations in the Weirton plant had been so consistently good that not a single pound of production had been lost as a result of labor trouble in 17 years. Think of it. During a period of 17 years, when strikes were rife throughout the country, there was not a single stoppage at Weirton. The decision in the Weirton case was reached on the basis of legal technicalities as the result of the Labor Board's relentless campaign to make Weirton employees follow its wishes rather than their own. That is genuine domination.

The claim that the Weirton Steel Co. dominates its employees is pure nonsense. In this day and age I say it would be absolutely impossible for any employer to dominate or control any group of employees. Today employees generally are familiar with their rights and the restraints on employers under the labor laws, and after an experience of 17 years, Weirton employees are probably the best informed group in the country. The national unions have unlimited opportunity, unlimited funds, and unlimited support of the Federal Government in presenting their case. The plain fact is that the Weirton employees want a union entirely of their own making and entirely under their own control. They have shown this by overwhelming votes in election after election — 98% in an election last July. If the labor law of the land means anything at all, it means that the wishes of the employees, themselves, should prevail—and that this protection to employees should be just as binding on labor leaders, the Labor Board and the Government, as it on employers. Denial of this right to any group of employees violates the principles of individual freedom and self-government. And in the case of Weirton, the Labor Board has flagrantly violated these principles to enforce acceptance of the biased and unfair labor policy of the present Administration.

Weirton is exceptional, but is only one of many victims of the highhanded, dictatorial conduct of Government under the present Administration. And the Labor Board is only one of many agencies that pursue such conduct. The Board is typical of the vast, sprawling bureaucracy through which the long arm of Federal Government now reaches into the affairs of states, communities, business and individuals. This hodgepodge of boards, bureaus, commissions, and so forth, is really out of control. It is so complex that no one in Washington, including members of Congress and the President, has a clear idea of the scope of its powers and activities. The Hoover Commission Report indicated the terrific waste and inefficiency for which this bureaucracy is responsible. Yet with practically no check on them, these agencies — each obsessed with its own importance—make a continuous effort to expand in size and authority. People of dubious social, political and economic ideas frequently manage to get into positions of controlling influence in this bureaucracy. How or why, no one seems to know. Most of these people are unknown to the public and unreachable by the public, yet often they have the power to act as lawmakers, policemen and judges.

Danger of More Controls

It will be a most dangerous thing if this bureaucracy should be permitted to take over and use at its own discretion the huge additional spending and the vast new system of controls which the country is now asked to undertake in the matter of national security. We can be sure that the result would be waste and inefficiency on a much larger scale, and beyond that the socialist America from which—as Senator Byrd says—there could be no retreat.

It is evident that Congress—and more particularly, the Senate—had this danger in mind in its deliberation on the Control Bill. The legislation properly reflected the determination to keep out of the hands of the President a degree of power which no one man in the United States should ever have. It also sought to prevent the exercise of control powers in an arbitrary manner and forestall the tendency to make these powers permanent by putting a terminal date on them.

For my part, I would feel safer if another thing were done. I would like to see Congress place the overall administration of this new program—on both the military and civilian side—under a civilian board composed of citizens of such stature that they would be beyond the reach of partisan politics. Through its power of confirmation, the Senate would exercise the final decision in the selection of such a board. Beyond that, I would like to see Congress set up machinery for the close and continuous review on the working of this entire program.

Our country's situation today calls for a sharp revision in the Administration's attitude of politics as usual. We are beyond the point where we can afford to perpetuate mistakes to protect the reputations or political fortunes of the people who made them. With sacrifices in order for everyone, the Administration should set the example by stopping its proposals for costly domestic ventures which contribute nothing to defense and should inaugurate a program of genuine economy in all departments of government.

The time has come for a realistic appraisal of our position in relationship to the world at large. It should be apparent that the United States has neither the manpower nor the resources to fight the battles of every other nation. Nor has it the manpower and resources to lift every other nation to the heights of prosperity. Unfortunately, our Government has carried abroad the bad habit bred at home of encouraging other nations to look to America for everything. We can help other nations and, within safe limits, should help them. But we should make it clear that aside from this limited help it is up to them to solve their own problems of both peacetime needs and defense. And this policy, I firmly believe, would be recognized by other nations as being in full accord with the reality of the situation.

I have every confidence in the American people. Our entire history proves that when the people have the facts, in the long run, they make the right decisions. The plain and unfortunate fact is that our country today is weakest at the top. In this present time of crisis, the people are far ahead of their leadership, and, in my opinion, the evidence that this is realized by Congress is contained in its action on the Control Bill. But we must remember that even the strongest country—and basically, America is the strongest country—is in constant danger under weak leadership.

Regeneration of Individualism Needed

What America needs most today is less dependence on government, more dependence on the individual effort of the people themselves. This calls for a reaffirmation and acceptance of individual responsibility. And this is the essence of self-government. Individualism is the thing that distinguishes America from the Socialist and Communist countries. It is the thing that built our country into the strongest, most progressive, and most prosperious nation in world history. Yet, in our time, it has been greatly diluted by transplanting into the United States the principles and methods of collectivism which have caused the downfall of so many other nations in the world's history—and particularly, recent history.

The regeneration of individualism can start only among the people themselves. It must start in the homes, the villages and towns of America. It must start with individuals who know their country's history, who believe in the principles on which it was founded, who are determined to assert the rights of American citizenship and to accept its responsibilities. Such individuals will set an example which others will follow. And may I urge that this example can be given most effectively by the kind of persons gathered here this evening—the members of this Chamber of Commerce who hold positions of natural leadership in communities throughout this great State of West Virginia.

In conclusion, we, the people, must demand of national leadership a much higher degree of competence than has been displayed up to now. The present situation plainly calls for truly patriotic leadership that can rise above narrow political considerations. Unless our country gets this, our future will be, indeed, very dark. Let us, as individuals, do our part to build an overwhelming public demand for statesmanlike conduct in these critical times.

Walston, Hoffman Bellingham Branch

BELLINGHAM, Wash. — Walston, Hoffman & Goodwin opened their 31st office in Bellingham, Tuesday, Sept. 5, in the Bellingham National Bank Building. This is the first New York Stock Exchange firm to open offices in Bellingham and offer its facilities to the residents of Northwest Washington.

Managing the Bellingham office is John L. Walton, who has been operating an investment business in Bellingham under the name of J. L. Walton & Co. Mr. Walton has been a resident of Bellingham for many years, having left the city in 1942 to enter the armed forces. He retired as a Lt.-Col. the latter part of 1947. Subsequently he was associated with the New York Stock Exchange firms of Merrill Lynch, Pierce, Fenner & Beane and Foster & Marshall in Seattle. Mr. Walton has been in the securities business continuously since 1928.

Associated with him is Shailer F. Webster, a native of Washington and a graduate of the University of Washington. He has been associated with Walston, Hoffman & Goodwin in Seattle for the past several months, and prior thereto had been with Conrad, Bruce in Seattle for several years. During the war he served as an officer in the Merchant Marine and prior to the war had been in the insurance and newspaper business. Mrs. R. W. Quinby, a native of Bellingham, is office secretary.

The Bellingham office is completely equipped with a stock quotation board carrying approximately 100 New York Stock Exchange and other stock and commodity quotations. It has a direct private wire from Walston, Hoffman & Goodwin's Wall Street office to Bellingham that will permit immediate execution of orders, fast quotations and the latest information on world and market news. The office will be open from 6 a.m. to 5 p.m.

Walston, Hoffman & Goodwin was founded in 1930, has three offices in New York and among its 31 offices are those which are situated in Philadelphia, Pittsburgh, Hartford, San Francisco, Los Angeles, Oakland, Portland and Seattle.

The Bellingham office will be equipped with various statistical manuals, periodicals and corporate reports which are prepared by the company's large staff of research experts located in New York, San Francisco and Los Angeles.

Continued from first page

As We See It

in which the text of the President's address was printed, we have taken the following verbatim:

"Shutdown Faced by 116 G. E. Plants—C. I. O. Union Sets Tuesday Tie-up—Westinghouse Warned to 'Settle Immediately.'"

"Pickets Halt Kaiser-Frazer Work; Strike Fusion at Harvester Seen."

"425 Strikes Began in July."

"Atomic Bomb Parts Stalled—Production of top-priority atomic bomb parts and naval marine engines was at a standstill today at the plant of Babcock & Wilcox Co. as about 3,500 workers struck for higher wages."

"Walkout Slows Work — General Aniline Jersey Plant Is Affected by Labor Dispute."

"Furniture Workers Get Increase—The Upholstered Furniture Manufacturers Association of New York and Local 76, United Furniture Workers, C. I. O., signed a new contract yesterday. . . . The agreement grants a 2% employer financed pension fund, 15 cents an hour wage increase for 2,500 employees and 25 cents an hour for mechanics. Minimum wage scales now stand at $2 an hour."

"Squibb Gives Living Cost Bonus."

"Elgin Gives 7% Rise (to its workers)."

"Walkout Ties Up Wall Paper Mills—40 Out of 43 Plants in 23 Cities Affected When Union Quits."

Of course, if one wished to comb the daily press for even a few days, the space devoted to this discussion would be nowhere near great enough to list the work interruptions, the wage increases wrung from employers at a time when inflation is to be avoided. Obviously if wage increases are to be substantial and general at this time, there will be no way under the sun to prevent prices from rising no matter what the President believes or desires.

The President is regarded as a special friend of labor and of the unions. The Lord knows he has gone to bat often enough for them about many matters and in many ways.

Apparently, one of his first and perhaps one of his most difficult tasks will be to hold in check the labor monopoly he and his predecessor in office for so long and with so much persistence nurtured and encouraged. So far he seems to have had very indifferent success.

A Direct Responsibility

But his responsibility is peculiarly direct and unequivocal in certain other directions. One of them has to do with non-defense expenditures by the Federal Government. If there is any intention whatever in the White House to make a really serious effort to get these outlays down, as they ought to be, there has been no sign whatever of it. True it is, of course, that some show of economy in connection with housing was made some weeks ago, but the fact is that all this together does not really scratch the surface. The President and the others are trifling with millions, and hundreds of millions when what is needed is billions lobbed off.

Again, the Administration is primarily responsible for the means employed to finance any deficit arising out of the Korean conflict and our general rearmament program. His aides have not made a good start. The truth is that it is difficult if not impossible to read in what the Treasury is now doing anything but a determination to hold interest rates artificially low in all brackets, and to make all the blunders of World War II financing. It hardly lies in the mouth of the President to talk much about preventing inflation when his own Secretary of the Treasury is proceeding in this way.

Now let it be frankly asserted that the problem of preventing inflation in the event of another war, or even if our efforts during the next two or three years go no further than an extended rearmament program, is a difficult one. Even if present and future financial management is good, the existing inflationary potential left from World War II would still have to be reckoned with.

Consumers and the Unions

Meanwhile, consumers remembering the trials of rationing and price controls during the last war have been rather foolishly and probably vainly "stocking up" on this and that, or at any rate they were doing so for a period of time after the outbreak in Korea. This sort of thing is contagious of course. It tends to spread first to retailers, then to others along the line of supply. It has raised the cost of living appreciably within the past month or two. It has supplied the excuse that the unions needed for demanding—and getting—higher wages, despite the fact that the morbid demand for all sorts of consumer items about which complaint is now heard emanated in large part from the members of the unions themselves who, with their families, make up a very substantial part of the urban population.

For our part we suspect that the great rank and file of consumers, and most businessmen, are really ready to do what they can to resist and to defeat inflationary tendencies. They cannot succeed, however, in the face of adverse public policies, and grasping unions. What the President really needs to do is to provide a climate favorable to the control of inflation.

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Marxist Influence Underlies Demand for "Quickie" EPT

floor that the quickie EPT was "jerry built" and had been redrafted half a dozen times since first introduced. The old EPT, as we have stated, was complex and controversial but in 1942, grave as our national emergency was, Congress devoted over four months to framing it. Even then it was, in the opinion of many, a bad law —difficult to administer and full of injustices. In the closing years of World War II and thereafter many independent studies were made in the interest of reviewing the results of EPT and seeking to utilize the benefits of our previous experience in drafting any similar law in the future without causing unjust hardships to certain businesses and groups such as the regulated utilities and growth industries. The report of a special committee of the National Association of Railroad and Utilities Commissioners is an example. Apparently the Senate majority or near majority in espousing the O'Mahoney amendment is willing to ignore the workmanlike approach of organizations and groups such as NARUC. Furthermore, in 1942 it was the Roosevelt Administration and the Treasury, including Secretary Morgenthau and Assistant Secretary Sullivan, who were exercising relentless pressure for a drastic EPT while a more conservative Congress refused to go along. Today the roles are reversed. It is Congress, presumably more attuned to the wishes of the electorate, which espouses a more radical procedure.

The Line of Least Political Resistance

In the light of all these facts, investors and businessmen will, it is hoped, not fail to note the implications of the situation we have briefly sketched. Perhaps the nearness of the November elections is a contributing factor, but, if so, this is only a superficial answer. Candidates for public office usually conduct themselves in whatever fashion they believe will be in the best interest of or at least will be pleasing to their future constituents. Just now the great majority of Americans favor an Exess Profits Tax and would probably consider any delay of its enactment an attempt at stalling. Their desire does not stem from any cold statistical analysis of corporate income accounts, or balance sheets nor from any desire to inflict injustices upon any special group. They keenly feel the need of more Federal budgetary income to finance a growing military establishment, but the line of least resistance, politically speaking, is in the direction of "doing something" to profits rather than of cutting down non-defense appropriations. Corporate profits, therefore, appear to be more expendible than many superfluous governmental activities which are not related to the rearmament effort and could well be eliminated.

The root causes of the popular bias against "profits" spring from semantic rather than from arithmetic origins. Emotional rather than cerebral processes are at work here and, unfortunately, they are only slowly being recognized by business and industrial leaders on whose shoulders alone must rest the responsibility of coping with them. The campaign to smear, vilify and discredit the word "profit" is not new and is firmly based on Marxist principles. Despite the brilliant performance of American industry before, during and after World War II, it has been under almost constant attack for various alleged shortcomings and sins, chief of which is an accusation of making overly large profits. From the viewpoint of those who aim to destroy or enfeeble the American productive effort for whatever purposes they may have in mind —and there are several, not merely one — profits constitute the jugular vein. This is good Marxism, as anyone can recognize who is willing to wade through the heavy rhetoric of Chapter VII of "Das Kapital" which deals with "the labor process and the production of surplus value." Ever since Marx, Communists have never deviated from their belief that the quickest method of destroying capitalism is to smash the profit concept. The writer once asked a leading American Communist, "What do you really want?" and the answer was, "Your bond coupons and your dividend checks; the rest will fall in our laps." We wonder how many non-Communists and non-Socialist Americans, in and out of government who have aligned themselves against so-called "exorbitant," "excessive," "unconscionable" or "monopolistic" profits in recent years, have been aware that they were promulgating or parroting the official Communist "party line." One need only read the "Daily Worker" for confirmation of this. Communist literature is easily available. Here is an example culled from a pamphlet written in 1947 by a member of the editorial board of the "Daily Worker" addressed to a worker in a shoe factory owned by a mythical Mr. Jones:

"The profit (on the shoes produced), the interest, the rent came out of your labor and all of it goes to capitalists who had no part in the making of the shoes. . . . You will agree that Mr. Jones (the owner of the factory), Mr. Brown (the owner of the land on which the factory stands), and Mr. Smith (the banker who loaned the money to buy the machinery) are not entitled to take for themselves any part of the value you and your fellow workers have created. This is what is meant by exploitation and this is the essence of the conflict between capital and labor. Since the total of profit, rent and interest represent value created in excess of wages it is called *surplus value.*"

The cast of characters is always the same; Mr. Jones the shareholder, Mr. Brown the landlord and Mr. Smith the banker comprising the now familiar Mephistophelian triumvirate, complete with cloven hoofs, red tights, carrying tridents and waving arrowed tails. You need not go down to East 13th Street in Manhattan to search for them on well-filled shelves of the Worker's Bookshop among offerings of New Century Publishers, International Publishers and Labor Research Association which you will find there. You need only read the Congressional Record and the reports of hearings on profits and prices which have taken place from time to time in the last 15 years. Since V-J Day alone we heard in 1946 from Secretary of Commerce Henry Wallace that profits in the automobile industry were exorbitant. There were the investigations of the Joint Committee on the Economic Report in March and again in December, 1948, the hearings before the Presidential Steel Fact-Finding Board in July and August, 1949, and the Joint Committee on price increases in the steel industry in March, 1950. There was the widely publicized Nathan Report to the CIO on the Economic Position of the Steel Industry in 1949 followed by wide coverage of the subject by CIO, UAW and many other labor publications with a readership running into the millions.

Anti-Business on the Airwaves

The volume of anti-business propaganda on the radio has at times reached substantial proportions and has taken various forms, some of them quite subtle. Nor has our triumvirate of sin fared well in the movies and on the legitimate stage. Bear in mind that profit has been personified by a "profiteer," rent by a landlord and interest by a banker or coupon-clipping bondholder. In the cartoons they are heavy-jowled and silk-hatted and their stereotypes are invariably cruel, selfish, greedy and fishy-eyed. They are usually stuffed shirts, particularly when they are university trustees. Only recently has the public become even remotely aware of the tremendous amount of propaganda which has been ground out by government bureaus under various guises, much of it concerned directly or indirectly with "profits." The whole idea of public ownership of electrical power facilities is based on so-called "cheap" power which is not "cheap" at all, but only subsidized. Whether it issues from the FPC, the Army Engineers, the Department of the Interior, the REA, the TVA or any other of the scores of public power protagonists' agencies or auxiliaries, the propaganda invariably seeks to gain reader or listener acceptance wholly or partially on the basis that it is free from the taint of private profit.

Space prevents further exposition of the extent to which the fierce and continuous drumfire of the Left has been concentrated against the word "profit." While the Communists own the original title-deeds to this form of semantic warfare, yet they have had little success in openly promoting it themselves. Earl Browder or William Z. Foster on a coast-to-coast hookup attacking the size of duPont's or General Motors' net profits might be novel entertainment by some standards, but their Hooper rating would be pretty low. If, however, a prominent "Liberal," cloaking himself in the lily white vestments of social virtue would do likewise, he would command respectful attention. The "liberal" attitude toward profits has been precisely like that of the Marxists save only in degree of intensity. This is natural since the American "liberal" movement trends in the direction of greater, not lesser, state control and is not liberal at all in the classic sense of that word, but instead is collectivist. The American "liberal" is therefore a pseudo-liberal, and by capturing the word "liberal" has perhaps perpetrated the most colossal semantic larceny of all time. If you indict him with this philosophical crime he will instantly accuse you of being a "reactionary" or a "Wall Street stooge," yet the thousands of pages of Milton, Locke, Mill, Spencer and other 18th and 19th Century philosophers constitute abundant testimony against him. Just as the Kremlin has used its puppets and satellites to assist in achieving various objectives so have the American Marxists been able to benefit from a multitude of services performed freely and unwittingly for them by the "liberals."

Businessmen, investors and anyone else seeking to prevent the enfeeblement and possible disintegration of the American productive economy have a difficult task ahead of them. A great deal has recently been said and written about the fact that the business executive must learn to "sell" the American system as ably and effectually as he has sold his gum, his motor cars, his cigarettes and his refrigerators. He must be able to explain to his own employees and also to the public at large what makes the industrial machine tick and what [illegible] standard of living. He must become articulate and learn to debate the controversial economic and political questions of the day with his adversaries at the drop of a hat. Much is being accomplished along these lines and a great educational process is proceeding along many fronts. Scores of organizations, foundations and groups are joining the crusade. Nevertheless, we question whether their efforts will fully succeed. There must be a complete reorientation of the national attitude toward profits, and the approach must be not only [illegible] ic and philosophical as well. The case of the demand for an Excess Profits Tax shows that Marxist infiltration and influence in America has continued to gain since 1942. It actuates, colors or perverts the thinking of millions who are neither Marxists and who do not consider themselves Leftists. It will not be sufficient to reach the masses with simplified economics for the masses are always swayed by the intellectuals and the latter, including many educators, scientists, artists, sociologists, [illegible] etc. have enormous power of influencing opinion.

Whether or not we have a quickie EPT or not or whether an EPT becomes effective on July 1, last, or October 1, or January 1, 1951, is perhaps not so very important. What we feel is imperative is for Americans to recognize, classify or label the [illegible] sophical cross-currents affecting our lives and the conduct of our business affairs in order to deal adequately with them in the fashion we desire.

J. Barth to Admit

John F. Garvey, member of the New York Stock Exchange, will be admitted to partnership in J. Barth & Co., members of the New York and San Francisco Stock Exchanges, on Sept. 14. He will make his headquarters at the firm's New York office at 14 Wall Street. Mr. Garvey is retiring from partnership in La Branche & Co.

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The State of Trade and Industry

the "Iron Age," national metalworking weekly. Defense orders are increasing and hitting critical spots in the steel market.

Purchasing agents cognizant of the situation are making every conceivable move to strengthen their inventories of steel and other scarce materials before their efforts become stalled by the controls they know are coming.

The real cause for concern is the fact that there is no slack which can be taken up by defense orders, as there was before the last war, this trade authority notes. In 1939, the last year before war orders really boosted steelmaking, the steel industry operated at an average of 64.5% of rated capacity. But when the fighting broke out in Korea steelmaking operations were at 100% of capacity, despite the fact that the steel industry had boosted its capacity by 20%. And 99% of the steel being shipped was for peacetime use. Although consumers have been receiving record shipments of steel, their own record-breaking manufacturing operations have chewed it up as fast it was received, the "Iron Age" adds.

The half-billion dollar increase in the tank program is already being felt, with some steel companies already starting to rearrange facilities and hiring more workers to produce armor plate.

Requirements for the expanded military aircraft program are showing up in an increased demand for stainless steels. Demand for alloy steel is stronger than at any time since the last war, with fourth quarter order books on both electric furnace and openhearth alloys jammed; producers could take orders for first quarter '51 if they wanted to, this trade paper points out.

On top of this, diversion of nickel to the strategic stockpile has resulted in further cuts in allotments. Producers this month expect to receive only about half as much nickel as they were getting a few months ago. This will call for real belt-tightening within three months.

In order to help relieve the acute shortage of nickel, the Federal government will spend $5 million to reactivate the idle nickel facilities at Nicaro, Cuba, the "Iron Age" learned. An additional $9 million will be spent to reopen five magnesium plants vital to the aircraft program.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 98% of capacity for the week beginning Sept. 4, 1950, compared to 97.1% a week ago, or a rise of 0.9 point.

Notwithstanding the fact that Monday was Labor Day and a national holiday, steel output shutdowns were cut to a minimum, resulting in slightly higher production.

This week's operating rate is equivalent to 1,890,100 tons of steel ingots and castings for the entire industry, compared to 1,872,800 tons a week ago. A month ago, based on new capacity, the rate was 99.9% and production amounted to 1,926,800 tons; a year ago, based on the smaller capacity then prevailing, it stood at 84.2% and 1,552,200 tons.

Electric Output Establishes All-Time High Record

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 2, was estimated at 6,459,386,000 kwh., according to the Edison Electric Institute.

Electric kilowatt output for the latest week broke through all previous high levels to attain an all-time high peak.

It was 113,883,000 kwh. higher than the figure reported for the previous week, 915,473,000 kwh., or 16.5% above the total output for the week ended Sept. 3, 1949, and 989,847,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Slightly Under Previous Week

Loadings of revenue freight for the week ended Aug. 26, 1950, totaled 836,744 cars, according to the Association of American Railroads, a decrease of 14,281 cars, or 1.7% below the preceding week.

The week's total represented an increase of 89,533 cars, or 12% above the corresponding week in 1949, but a decrease of 54,922 cars, or 6.2% under the comparable period of 1948.

Auto Output Up Due to Unbroken Production at Chrysler

According to "Ward's Automotive Reports" the past week, motor vehicle production in the United States and Canada of 188 264 units, compared with the previous week's total of 179,042 (revised) units and 146,039 units a year ago.

Ward's said Chrysler plants, following the wage pact announced last week, maintained unbroken operations for the first time in a month. Pressure strikes at Ford factories had slight effect on output, the agency reported, while General Motors operated at near-peak rates.

Total output for the current week was made up of 151,407 cars and 27,038 trucks built in the United States and a total of 7,147 cars and 2,672 trucks built in Canada.

Business Failures Drop Sharply

Commercial and industrial failures declined to 143 in the holiday-shortened week ended Aug. 31 from 176 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties fell below the comparable 1949 level of 174, but remained above the 94 which occurred in the similar week of 1948. Continuing considerably below the pre-war level, failures were down 38% from the 229 recorded in the corresponding week of 1939.

In all but three regions, the New England States, the West North Central, and Mountain, failures declined during the week. A decline from 1949 occurred in six of the nine regions, increases were reported in the Middle Atlantic and East Central States while the Mountain area remained unchanged from a year ago.

Food Price Index Soars Sharply to New Two-Year High

A sharp rise boosted last week's wholesale food price index to a new two-year high of $6.69, according to Dun & Bradstreet, Inc. The Aug. 29 figure was 13 cents, or 2% above the $6.56 of Aug. 22 and was well above the $5.78 of a year ago. It was the highest since the $6.70 reported on Sept. 28, 1948.

The index represents the sum total of price per pound of 31 foods in general use. It is not a cost-of-living index.

Commodity Price Index Reaches Highest Level Since Early July 1948

A further strengthening in wholesale commodity markets last week lifted the Dun & Bradstreet daily wholesale commodity price index to the highest level since early July 1948. The index closed at 286.30 on Aug. 29, as compared with 281.34 a week earlier, and with 239.26 on the same date a year ago.

Movements in principal grain markets continued irregular, with net price changes small.

Trading in grain futures on the Chicago Board of Trade last week fell to the lowest level in over two months.

Trade and speculative interest was very slow, largely reflecting uncertainty surrounding the Far Eastern situation and slowness of export demand.

Total sales for the week aggregated 120,152,000 bushels, or a daily average of about 20,000,000 bushels. The latter compared with 28,000,000 bushels the previous week and 28,500,000 in the like week a year ago.

Exports of wheat and wheat products for the season ended with June 30 totaled 302,000,000 bushels, as compared with 506,000,000 bushels in the preceding crop year.

Corn prices were relatively firm, with buying stimulated by the lateness of the crop and fear of killing frosts. Prospects for the spring wheat crop continued favorable both in the United States and Canada.

Business in the domestic flour market remained in limited volume, with most users said to be well covered three to four months ahead. Under steady dealer and manufacturer demand, the cocoa market developed a somewhat firmer tone at the close. Trading in coffee continued in good volume and spot prices remained firm.

Domestic cotton prices moved in a relatively narrow range last week with the general trend continuing moderately upward. Activity in spot markets decreased quite sharply.

Total reported sales in the ten markets the past week were 189,200 bales, comparing with 337,100 bales the preceding week and 106,100 bales in the corresponding week a year ago.

Offerings were well absorbed, aided by steady mill price-fixing.

Strength in the more distant futures was prompted by the outlook for a tightening in the supply situation as the present season advances. Other bullish influences included the favorable outlook for domestic consumption, continued good export demand, and the expectation of a further rise in the mid-August parity price.

Ginnings from the 1950 cotton crop prior to Aug. 16, as reported by the Bureau of the Census, totaled 447,000 bales, a drop of 19% from the 555,000 bales ginned to the same date last season. Demand for practically all kinds of gray cloth continued active at firm prices.

Trade Volume Rises Moderately the Past Week

With the continuance of cool weather and the advent of fall buying over many parts of the country, consumer spending rose moderately in the period ended on Wednesday of last week. The dollar volume of retail sales continued to be moderately above the level for the similar period in 1949, Dun & Bradstreet, Inc., reports in its latest summary of trade.

Shoppers bought a larger number of coats and suits last week than in the previous week and the comparable week a year ago.

Promotions aided in the sales of such articles as velvet dresses, angora and cashmere sweaters, misses' and women's fur-trimmed coats and wool jersey sportswear. Fall and winter worsted men's suits were also featured in widespread promotions.

Consumer buying of food was almost unchanged the past week, with dollar volume slightly under the high level of a year ago. While unit sales were steady in many items of both fresh and canned produce, increased price levels of varying magnitudes brought about rising dollar sales in these items; among them were legumes, red meats, dairy products and poultry products.

Consumer interest in house-furnishings rose moderately in the week and was slightly above the level of a year ago.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 5% to 9% above a year ago. Regional estimates varied from last year's level by these percentages:

New England, South, and Pacific Coast +4 to +8; East and Northwest +5 to +9; and Midwest and Southwest +6 to +10.

There was no perceptible change in the overall volume of wholesale ordering last week, though a seasonal amount of fall goods continued to be sought by buyers. Country-wide order volume was moderately above the level for the similar week a year ago. The number of buyers attending various markets dipped slightly from that of the previous week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 26, 1950, rose 16% from the like period of last year. An increase of 12% was recorded for the previous week from that of a year ago. For the four weeks ended Aug. 26, 1950, sales showed a rise of 20% from the corresponding period a year ago and for the year to date registered an advance of 4%.

Activity marked the course of retail trade in New York last week, but the increase percentage-wise over a year ago was less than in recent weeks.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 26, 1950, advanced 9% from the like period of last year. In the preceding week a rise of 7% was registered from the similar week of 1949. For the four weeks ended Aug. 26, 1950, an increase of 15% was noted and for the year to date volume showed no change from the like period of last year.

Continued from first page

Price Behavior of Stock Groups Since 1929

ings, the capital structures within a grouping are more alike than different.

(3) The impact of such external events as war, changes in the level and structure of taxes and new developments in science. Such events and developments do not have the same effect on all stock groups. The development of television, of course, booms the radio and television stocks but is a bearish influence on the movie group. The excess profits tax bears very lightly on railroads but very heavily on the chemicals.

Method of the Study

(1) The Standard and Poor group price indexes were set up for 62 groups from September, 1929 to June, 1950. Certain cyclical turning points were then selected. These turning points were as follows:

Highs	Lows
Sept., 1929	July, 1932
Mar., 1937	Mar., 1938
May, 1946	May, 1947
June, 1950	------

It will be noted that 1942 was not selected as a low point even though the averages were very slightly lower in that year than in 1938. The long period, 1938-1946, was taken as a bull market with a 1942 interruption.

(2) For each of these downward or upward movements the 62 groups were arranged in rank order on the basis of volatility. For example, in the downward movement from September, 1929 to July, 1932, the metal fabricating and leverage investment companies groups showed the greatest percentage decline. They were therefore given rank orders 1 and 2. On the other hand the tobacco products group showed the smallest percentage decline. It was therefore assigned rank order 62. For the rise from July, 1932 to March, 1937 rank orders were assigned on the same basis. The metal fabricating group showed the greatest percentage rise and was therefore given rank order 1. The food chain group showed the smallest percentage rise and was given rank order 62.

(3) Coefficients of rank order correlation were then computed between group movements for each major swing and its subsequent correction as follows:

1929-32 compared with 1932-37
1932-37 compared with 1937-38
1937-38 compared with 1938-46
1938-46 compared with 1946-47
1946-47 compared with 1947-50

(4) The data were then examined in order to determine the stock groups whose price behavior in the various cycles and over the entire period was distinctive and especially those whose pattern of behavior in one phase of the cycle was markedly different than in the other phase. The data were also examined in order to discover those groups that displayed at least a relative secular downward or upward movement. In other words the data were examined in order to identify the groups that over the entire 21-year period either distinctly outperformed the market or distinctly lagged behind the market.

Results

The coefficients or rank order correlation between the magnitude of the rise and fall—or fall and rise for the various cycles is presented below:

	Coefficient of Rank Order Correlation
1929-32 fall compared with 1932-37 rise	+ .544
1932-37 rise compared with 1937-38 fall	+ .434
1937-38 fall compared with 1938-46 rise	+ .665
1938-46 rise compared with 1946-47 fall	+ .613
1946-47 fall compared with 1947-50 rise	+ .065

It is not easy to interpret coefficients or rank order correlation. How high must the coefficient be in order to justify a conclusion that a high degree of relationship exists. Much depends, of course, on the size of the sample. Here it would appear that 62 groups constitute an entirely adequate sample. Much depends, too, on whether the failure to achieve a perfect correlation is due to the extreme deviation of a few items in the sample or more or less consistent deviations of most of the items in the sample. In general it may be said that a coefficient of correlation if .50 or higher measures a high and probably significant degree of relationship.

It seems reasonable to conclude, therefore, that from 1929 to 1946 there was a high degree of relationship between the movement in the upward and downward phase of the cycle. This is another way of saying that from 1929 to 1946, the stock groups that went up the most, were quite likely to fall the most, in the subsequent decline and vice versa. This is perhaps not surprising; after all, the factors that make for volatility — marginality, capital structure, etc.—should be expected to operate both on the upside and on the downside. Perhaps the surprising thing is that the coefficients did not approach +1.00.

But this is a dynamic world and various stock groups cannot be expected to remain in the same relation to each other. Economic changes may force a group to rather persistently decline even in periods of general market strength. Similarly such changes may cause a stock group to rather persistently advance even in periods of general market weakness. But we are only showing here that from 1929 to 1946 it was *generally* true that stock groups which fell most in a decline were likely to rise most in a subsequent rally and vice versa.

Why the Low Correlation Between the 1946-47 Decline and the 1947-50 Rise

The above data indicate that there was little or no relationship between rank order in the 1946-47 decline and the rank order in the rise of 1947-50. This fact is not one that requires involved mathematics as proof. During the rise from the summer of 1949 to June, 1950 it was a favorite topic of boardroom conversation. Who has not heard the complaint, "the market may be up, but my stocks are down." All that is demonstrated by these data is that there was sound basis for the belief that the 1949-50 movement was a strange kind of bull market. The stock groups that went up most were not necessarily those that declined most after 1946. Nor was it true that the laggards on the rise were necessarily the groups that showed the greatest resistance to the 1946 decline.

We can only speculate as to why this was so. It will help, however, if we can identify the stock groups whose behavior in the 1946-50 cycle showed a highly negative relationship over the two phases of the cycle. The two groups will be, of course, (1) those that fell relatively little in 1946 but rose vigorously to 1950, and, (2) those that declined by large percentages in 1946 and showed very little rallying power in the rise to 1950. Six groups in each classification are shown below:

Groups that Fell by Large Percentages in 1946-47 but Failed to Show Important Recovery to June 1950

Air Transport
Apparel
Drugs and Cosmetics
Floor Covering
Printing and Publishing
Motion Picture
Woolens

Groups Showing Relatively Small Declines in 1946-47 but Relatively Vigorous Rise to June 1950

Automobiles
Chemicals
Office and Business Equipment
Petroleum
Soap and Vegetable Oil
Fire Insurance

Why the Erratic Performance Since 1946

Why was there such an erratic behavior of the various stock groups since the downturn in 1946? Why did not the stock groups that went down most after September 1946 rise the most in the subsequent bull market? Here all we can do is to speculate and perhaps offer a very tentative hypothesis.

In the first place it is entirely possible for a stock group to rather persistently rise or fall without very much regard to intervening cycles. In other words there is such a thing as secular movement. The behavior of coal stocks, motion pictures and New York banks are illustrations on the down side. Chemical and paper stocks are perhaps illustrations on the upside. Stock prices reflect the changing world and given the right circumstances a stock group can continue to rise or fall without reference to its previous behavior or the behavior of other stock groups.

Such movements do not necessarily mean that previous price levels were wrong. It means merely that the world has changed. The long decline of utility holding companies after 1929 reflected the changed legislative and judicial attitude toward those companies.

But such secular movements cannot serve to explain the lack of correlation between the order of decline in 1946 and the order of rise to 1950. If there had been a general lack of such correlation over the entire 21 year period, such secular movements might be a reasonable explanation. But the fact is that there was a rather high correlation until 1946. The lack of correlation in the fall and rise from 1946 to 1950 suggests that investors were misjudging relative values in 1946 or perhaps they were misjudging them in 1950. If we have some confidence generally in the collective judgment of investors at least with reference to relative values of stock groups—in short, if we are true liberals—how can we explain the unusual group movements of 1946-50?

Under ordinary circumstances stock prices more or less currently reflect the changing world. The hypothesis in here offered that during the war period the regulated and managed economy and the tax structure made it difficult or impossible for investors to appraise relatively the prospects of various stock groups. In 1946 they were confronted with postwar reality. Since war time controls and the excess profits tax served to generally level corporate incomes, investors were deprived of the usual basis for continuous group price adjustments. Relative prices in 1946 then were abnormal because of this long suspension of the usual process of continuous informed investor appraisal. Therefore the 1946 decline was not only a decline in the general level of prices, but also a readjustment of group prices to what was finally determined to be reality.

In short the role of the investor-speculator is that of bringing prices in line with values, in the language of Mr. Justice Holmes "adjustment to the probable." Under reasonably competitive circumstances this process is continuous and changing future prospects are quickly reflected in price changes. In such a normal competitive circumstance, investors may be fooled but not for long. True, all prices may go above or below value but group relationships are kept in reasonable adjustment by the "bloodless verdict of the market place."

But the four years preceding 1946 did not represent a "normal competitive market." The war and the excess profit tax operated to create a situation in which investors had no adequate basis for judging future prospects of various industrial groups. They could, to be sure, make some calculations which would serve to estimate earning power based on an assumption of elimination of the excess profits tax. But due to differences between taxable and reported earnings, accelerated depreciation, etc., such calculations were likely to be wide of the mark. Moreover they could make broad guesses as to ex-war earning power. Witness the very low price-earnings ratios of the airframe manufacturers during the period of high wartime earnings. It was difficult or impossible, however, to estimate the proportion of earnings that were really war derived and the amount of earnings that could be expected to carry over into the period of peacetime competition. For this prolonged period there was lacking the possibility of continuously checking judgment with reality. Investors were in effect "flying blind." They appear, for example, to have overestimated the peacetime earning potentials of the airlines and underestimated earnings potentials of the motor manufacturers. Such cumulative investor errors are possible because of the impossibility of adjustment to changing realities.

According to this hypothesis, then, the group disorganization following 1946 represented a belated adjustment of the cumulative uncorrected errors of judgment of the war period. If the hypothesis is sound, it would seem to follow that to expect the laggard groups to "catch up" with the market would be absurd.

The Investor in a Managed Economy

During wartime it is not difficult to agree on the general direction of production. It must be essentially directed toward the production of war goods and minimum civilian needs. These are much easier to estimate than the peacetime wants of a high level economy. If a managed economy is ever justifiable, it is in time of war. Here everyone is aware that production is not directed toward civilian wants and needs. Even here, too much management, too much dictation, too little reliance on the price and incentive system, may result in reduced war production.

Essentially the case against the peacetime managed economy is that investors are prevented from carrying out their essential role of directing society's funds into industries whose products are most wanted by consumers. The inevitable consequence is misdirected production. Perhaps we should talk less about free enterprise and more about the importance of free markets. After all enterprise has never been free of the essential dictation of consumers and investors. The important question is whether production is to be guided by the free choices of consumers and investors or by a group of government "planners."

The essence of our hypothesis then is that whenever there is an extended period of planning followed by something at least resembling a free market there is likely to be reshuffling of the relative prices of various stock groups. Such a disorganization, as in 1946, represents an adjustment to the real wants and desires of consumers.

It may be of interest to examine the groups that have shown the best and the worst absolute performance in the period since 1929 as well as those that have shown generally the greatest and the least volatility over the same period. These are shown below:

Greatest Volatility

Metal Fabricating
Woolens
Air Transport
Paper
Machinery
Auto Tires and Rubber
Cement
Distillers
Rayon and Silk
Leverage Investment Co's.

Least Volatility

Tobacco Products
Confectioners
Telephone and Telegraph
Miscellaneous Foods
Shoes
Utility Operating Co's.
Soap and Vegetable Oil
Baking and Milling
Metal Containers
5c to $1.00 Chains

Best Performance

Soft Drinks
Distillers
Glass Containers
Cotton
Rayon and Silk
Shipbuilding
Paper
Confectioners
Finance Co's.
Textiles

Worst Performance

Leverage Investment Co's.
New York Banks
Radio Broadcasting
Printing and Publishing
Motion Pictures
Utility Holding Co's.
Coal
Metal Fabricating
Railroad Equipment
Utility Operating Co's.

Wm. A. Fuller Corp. Formed in Chicago

CHICAGO, Ill.—Announcement of the formation of the William A. Fuller Corporation for the specific purpose of wholesaling investment trust shares in the Middle West, was made today by William A. Fuller, President. Richard S. Harwell, in charge of sales for the new corporation, is Vice-President.

"In recognition of the fact that mutual fund shares are becoming an increasingly larger part of the dealers' volume," said Fuller, "we have decided to form a new company which will specialize in wholesaling these securities."

The new Fuller Corporation will not affect the operations of William A. Fuller & Co., which is one of the leading over-the-counter trading houses in the midwest. Neither the present company nor the new corporation, Fuller indicated, will do business with the public, but are limited to wholesale operations with dealers only.

Fuller is senior partner of William A. Fuller & Co., and has been associated with the securities business since 1922.

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Labor's Security Package And the Collapsing Dollar

some to walk in darkness where they could walk better with the lights on.

When you can pick up the morning paper and find out how much gold your dollar bought yesterday in a free market, you can see which way you are going, and your government can be required to watch her step. Government cannot let the purchasing power of its money, or substitute for money, decline month after month for years, as our government has been doing. Workers will not stand for it, and pensioners cannot. What is a $100 per month pension if it takes a dollar to buy a dime's worth of goods? The franc lost not 90% of its value, but 99%, and we are traveling down the same road.

Mr. Heimann says our debt is $6,400 per family. That is a large debt, but it is owing by all our people to our bond-buying group. The danger is not in the size of the debt but in the fact that we are crawling out of it in lieu of getting back of it and paying it off. A debt is not necessarily a handicap to an aggressive nation; it may be helpful. While the debt is being paid off, the nation is at least assured of a substantial supply of capital for healthy expansion and increased efficiency. Lack of capital for expansion is a very serious handicap; beat our creditors out of their savings and we will be under that handicap until long after we have changed our ways.

We have no sympathy with those who take a pessimistic view of the times. To be sure, we have problems but so does everyone who accomplishes anything. We have greater "well-developed" resources than all the rest of the world put together. Furthermore, our operating efficiency has been increased, so that whereas a century ago it required 80% of our people to live on the farms, and work 12 to 15 hours per day to keep the wolf from the door, now it is such that 20% of the population living on the farms can raise more than all others can eat.

Before concluding, we again call attention to the following two sentences from Mr. Heimann's analysis:

"The continuing decline in the purchasing value of the dollar over the years should have been protested much more vigorously, not only by every citizen but by business, and particularly by those businesses dealing in future promises to pay. This decline constitutes, of course, an appropriation of one's life savings, or an indirect confiscatory tax."

That is Mr. Heimann's way of telling us that our collapsing dollar is robbing our people of their life savings. Such being the case, let us try to find out who is being robbed; how it is done; where the loot is going; and what the ultimate impact upon our nation will be.

Our national economy is supplied with capital, for all practical purposes, by just two types of investors, which we will call Class I and Class II.

Class I Investors are primarily money lenders. Having currency or deposits, they buy bonds, mortgages, preferred stocks, and, in general, invest in loans of any kind that look good to them. If to such direct advances are added, life insurance, annuities, pensions, and social security obligations, the total accruing to this class of investors, inclusive of $250 billion U. S. Government bonds, is doubtless in excess of the nation's tangible wealth. It is thus seen that collapsing the dollar is not robbing just a few, but our nation's principal source of liquid capital —the savers; also, that unless headed off, this collapsing process will make the dollar what the continental is, a synonym for what is worthless.

Class II Investors provide venture or risk capital. Common stocks are, of course, their prime investment, although millions of unincorporated concerns, inclusive of 6 million farm operators and 60 million employees, who are in the venture, willy-nilly, are included in these Class II Investors.

Many, if not most, investors have funds in both of the above classes. Nevertheless, nearly all major in one or the other line, and not in both. Those who do get into both classes on anything like a 50-50 basis, are not important enough to affect the general picture. When Mr. Heimann talks about those who are losing life savings, he refers to Class I Investors; Class II are more likely to be enjoying the loot, for which they should not be blamed, so long as they did not know where it was coming from. Now that we do know, it is up to all of us to watch our step.

The Fate of the Bond Buyer

Let us now review the problem from a wider angle. It is evident that the gross intake of the nation accrues to Class II Investors; also that after taking care of current operations, such Class II Investors have two obligations that are deducted from earnings. These are: first, taxes; second, maturing principal and interest on borrowed capital. What is left after deducting these, constitutes the nation's contribution to Class II Investors, available for distribution. But the collapsing dollar changes this picture to this extent: it provides facilities whereby the Class II Investor can pay his debts to Class I with dollars of less purchasing power than those in use when debts of long standing were contracted. While the dollar has say half its original purchasing power, it only beats Class I Investors out of half of what is coming to them, but the forces that knocked half of the purchasing power out of the dollar are fully capable of knocking out the other half. Thus the collapsing dollar lays the groundwork for the elimination of Class I Investors; in fact, for the destruction of dollar business generally, until new currency can be supplied after the final collapse.

Perhaps we should make this clearer with an illustration, so here is one. During World War I, a certain party had accumulated funds to build a residence, but he was persuaded to purchase government bonds instead. He has held the bonds since that time until they are now maturing. He will get back in payment on the principal the exact number of dollars that he put in, but their purchasing power for constructing a residence is now just about ⅕th what it was when he bought the bonds; construction costs having advanced to just about 500% of 1914 costs in this line. As a prospective house-owner in the above transaction, this investor has lost 80% of his purchasing power. When he bought the bonds, he had enough money to build—now he has ⅕th enough.

Furthermore, what happened to this bond-buyer is what has happened to such money lenders generally, although 80% is not the average but more like the maximum loss from the shrinking dollar, the average being more like 50%. But even the latter figure represents a loss of many years' earnings, since bond-owners have always been considered the owners of over half the nation's property, and now, with $250 billion of war debts to carry in addition to their former load, they doubtless own much more than half, at least would except for the collapsing dollar. They are our rich neighbors, and the suppliers of our borrowed capital—a vital necessity for effective operation as modern industry is conducted. We cannot afford to sell these friends and co-workers down the river, but they can be saved only by getting rid of our collapsing dollar and returning to honest money.

Part of Your Income Is Loot

From the above analysis, it is evident that neither a company's earnings nor its employees' wages have accrued altogether from its operations. A substantial part has resulted from shrinking the purchasing power of the currency in which debts are paid; a proceeding which, as has been repeatedly pointed out, loots the portfolios of those who save.

Such being the case, employers and employees, having both profited by the loot resulting from the collapsing dollar, can hardly do less than refuse to keep the heat on for higher prices and increased wages. Reasonable consideration for these sufferers requires that we go further and exert what influence we have toward correcting the monetary practices that are robbing our most dependable and helpful capitalists and associates.

If there are any who ought to be more concerned over maintaining the quality of our currency than any others, they are our labor leaders. When calamity strikes, their clients are the ones who get hit first and hardest. Workers should insist that their leaders do all they can to get back to honest money and out from under the collapsing dollar, which persistently loots at all levels and is no respecter of persons, but will, if given sufficient time, wreck industry generally.

What we have suggested for labor leaders applies no less to those who have to do with the employers' side of wage agreements. If the collapsing dollar runs its natural course until confidence in our currency is shaken, the sponsor for either side of such agreements can hardly escape being suspected of double-crossing. Mr. Heimann says, regarding our economy: "Regardless of its appearance, it is not healthy from any known standard of evaluation." Doubtless we can hardly expect to head off everything that is at all off standard, but for practices that meet "no known standards of evaluation" to get by, can but arouse suspicion concerning the integrity of those who sponsor them.

We started to tell who the collapsing dollar is robbing; how it is done; who is getting the loot; and what the ultimate impact on the nation is likely to be. We consider that we have answered the first three of these questions.

Now, as to the ultimate outcome: it is my judgment that if our people were promptly granted the freedom that savages enjoy — freedom to buy and sell gold in an open market—no great harm would result from this money-managing experiment down to date, since, as Henry Ford used to say, "Every experience in life is worth what it costs." On the other hand, if this collapsing dollar is allowed to go on to final extinction, it will break our economy and we will have to take a chance on what comes out of the reorganization. The rabble-rouser may or may not capture the country. Most European nations that had to bring out new currency lost much of what liberty they formerly had, while such problems were being worked out, if not permanently.

We conclude with recent remarks by Senator Harry P. Cain, the passage quoted being from the closing words of his address to a real estate group in Chicago, on Feb. 22, 1950:

"The Congress, I am sure, with or without White House cooperation, is ready and willing to play its part. But I must, and want to, warn you that the high lord of monetary justice and economic stability will help only those who help themselves. Your Congress is an instrument through which our American way can be restored and preserved or dissipated and destroyed. Your Congress looks to America for advice and assistance concerning what you want done. If you want money which is hard, reliable, and honest, I would urge you to give your very lives if necessary to attain it. If you are satisfied to let things and dollars drift and slide aimlessly as they have done for years, there is nothing my kind of people can do about it.

"Sound American homes and sound American dollars are inseparable. If you lose one, you are certain to lose the other. I came along this afternoon in hopes that together we might work and fight a little harder to save them both."

Note that the Senator says the Congress looks to us for advice and assistance concerning what we want done. None of us think through many of life's problems. We accept conclusions from those who have traveled the road before us. That is especially true concerning financial and monetary matters which are not readily grasped by many. It follows that if you have followed the reasoning of this paper to this point and have a definite opinion concerning the answer to the problems taken up, you should pass it along to friends you think would help in solving it.

We Must Be Realists, Too

"The struggle to preserve and extend freedom dominates the entire planet. Our greatest weapon in this battle is not the tank, or the heavy bomber or the atom bomb; it is the weapon of truth.

Oscar R. Ewing

"The liar tells us that freedom is slavery and that slavery is freedom. He tells us that self-defense is aggressive war. You and I know that these are lies; yet there are people in many parts of the world who believe these lies. They follow the Moscow line like mindless slaves. They accept the fantastic outpourings of the Moscow radio, and of its transmitter at Lake Success, Mr. Jacob Malik, as though this were the new gospel. . . .

"As of May of this year, he (the Russian worker) put in one hour and 48 minutes to pay for one pound of granulated sugar. An American worker can earn that much sugar in four minutes and a few seconds. Our Soviet worker puts in three hours and five minutes of labor to pay for one pound of dressed chicken. An American worker takes 18 minutes. In the worker's paradise, he would put in 43 hours and six minutes to buy his wife a simple cotton dress; in America it would take two hours and 14 minutes. . . .

"These are the raw facts (those cited above and others like them) which are the weapons in the conflict between the free world and the slave world. If they are known and understood by the two billion human beings who inhabit this earth, then there would be no danger that Communist lies would mislead people into fighting for their Moscow deceivers."—Oscar R. Ewing, Federal Security Administrator.

Much of what Mr. Ewing has to say is, of course, true, but there are certain other facts which we ourselves must not lose to sight. Here are some of them:

(1) For hundreds of millions of people on this globe what we should term slavery or half-slavery, has always been the normal way of life. They have no conception of and little interest in what we value so highly as freedom.

(2) The so-called free nations of the Western World are often at least partly responsible for this state of affairs. Hence to the better informed of the threatened or enslaved peoples it must seem strange to hear us preach the value of liberty to them.

(3) Much more than freedom is involved in the enormous difference in the economic welfare of the various peoples of the world. It may very well be true that full liberation of some of them would for a time at least bring economic hardship, not wealth.

If we are to win this battle of truth we must be realists, too.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week I sounded off about how it looked as if the market was headed down and pointed to the action of the two Dow averages to bolster my theory.

* * *

In the past few days the industrials have managed to sneak down for a couple of points and in doing so broke through what chart readers point to as a line. According to past performances such a break - through immediately indicates storm warnings and the trader who knows how to maneuver around either clambers down into the nearest storm cellar or puts out a couple of short lines.

* * *

Some traders have done both and the market has shown it, though not to any marked degree. But whether it was marked or not the fact became apparent that such selling, whether short or long, hasn't started the slide it was supposed to.

* * *

This brings us right back to a re-reasoning of the facts behind the facts; or rather the reasons for the non-performance. On one side we've had the rails go up and make a new high. On the other side we've seen the industrials shy away from a previous selling area. Taken together this spells "down." To further bolster this we've seen the industrials slip through a resistance zone. This combination in the old days would lead to only one conclusion.

* * *

The single factor that hasn't been included in this little Donneybrook is the Korean War. It hasn't been included because it simply cannot be weighed according to any known formula. Wars, no matter how large or small, breed news. Frequently this news is distorted for many reasons. A newspaper searching for headlines to beat its opposition; a politician running to a mike to sound off—all these play a part in any war news or a so-called interpretation of it. How to figure these is something I don't know the answer to.

* * *

I do know, however, that the market, being a cold blooded interpretive medium, disregards the emotional and translates the practical into the plus and minus signs you see daily.

* * *

All this in effect means that the too apparent signs of a stock market break will probably be washed away in the next few days. Instead of a break what we'll see is a dullness occasioned here and there by sudden but short activity.

* * *

At present levels I think there are at least two groups that indicate a gradual revitalization. These two are the oils and the sugars. I'm not going to be specific for the time being. But if you've got the time and patience, I'm sure you can find stocks in the groups I mention.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Culbertson With Television Shares

CHICAGO, Ill. — John C. Culbertson has become associated with Television Shares Management Co., 135 South La Salle Street. He was formerly head of Culbertson, Olsen & Co.

John F. McBride Co., Inc.

John F. McBride Co., Inc. has been formed with offices at 135 Broadway, New York City to engage in the securities business. Officers are John F. McBride, President; B. F. Harburger, Vice-President and Treasurer; and R. D. McBride, Secretary. Mr. McBride has recently been doing business as an individual dealer. Mr. Harburger was with E. M. North Co. and Cantor, Fitzgerald & Co., Inc.

UNO Equities

UNO Equities, Inc. has been formed with offices at 30 Pine Street, New York City to engage in a securities business. Officers are L. D Silberstein, President; C. K. Silberstein, Secretary; and E. Stroheim, Vice-President and Treasurer.

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Quoting Markets in Over-the-Counter Securities

time and expense and insures up-to-date markets on all listings.

The listings are received from the subscriber on special listing tickets provided for this purpose. These listings are sorted to separate the bonds from the stock, then arranged alphabetically according to the security. The file clerk who handles the work must have considerable experience to recognize the different names of securities which are often abbreviated and written in "Street" terms. Quite frequently the brokers will send in Canadian Pacifics, which they call "Canpacs" or Missiori-Kansas Pipeline, called "Mokan," so that our clerks have to be familiar with the proper way to file these particular securities.

The clerks also watch the prices and often catch typographical errors such as a dealer putting a price on one security that was intended for another. The tickets are then counted in lots of 125 and given to the typists for stenciling. Most of the typists have been doing this work for years, and if they spot any condition which would indicate an inaccuracy in the market, they will immediately call it to the attention of one of the editorial clerks, who would in turn check with the dealer to verify the quotation.

As each stencil is approved, it is passed along to the mimeograph department, where we have 22 mimeograph machines in operation. To these machines we have added our own attachments which bring our production up to 300 sheets a minute, against a normal speed of 150 sheets a minute. The pages are then collated, clipped into sets, and made ready for shipment.

In each city, we must have a definite closing hour. In New York and Chicago, it is 2:00 p.m., New York time. This closing must be adhered to rigidly because we have a very tight schedule to live up to. Train and plane schedules must be met in order that the subscribers will receive their service by nine o'clock the next morning. All New York sheets are delivered to subscribers east of Pittsburgh and Buffalo before nine o'clock each morning. The Chicago sheets are delivered to subscribers between Pittsburgh and Denver by nine o'clock the following morning, the Pacific Coast in turn covering the Pacific Coast subscribers. A subscriber has a right in Dallas, as a matter of example, to pay an additional air mail service charge so that he will get the New York sheets the following day. The Chicago subscribers receive the New York sheets the next morning, as we ship them in bulk by air freight every night. The first 500 sets of the Eastern sheets must be ready by 5:15 in the afternoon for special handling, to make the more distant points.

These sheets are picked up by a special truck and delivered to LaGuardia Airport for the air mail and air freight shipment. Messengers deliver to Penn Station and Grand Central, sets to cover cities like Pittsburgh and Portland, Me. Before 6:00 p.m. the entire operation is completed and in the hands of the postal and express people for final distribution to subscribers the next day.

Monthly Summaries

In addition to the Daily Service, we publish a Monthly Summary Service. That is this paper volume we have here, samples of which are enclosed in your literature. It is a summary of the issues which have appeared in the Daily Service and also covers many thousands of issues that, due to their inactivity, rarely, if ever, appear in the daily sheets. The main purpose of the Monthly Service is to put the subscriber in position to review the past market performance of both the active and inactive issues and to see what the last published quotation was. In other words, as the dealer receives an order in a stock, he would automatically refer to the Daily Service. If there were no bids or offerings in the current daily sheets, he would then refer to the latest Monthly Supplement. If the security did not appear in the Supplement, which is cumulative for six months, he would then refer to the Semi-annual Issue, which goes back for a period of five years, or, in some cases, even longer.

In addition to the current and old quotations, the Monthly Summaries give ranges on some 2,500 issues for a ten-year period, also important data relative to mergers and reorganizations, which is absolutely essential when a customer brings in a certificate of a corporation which has gone through reorganization or is in liquidation. In cases of this kind a summary would show where the certificate should be sent in the event of a liquidation payoff, or if new securities and cash were issued against it, it would give the approximate value of what the investor was entitled to receive and where he should go and get it.

We believe that in these books we have the most complete record of reorganizations, and what we call tradings, that is in existence under any one cover. We diligently check some several hundred newspapers and financial publications, to pick up all the local changes that occur—they may be Dallas, Texas, or New Orleans or Florida—and we think it is one of the very valuable features of this service for the investor's protection.

The Summaries also carry the principal address of most of the corporations listed therein, the important provisions covering conversions, redemptions and callable privileges, transfer agencies in the case of stocks, and trustees in the case of bonds.

One of the most important functions of this service is to protect the investor on the more inactive issues. The dealer who uses this service is pretty well assured that he is going to get the best price for his customer in practically every case where he is handling an inactive issue. The distribution of this service is not confined to security dealers like the Daily Service. Banks throughout the country use it in their trust and securities departments for appraisal purposes and to keep up with the current market on securities they hold in their custodian and trust accounts.

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Observations

satisfactory or unsatisfactory, as the case may be, for the average investor. In a table the first column lists the trusts alphabetically, the second column indicates the type of securities contained in the portfolio, and the third column states whether the trust is a "regulated investment company." But a fourth column contains the unique type of specific evaluating conclusions, watchful of faults as whether the organization is controlled by another company; whether there is too much concentration in particular industries; whether the management is believed to be burdened with conflicting interests; whether the resources are insufficient (under $1 million); whether individual holdings substantially exceed 5% of the total portfolio value, or investment in particular industries exceeds 10% of the total portfolio value, thus not providing diversification; whether the portfolio securities are considered unsuitable investments for the average investor; whether there is too much leverage; an unsatisfactory performance record; whether the information available is inadequate, and whether certain of the charter or management agreement provisions are unfair.

That Past Performance Test

As a conclusion to these tabulated data, nine trusts are definitely recommended. While the authors are to be commended for their forthrightness in thus "sticking their necks out," the basis for their choices seems to evidence some widely-held confusions, as well as the difficulty encountered by the ordinary investor in making his choices. As the authors explain, in the making of their final selections major weight is given to the trusts' *performance* records. But—as the authors themselves seem to appreciate—the popularly-employed technique of judging the individual funds by past performance is subject to great dangers. To this writer, not only are the abuses in demonstrating performance important, but in principle the current great emphasis on past performance is fallacious. The technique of judgment on the basis of comparative past performance—a la horse-race-doping—overlooks the fundamental fortuitousness of capital gains (in addition to the specific abuses as comparing funds committed to differing investment policies, choosing-the-periods, improper crediting of dividends, etc.).

Management Expense and the Discount

It is your columnist's conviction that the relative long-term annual management expense items and selling "loads" are generally being given too little weight vis-a-vis the past capital gains "achievements." And in this connection the Institute's authors have neglected the opportunity to show the comparative advantages of many of the *closed-end* over the *open-end* funds. For several unpromoted and little-understood Exchange-listed trusts selling at a discount of from 15% to 30% thereby give the purchaser the opportunity to enjoy the benefits of expert management at a cost to him of less than nothing. Thinking constructively in terms of regular annual income-yield, the investor can be secure in the knowledge that the proportion of gross income from the portfolio which is deducted for management costs, is more than covered by the market discounts ruling on the shares of several available well-managed closed-end trusts—leaving him net investment income of 6%—7%.

The Switching Evil

It would seem also that our authors, as well as others within and without the industry, could well devote effort to curtailing the current activities of salesmen persuading existing holders to switch from fund to fund. Alleged favorable performance demonstrations are used in this process too, somewhat similar to the traditional selling pressures used in life insurance where salesmen have been prone to make holders dissatisfied with their existing policies.

Likewise on the "reform" phases, the Institute and others could perform constructive service in pointing out to the community of investors their over-satisfaction with the well-known blue chip issues, irrespective of value appraisal factors, which together with their overemphasis on short-term performance and market-timing demands, practically force trust managers to indulge in competitive window-dressing in lieu of logical portfolio management policies.

Fiduciary Participation

The pamphlet devotes a nominal amount of space to the importantly growing question of the *Prudent Man* principle. In discussing the use of the investment company device by fiduciaries, the authors conclude that they "see no reason for corporate trustees to incur the fees charged by the managers of investment trusts if the funds are sufficiently large to justify direct investments." But this observation again overlooks the opportunity given by the discounts which exist on the closed-end trusts to compensate entirely for the fees paid to the managers. In taking advantage of such opportunities, fiduciaries surely are performing an entirely proper value-selection function.

There is no hard-and-fast conclusive answer to this question of fiduciary-functioning or to other phases of the investment trust process, such as appraisal of individual managements. But if the book under our consideration did nothing else, it still would uniquely be performing a constructive service in making trust managers aware that a disinterested group is continuously subjecting their operations to impartial scrutiny and publicity.

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Estate Planning—Mobilize Now

us, if we fail to take the necessary precautionary steps to prevent them.

It would be so easy for each family to make an inventory of its assets and liabilities. The next step would be to have a conference with an Estate Planner, their Attorney and their Life Insurance Underwriter. In the event that a person is in doubt as to the Estate Planner, I might inject a thought on that point. There is one in most of the larger communities now because this is an especial service rendered by many trust companies and those banks with trust departments. They have qualified trust officers, who because of their wide experience in this field, can be very helpful in the specialized work of assisting the attorney and the life underwriter on estate plans. And from my own experience, I can say that they place as much emphasis on the human aspect of this type of work, as on the purely technical phase.

The professional team-work of the Trust Officer, the Attorney and the Life Insurance Underwriter will afford each family the maximum of security and protection. From the meetings with this group, there will emerge a plan which is tailor-made to fit the needs of the particular family. Perhaps the insurance has been taken care of adequately and the only thing that is needed are wills for the husband and wife. Perhaps these wills will contain provisions for a trust to accomplish one of the objectives mentioned above. On the other hand, a new trend in estate planning may be best for accomplishing the objectives of a family. This new trend is a combination of a Living Trust (it only means a trust which is established during a person's lifetime) and a Will, with the latter relegated to a minor position. The Living Trust, in effect, permits a person to see his will in operation. Furthermore, under such an arrangement an estate is not probated and thereby subject to the publicity, high costs and delays of all probate courts. The Will, under such a plan, then acts as a "catch-all" and transfers any loose ends to the Living Trust.

As soon as a person has executed a will, he has taken advantage of the privilege of selecting the executor of his estate. And in these uncertain times, especially, this is a very important factor. Everyone wants to be sure that his executor will be available to act when called upon to do so. In working with the Trust Officer on an estate plan, a person understands and becomes acquainted with the Trust Company and its entire staff of specialists in the various fields—Investment, Tax, Property Management and Accounting. He then knows that if he selects the Trust Company as his executor, he, ineffect, has a well-rounded group of trained individuals, who are specialists in the necessary fields, to administer an estate. And, further, he knows that his executor will always be available and qualified to act.

Of course, it is quite possible that a family may find that its present plans will still accomplish its objectives and that no changes are required. Nevertheless, they have the satisfaction of knowing that they have reviewed their plans, which is a periodic "must" insofar as all estate plans are concerned. I can say, however, that, due to the great laxness which heretofore has prevailed in setting up good estate plans, this finding probably will be the exception rather than the rule.

Another by-product of estate planning is that a person has the opportunity to review carefully his individual assets. This, too, is also important under present-day uncertainties when continual changes in our economy may have a vital effect upon many stocks and bonds, as well as other types of assets. Whether we continue under a defense or a war economy, there can be various governmental controls, such as priorities, rationing and price controls, together with increased taxes, which will affect some industries more than others — some companies more than others. And there is an equal obligation to a family to protect investments from day to day and to insure the best management and supervision for them that we can find. No one person, especially one who is not devoting is entire time to the field of investment, can hope to accomplish his objective of maintaining sound investments, particularly under the complexities of our current economy. Mr. Arthur Stone Dewing made a pertinent comment on this very subject in his well-known book, "The Financial Policy of Corporations," published by The Ronald Press Company, New York City.

". . . the school teacher, clergyman, lawyer, dry goods merchant, and shoe manufacturer know enough about their respective businesses to feel assured that the ordinary uninitiated could not succeed without long and specialized training. Yet these same men stand ready to embark on one of the most intricate businesses — that of investment—requiring perhaps the most extensive and far-reaching specialized knowledge of any profession or business."

So, there are plenty of reasons why everyone should begin work on his or her estate plan. It is an ideal time to begin our mobilization right at home. Every person, whether of small or large means, should mobilize his personal assets immediately—before it's too late! If this is done, every family will be prepared for any eventuality. And the basic principles of freedom, on which our country was founded and for which it still stands, will be further strengthened.

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Bank's Role in Present Struggle With Communism

sonnel requirements, and the government's operating costs, in World War II: Federal expenditures during the war amounted to $398 billion. Of this amount, $175 billion, or 44%, was obtained from taxes collected during the war. The balance of $222 billion, or 56%, was raised through borrowing from the banks and from private and institutional investors such as individuals, insurance companies, and trust funds. The banks underwrote the success of every Treasury War Loan Drive.

The Secretary of the Treasury requested the American Bankers Association to form a committee advisory to him throughout World War II. At the Secretary's call, the committee offered suggestions regarding the size and placement of each borrowing operation; the nature of the government securities offered; their terms, maturities and interest rates. It suggested sources of funds to be borrowed, with a view to spreading the debt as widely as possible among various types of investors, to minimize its inflationary effect.

This ABA Committee, now known as the Committee on Government Borrowing, has continued during the past five peacetime years to meet periodically with the Secretary of the Treasury, at his request, to consult with him on postwar management of the debt. In view of the new war developments, we are prepared to continue this service at the Secretary's pleasure, and the banks will cooperate fully in war financing.

Early in World War II, the banks throughout the country were mobilized to sell and distribute War Savings Bonds to the public. Under the leadership of the Association's Committee on Treasury Savings Bonds, the banks have continued to assist in placing these securities with the public during the postwar years. They are ready again now to make further efforts in support of the Treasury Savings Bonds sales. Well over $50 billion of Savings Bonds are held by the public. This is approximately one-fifth of the total national debt. It is estimated that the banks have sold or acted as distributing agents for more than $40 billion of the total of Savings Bonds outstanding.

Another important war service of banking is, of course, providing credit for the producers of war materiel. This consists of lending to war industries to enable them to expand and operate their plants, acquire raw materials, and meet growing payrolls. These industries may again require great amounts of credit. War production loans showed a steady rise between 1940 and the end of 1944. The total of all these loans made by the banks is estimated to have been well in excess of $20 billion. More than half, or about $11 billion of these loans, were made by the banks without any government guaranty of the borrower's credit.

As to the ability and willingness of the banks to again finance war production borrowers, there is no question. The banks are able to provide tremendous amounts of such credit. Never before have they had liquid assets and reserves so readily available to help finance war producers. Bank lending officers gained an enormous amount of experience in extending such loans during World War II. This can prove to be of inestimable value again.

Food and farm products are a vital need of both the armed forces and civilians during a war. Operating under the Food for Freedom program in World War II, the banks financed the tremendously increased output of the nation's farms during the war years. In the two-year period 1944-45—the peak farm war production years—the banks made more than 13 million farm production loans, totaling more than $7 billion. The banks are ready, willing and able to finance all necessary food and farm production during this war.

At the start of the last war, funds and other assets of enemy nations and individuals were present in this country in large amounts, sometimes as accounts maintained by their satellites. These accounts and other enemy property were seized for the government by the banks, in accordance with the Alien Property Act, to help prevent espionage and other subversive enemy activities. The banks are ready to cooperate promptly and fully with the government again in performing these services if they are requested to do so.

Construction of housing projects in and near war production and defense centers during the last war called for substantial outlays of mortgage credit. The banks are again ready to make loans to finance these essential housing projects, under Title VI of the Federal Housing Act, on construction that the government may authorize. We have not as yet been informed as to what projects may be constructed, but we are ready to fulfill any needs for such war housing credit.

At the same time we are hopeful that the extremely liberal mortgage loan terms for civilian housing that have been sponsored and provided by Federal Housing and mortgage loan agencies throughout the postwar period will be promptly and materially tightened. On many occasions during the postwar period, and in testimony before Committees of Congress, the ABA has emphatically pointed out that government real estate credit policies were contributing materially to inflation and to the high cost of housing, and inducing weakness that could materially harm the whole economy. Continued flow of government-sponsored liberal credit into the housing market now can seriously impair the war effort and jeopardize the production of war goods by siphoning off lumber, cement, metals and other materials, and adding to the force of inflation.

Creation of tremendous Army and Navy centers, bases, posts and encampments in wartime requires special banking facilities and services for armed forces personnel and their supply units. In a number of instances, these branch banks have been maintained intact, wherever justified by defense establishments, since the end of World War II. The banks are prepared to expand these facilities and services as needed. They are also ready to make special arrangements for cashing monthly government checks for families of men in the armed forces who receive dependency allotments. As in the past, special identification systems will be established for these payees, especially for the convenience of those who have no regular banking connections.

I shall not go into detail concerning others of the 11 war services of banking, which I have already mentioned and publicly discussed. I know that time is vital to all of you, and that you gentlemen are preoccupied with the details of your own business. But I know that I speak for all bankers throughout the country when I voice our determination to do all we can to aid this nation during the war, as we have in peace. We, like everyone else in this country, hoped that war could be avoided. It is still our hope that the war lords of Communism may be brought to reason. Failing this, there is no choice but to plan and to do our part in the defense of this country. I know that each of you men, in your own lines of business and in your own callings and professions, are also ready and willing to do all that you can to help defend America and our way of life.

COMING EVENTS

In Investment Field

Sept. 8, 1950 (New York City)
Security Traders Association of New York annual outing at the New York Athletic Club, Travers Island.

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

Sept. 14, 1950 (Des Moines, Iowa)
Iowa and Nebraska Investment Bankers Association Field Day at the Wakonda Club.

Sept. 14, 1950 (New York City)
New York Curb Exchange Golf Tournament at the Garden City Country Club, Garden City, L. I.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach Va.)
National Security Traders Association Annual Convention at the Cavalier Hotel.

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Columbus Day Outing at the Northwood Club.

Nov. 26-Dec. 1, 1950 (Hollywood Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel Starlight Roof).

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 10	98.0	97.1	99.9	84.2
Equivalent to— Steel ingots and castings (net tons)	Sept. 10	1,890,100	1,872,000	1,926,800	1,552,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Aug. 26	5,699,480	5,707,580	5,531,550	4,769,100
Crude runs to stills — daily average (bbls.)	Aug. 26	¶6,197,000	6,099,000	5,870,000	5,215,000
Gasoline output (bbls.)	Aug. 26	20,263,000	21,319,000	19,981,000	18,180,000
Kerosene output (bbls.)	Aug. 26	2,272,000	2,265,000	2,293,000	1,585,000
Gas, oil, and distillate fuel oil output (bbls.)	Aug. 26	7,559,000	7,380,000	7,266,000	6,491,000
Residual fuel oil output (bbls.)	Aug. 26	8,543,000	8,311,000	7,870,000	7,597,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 26	105,793,000	108,274,000	109,206,000	106,280,000
Kerosene (bbls.) at	Aug. 26	24,829,000	24,413,000	23,352,000	25,804,000
Gas, oil, and distillate fuel oil (bbls.) at	Aug. 26	65,841,000	65,107,000	61,437,000	74,718,000
Residual fuel oil (bbls.) at	Aug. 26	41,697,000	42,008,000	42,253,000	68,394,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 26	836,744	851,025	844,849	747,211
Revenue freight received from connections (number of cars)	Aug. 26	688,557	705,661	685,994	580,132
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 31	$342,486,000	$198,771,000	$209,262,000	$155,191,000
Private construction	Aug. 31	222,705,000	106,138,000	116,094,000	59,014,000
Public construction	Aug. 31	119,781,000	92,633,000	93,168,000	96,177,000
State and municipal	Aug. 31	97,357,000	87,879,000	72,646,000	55,425,000
Federal	Aug. 31	22,424,000	4,754,000	20,522,000	40,752,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 26	10,900,000	*11,280,000	10,760,000	7,881,000
Pennsylvania anthracite (tons)	Aug. 26	959,000	961,000	965,000	922,000
Beehive coke (tons)	Aug. 26	145,300	*140,500	163,600	9,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 26	291	*281	295	252
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 2	6,459,381	6,345,503	6,247,464	5,543,913
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Aug. 31	143	176	168	174
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 29	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	Aug. 29	$46.61	$46.61	$46.38	$45.91
Scrap steel (per gross ton)	Aug. 29	$40.92	$41.58	$37.33	$23.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 30	22.250c	22.300c	22.200c	17.325c
Export refinery at	Aug. 30	22.425c	22.425c	22.425c	17.550c
Straits tin (New York) at	Aug. 30	99.750c	103.000c	95.000c	103.000c
Lead (New York) at	Aug. 30	14.000c	14.000c	12.000c	15.125c
Lead (St. Louis) at	Aug. 30	13.800c	13.800c	11.800c	14.925c
Zinc (East St. Louis) at	Aug. 30	16.500c	15.000c	15.000c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 5	102.04	102.10	102.06	103.93
Average corporate	Sept. 5	116.22	116.22	115.82	114.85
Aaa	Sept. 5	120.84	120.84	120.63	121.04
Aa	Sept. 5	119.41	119.61	119.41	119.20
A	Sept. 5	115.63	115.63	115.24	114.08
Baa	Sept. 5	109.24	109.24	108.34	106.21
Railroad Group	Sept. 5	112.00	111.81	111.25	109.42
Public Utilities Group	Sept. 5	116.80	116.80	116.80	116.02
Industrials Group	Sept. 5	120.02	120.02	119.61	119.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 5	2.35	2.34	2.34	2.22
Average corporate	Sept. 5	2.84	2.84	2.86	2.91
Aaa	Sept. 5	2.61	2.61	2.62	2.60
Aa	Sept. 5	2.68	2.67	2.68	2.69
A	Sept. 5	2.87	2.87	2.89	2.95
Baa	Sept. 5	3.21	3.21	3.26	3.38
Railroad Group	Sept. 5	3.06	3.07	3.10	3.20
Public Utilities Group	Sept. 5	2.81	2.81	2.81	2.85
Industrials Group	Sept. 5	2.65	2.65	2.67	2.68
MOODY'S COMMODITY INDEX	Sept. 5	469.9	473.5	459.9	344.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 26	211,075	265,558	248,508	173,080
Production (tons)	Aug. 26	228,119	229,349	215,909	184,605
Percentage of activity	Aug. 26	100	101	96	86
Unfilled orders (tons) at	Aug. 26	645,496	679,065	524,391	294,327
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Sept. 1	132.2	131.1	126.7	129.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Aug. 19	24,254	30,715	40,021	16,043
Number of shares—Customers' total sales	Aug. 19	739,100	923,969	1,182,756	470,419
Dollar value	Aug. 19	$32,232,118	$41,459,142	$49,920,752	$18,312,782
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 19	25,672	27,918	29,716	18,167
Customers' short sales	Aug. 19	138	269	321	147
Customers' other sales	Aug. 19	25,534	27,649	29,395	18,020
Number of shares—Customers' total sales	Aug. 19	729,705	801,513	890,064	490,179
Customers' short sales	Aug. 19	4,855	9,653	12,116	5,355
Customers' other sales	Aug. 19	724,850	791,860	877,948	484,824
Dollar value	Aug. 19	$27,433,501	$31,198,271	$33,474,526	$16,102,928
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 19	223,030	237,540	209,540	188,550
Short sales	Aug. 19	------	------	------	------
Other sales	Aug. 19	223,030	237,540	209,540	188,550
Round-lot purchases by dealers—					
Number of shares	Aug. 19	271,430	345,750	485,725	175,520
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 29	167.2	*166.0	165.3	153.0
Farm products	Aug. 29	179.5	176.4	179.2	162.0
Grains	Aug. 29	167.7	165.5	169.5	152.9
Livestock	Aug. 29	249.4	245.2	246.4	203.5
Foods	Aug. 29	176.5	174.4	175.2	161.2
Meats	Aug. 29	263.8	259.3	257.9	225.7
All commodities other than farm and foods	Aug. 29	155.5	*155.1	153.4	145.1
Textile products	Aug. 29	150.3	*149.2	146.4	138.9
Fuel and lighting materials	Aug. 29	134.5	*134.4	134.0	129.6
Metals and metal products	Aug. 29	174.8	174.9	173.9	168.2
Building materials	Aug. 29	216.2	*215.1	210.7	187.5
Chemicals and allied products	Aug. 29	124.0	121.6	120.5	120.5

*Revised figure. ¶Includes 480,000 barrels of foreign crude runs.

	Month Latest	Month Previous	Ago Year
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of June	60,400	61,929	54,184
Stock of aluminum (short tons) end of June	14,500	16,341	48,107
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of June (000's omitted)	22,694,422	22,394,246	19,905,282
Revenue from ultimate customers—month of June	$414,734,400	$407,411,300	$371,461,800
Number of ultimate customers at June 30	43,923,668	43,684,250	41,794,896
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.)—Month of July:			
Total number of vehicles	706,672	*856,618	579,048
Number of passenger cars	595,067	720,688	483,261
Number of motor trucks	111,208	135,332	95,348
Number of motor coaches	397	*598	439
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of July	7,225	8,861	6,424
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of June (millions of dollars):			
Manufacturing	$32,100	$31,500	$33,300
Wholesale	9,500	9,500	9,000
Retail	14,800	*14,400	14,200
Total	$56,300	$55,400	$56,400
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of July (000's omitted)	$509,000	$892,100	$491,100
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of June 30:			
Total consumer credit	$19,627	$19,077	$16,124
Instalment credit	12,063	11,668	9,123
Sale credit	6,950	6,733	4,870
Automobile	3,761	3,600	2,499
Other	3,189	3,133	2,371
Loan credit	5,113	4,935	4,253
Noninstalment credit	7,564	7,418	7,001
Charge accounts	3,399	3,290	3,274
Single payment loans	3,140	3,114	2,752
Service credit	1,025	1,014	975
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939 = 100—As of July 15:			
All items	172.5	170.2	168.5
All foods	210.0	204.6	201.7
Cereals and bakery products	171.3	169.6	169.5
Meats	256.0	246.7	236.0
Dairy products	179.5	177.1	182.2
Eggs	164.3	149.1	204.1
Fruits and vegetables	220.8	217.2	210.2
Beverages	304.4	295.6	208.2
Fats and oils	141.3	139.6	141.0
Sugar and sweets	176.0	174.3	176.2
Clothing	184.7	185.0	188.5
Rent	124.4	123.9	120.7
Fuel, electricity and refrigerators	139.5	138.9	135.6
Gas and electricity	97.0	97.0	96.9
Other fuels	190.9	189.4	183.1
Ice	146.6	146.6	139.9
House furnishings	186.4	185.2	186.8
Miscellaneous	156.2	155.3	154.3
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters prior to Aug. 1)	446,572	------	559,426
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on July 29	23,007,000	22,977,000	23,500,000
Spinning spindles active on July 29	20,525,000	20,221,000	19,012,000
Active spindle hours (000's omitted) July	7,284,000	10,435,000	5,637,000
Active spindle hours per spindle in place July	408	452	255
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of June:			
Death benefits	$133,973,000	$137,941,000	$124,888,000
Matured endowments	48,117,000	41,298,000	42,636,000
Disability payments	8,583,000	8,440,000	8,347,000
Annuity payments	21,568,000	21,466,000	20,868,000
Surrender values	60,244,000	59,356,000	51,571,000
Policy dividends	57,664,000	45,138,000	56,118,000
Total	$330,149,000	$313,640,000	$304,428,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of July (000's omitted)—			
Ordinary	$1,404,000	$1,418,000	$1,122,000
Industrial	392,000	431,000	356,000
Group	508,000	431,000	179,000
Total	$2,304,000	$2,280,000	$1,657,000
MANUFACTURER'S INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—			
Month of June (millions of dollars):			
Inventories:			
Durable	$14,400	*$14,100	$15,700
Nondurable	17,700	*17,400	17,500
Total	$32,100	$31,500	$33,300
Sales	21,200	*20,700	18,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	215.8	*214.5	205.9
Wage and salary receipts, total	138.9	*132.7	131.6
Total employer disbursements	141.8	*140.5	133.9
Commodity producing industries	62.3	*60.9	56.4
Distributive industries	40.1	*40.1	39.6
Service industries	18.5	*18.5	17.5
Government	20.9	*21.0	20.4
Less employee contributors for social insurance	2.9	2.8	2.3
Other labor income	3.4	3.4	2.9
Proprietors' and rental income	42.7	41.5	42.2
Personal interest income and dividends	17.4	*17.8	16.8
Total transfer payments	13.4	14.1	12.4
Total nonagricultural income	199.1	198.4	187.4

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The Security I Like Best

business a few years ago were expensive and hard to understand. After fumbling with moving pictures on trains, playrooms for children and baby sitters, it bought vistadome cars, then found the cars could not negotiate the most important tunnel, introduced trick time tables that furnished more amusement than information and spent money lavishly on a hotel. But such things are now happily ancient history.

Mr. Young wisely returned the road to sound progressive management about 1½ years ago and Walter J. Tuohy, formerly in charge of coal traffic, became President. Mr. Tuohy has revised C & O financial policies, restored the harmonious team spirit that once characterized George Washington's railroad and inaugurated a new era. Its working capital was contracted in recent years by heavy outlays for capital improvements, but such expenditures are now in a downward trend. Its current or working capital position and outlook is better than for a long while and its physical condition the finest it has been in its long history.

Fixed charges in relation to gross earnings are far below pre-World War II and better than the average for Class 1 railroads.

Average earnings for the years 1946-1949 inclusive were $3.30 per share which may be accepted as C & O's tax shelter if an excess profits tax is laid. Under World War II laws the average base was 1936-39.

Directors declared a dividend of 50c on common payable Sept. 20. Previous dividend 50c was paid June 20. This would seem to put the stock on a quarterly 50c basis and result in annual investment yield basis of better than 6½% on current market price which is still near its low since the 1938 depression.

One of the great railroads of America, C & O is destined to become one of the greatest with a wide recovery in earnings in sight.

R. B. WILLIAMS

Manager of Research Dept., Kidder, Peabody & Co. Members, N. Y. and Boston Stock Exchanges

(Canadian Short and Medium Term Bonds)

The stock market currently may well be close to at least a temporary top. Day by day, numerous "favorites" have pushed into new high ground, in the face of many future uncertainties. Inadequate weight probably has as yet been given to impending tax increases, the effect of possible price controls, higher wage rates, renegotiation, etc. Under such circumstances, caution may not be a bad watchword.

R. B. Williams

Hence, "The Security I Like Best" consists of Canadian short and medium term internal bonds, which may be purchased with American dollars at about a 9% discount from their Canadian price. A yield of 1.50% to 2.70% is available on those sound credit obligations, which seem particularly suitable for employment of a portion of cash reserves. The risk is negligible, and a potential appreciation of up to 10% is possible, if, as many believe, Canadian currency is destined to return toward parity with our dollar.

Certain favorable trends within the Canadian economy do indeed inspire a growing confidence in that country's fiscal position. The improved situation of our northern neighbors can be traced to various long continuing factors, as well as to other more recent developments. The Canadian Government's policies have been orthodox with respect to debt management and other fiscal matters. National indebtedness has been reduced by over 10% during the past four or five years, and a substantial portion of the remaining indebtedness has been funded into long-term issues. A cash surplus was shown in each of the years from 1947 to 1949 period, and 1950-1951 prospects are likewise favorable. Comparatively little traffic has had "Welfare State" concepts, involving as they usually do a necessity for deficit financing.

Helped also by important oil discoveries and by good tourist business—both of which have attracted American dollars — and more recently by rises in world prices for her exportable commodities, such as newsprint, pulp, agricultural products, etc., Canada has shown a steady improvement in her export-import relationship with the United States. Canada's American dollar balances have again returned to the 1946 level of about $1¼ billion. These developments were dramatically reflected in the recent retirement of $50 million in bonds payable in American dollars, and an announcement that restrictions against import of numerous United States products would be considerably relaxed.

The Korean War is likely to result in further strength in Canada's relative position. Her oil, other minerals (consisting of a wide range of nonferrous metals, including gold, silver and platinum) and commodities will be in greater demand. The normal import balance of trade with the United States may well be reversed again to an export balance, as during World War II. Since her direct military effort is likely to be of limited proportions unless a global war ensues, upward revisions in the Canadian tax structure may not be extreme. Rising national income, predicated upon rising prices as well as upon larger crops and higher industrial volume, may over coming months tend to provide for a considerable portion of increased budgetary requirements. It will be recalled that Canada's present corporate tax level of 33% compares with a wartime rate of 40%, and that numerous of her excise taxes have been repealed or reduced during recent years.

The following tabulations indicates recent prices and available yields on some typical Canadian issues:

	Approximate Current Price in American Funds	Canadian Funds	Approximate Yield
1¾'s of 11/1/51	91¼	100¼	1.53%
3's of 3/1/54/52	93⅜	102	1.50
3's of 5/1/57/54	92¾	102	2.40
3's of 1/1/59/56	93⅛	102⅜	2.50
3's of 2/1/62/59	93⅛	102⅜	2.65
3's of 10/1/63/59	93⅛	102⅜	2.70

NOTE—While certain estate (or succession) tax problems are potentially involved, the 1945 tax convention between the United States and Canada embraced the intention of eliminating the possibility of double taxation in estate settlements.

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Final preparations have been completed for STANY's Annual Summer Outing and Dinner, to be held tomorrow (Sept. 8) at Travers Island. The affair promises to be a huge success.

Upwards of 250 out of STANY's 600 members have indicated their intention of attending. Approximately 50 members are scheduled to play golf; 60 will pitch horse-shoes, 36 will alternate as softball players and an even dozen will play tennis. Winners in all events will be awarded handsome, useful gifts, and liniment should be the order of the day following the affair.

For the onlookers (as well as all contestants) free beer will be plentiful.

As usual, the crack lensmen from the "Chronicle" will be on hand to record for posterity the highlights of the outing in pictures to appear in next week's issue.

DALLAS BOND CLUB

The Annual Columbus Day Outing of the Dallas Bond Club will be held at the Northwood Club on Oct. 12, 1950.

Activities scheduled are golf, starting at 8:00 a.m. All golfers must tee off by 9:30 a.m. General gathering will begin around 10:30 a.m. in the Grill. Buffet luncheon, 2:00 p.m. **sharp.** There will be tennis and **indoor** games to provide entertainment for the entire day.

Cost: $7.00 for golfers; $5.00 for non-golfers.

Please send in registrations **now** with check to Harry N. McConnell, Registration Chairman and Cashier, Central Investment Co. of Texas, 610 Kirby Building, Dallas, Texas.

Contact any of the following for other needs:

Hugh D. Dunlap, General Chairman, Binford & Dunlap, 1012 Southwestern Life Building, Dallas, Texas.

Dick Clark, Jr., Golf Chairman, Dallas Union Trust Co., 502 Dallas National Bank Building, Dallas, Texas.

Orville G. Allen, Tennis Chairman, Lynch, Allen & Co., 1614 First National Bank Building, Dallas, Texas.

Keith B. Reed, Hotel Chairman, Dittmar & Co., 845 Wilson Building, Dallas, Texas.

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Role of Bank Credit In Nation's Economy

tional gold found reflection in an increase of currency circulating outside of the banks. The remaining $14 billion plus a net increase in bank loans and investments of approximately $6 billion accounts for the deposit increase of the period. True enough, commercial bank holdings of government obligations rose by $23.3 billion in the period but meanwhile bank loans and holdings of securities of others than government shrank by $17.3 billion. In other words, expanding government credit between 1929 and 1941 went only a little further than offsetting the shrinking of private bank debt.

The second of our two periods does clearly demonstrate the results of rapidly expanding use of bank credit by government and private borrowers alike. Between 1941 and 1948 bank holdings of government obligations increased by roughly $71.7 billion, while bank loans and holdings of other than Federal Government securities rose by $24.1 billion, or a total increase of bank credit in use of some $95.8 billion. Gold holdings increased by some $2.8 billion. Of this amount approximately $16.4 billion went into an increase in currency in circulation outside of the banks, about $5.4 billion came from increased capital accounts in the banks, leaving the remaining $76.8 billion to increase bank deposits. The increase more than doubled the deposits held by banks in the course of seven years—1941-1948.

Little wonder then that bankers began to despair at the shrinkage in the loaning function during the 1930's only to become worried over the rate and effects of its expansion in the 1940's. Real concern was first evidenced in late 1947 and early 1948 because rapidly increasing bank loans in 1947—from $35.8 billion to $43 billion, or 20% in one year—found reflection not in increased production, which rose only 4% during the year, but rather in commodity prices which went up 16%. The increase in the use of bank credit by private borrowers in 1945 and 1946 reflected an expanding civilian economy following reconversion from war production. However, when it became apparent toward the end of 1947 that the increase in bank credit was beginning to be reflected largely in increased prices and not more production, the authorities became concerned.

Subsequently, the American Bankers Association, in early 1948, conducted a cross-country campaign urging banks to use restraint in the interest of combating inflation. By mid-1948, the rate of expansion in commercial, industrial and agricultural loans slowed down and in the spring of 1949 these particular types of loans shrank in total. On the other hand, the use of bank credit in the form of instalment paper and real estate mortgages did not cease to grow with the result that the total of all types of bank credit stands at a new high—some $51 billion today.

For a short while in mid-1949 there was sufficient concern felt about the nation's economy to cause isolated suggestions from banking leaders that more aggressive lending might be in order. Such sentiment was not widespread nor long-lived and bankers generally ended 1949 with the feeling that neither inflation nor deflation need be feared for the moment.

Renewed Inflationary Fears

Once more at mid-1950 the fear of inflation had become a source of concern even before the outbreak of armed conflict in the Far East. With that event now beginning to shape the course of the economy the government has again asked for specific powers to control the extension of credit by banks. From now on as far ahead as it is advisable to look, the freedom of banks, like the freedom of all private enterprise, will be restricted by the pressure of events. Though this be true, it does not follow that banks will not have their own individual problems and the need for policy decisions laid down at the strictly local level. A unique characteristic of our banking system is the wide variety of individual patterns developed by individual banks. In one large center, sizable bank has deposits of 29 times capital funds, while a neighboring institution has deposits of 14 times capital funds. One of the country's largest banks has loans of 10 times its capital, yet another large bank has loans of three times capital funds. These wide variations exist side by side and make quite complicated the problem of laying down a set of formulae intended to express sound banking standards.

For the banking system as a whole the prospect of further inflation and increased demands for credit by private borrowers takes on a far more serious aspect than did prospective inflation carry at the outset of World War II. Then bank loans of $21.7 billion were backed by $7.1 billion of capital; or, put another way, loans were three times capital. Now bank loans total $44 billion, compared to $11 billion of capital, or a ratio of four times.

Bank managers and bank stockholders may well be less concerned with liquidity in 1950 than in 1930 but they cannot view with equanimity the ever broadening ratio of risk assets to capital and consequent thinning out of equity capital. Nor can bankers afford to overlook the heavy responsibility they carry in their role of expanding and contracting the money supply. The role of bank credit in the economy is vitally important. As we have seen, there are times requiring the vigorous expansion of credit to meet the needs of a growing economy and there are times calling for the exercise of great restraint in credit granting to prevent the money supply from expanding faster than the production of goods and services. In our country this vital function is exercised with great freedom by bankers making individual decisions at the local level. If bankers wish to retain this freedom they must become increasingly aware of the great social responsibility that is theirs. They must show a clearer understanding than has been evidenced in the past of the part they are playing in the nation's economy.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Samuel N. Hinckley has become affiliated with Harris, Upham & Co., 232 Montgomery Street.

Joins Kaiser & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—H. A. Boyle is now connected with Kaiser & Co., Russ Building, members of the San Francisco Stock Exchange. He was previously with Stone & Youngberg.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—A. B. Upward is with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchange.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Howard W. Ely is with Dean Witter & Co., 45 Montgomery Street, members of the San Francisco Stock Exchange.

Joins F. I. duPont

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Fred W. Hager is now with Francis I. du Pont & Co., 2809 Collins Avenue. He was previously with Bache & Co.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Alabama Power Co., Birmingham, Ala.
July 28 filed 64,000 shares of 4.20% preferred stock (par $100) offered in exchange for a like number of outstanding 4.20% preferred shares of Birmingham Electric Co. No underwriter. Offer expires Sept. 22. Statesment effective Aug. 29.

Allen Organ Co., Allentown, Pa.
July 19 (letter of notification) 1,500 shares of 6% preferred stock (par $100) and 750 shares of common stock (par $100). **Price**—At par. **Underwriter**—None. **Proceeds**—For expansion of plant and development of other electronic products. **Office**—8th and Pittston Streets, Allentown, Pa.

• **American-Canadian Uranium Co., Ltd. (9/21)**
Sept. 1 filed 500,000 shares of common stock (par 10c). **Price**—$3.50 per share. **Underwriter**—First International Securities Co., Inc. **Proceeds**—To explore and acquire claims and concessions for uranium ore bodies. Registration statement expected to become effective about Sept. 21.

American-Marietta Co., Chicago, Ill.
Aug. 25 (letter of notification) 6,000 shares of common stock (par $2), to be sold to underwriter at $16 per share. **Price**—At market. **Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—To Grover Hermann, President of company, the selling stockholder.

American Motorists Insurance Co., Chicago
June 28 filed 100,000 shares of capital stock (par $5) being offered to stockholders of record July 25 at rate of one new share for each three held; rights will expire on Sept. 25. **Price**—At par. **Proceeds**—For general corporate purposes. **Business**—Casualty insurance. Statement effective July 26.

American Natural Gas Co., New York
Aug. 4 filed 334,934 shares of common stock (no par), of which 304,486 shares are offered to common stockholders of record Aug. 24 on basis of one new share for each 10 shares held (with an over-subscription privilege); rights to expire Sept. 14. **Price**—$22 per share. **Underwriter**—None. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co. Statement effective Aug. 24.

American Oil Producers, Inc. (9/11)
Aug. 8 (letter of notification) 290,000 shares of common stock (par one cent). **Price**—$1 per share. **Underwriter**—S. W. Gordon Co., Brooklyn, N. Y. **Proceeds**—For drilling well, equipment and working capital. **Office**—5 Beekman Street, New York 7, N. Y.

American Radio & Television, Inc.
June 16 (letter of notification) 301,686 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriters**—Gearhart, Kinnard & Otis, New York City. **Proceeds**—For additional working capital. **Office**—Fifth and Cornish Streets, No. Little Rock, Ark. Letter withdrawn Aug. 23.

Arkansas Power & Light Co.
May 23 filed 155,000 shares of cumulative preferred stock (par $100). **Proceeds**—To be applitd to (a) redemption on Aug. 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; and (b) the carrying forward of the company's construction program. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of $100.003 per share, with a $4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12. No further decision reached.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

Avco Manufacturing Corp., N. Y. City
July 14 filed 1,500,000 shares of common stock (par $3) offered in exchange for shares of Bendix Home Appliances, Inc., at the rate of two Avco shares for each Bendix share. Offer expires Sept. 15. **Dealer-Managers**—Emanuel, Deetjen & Co. and Lehman Brothers. Statement effective Aug. 8.

Bank Building & Equipment Corp. of America.
Aug. 28 (letter of notification) 1,000 shares of common stock (par $3). **Price**—To net company $8 per share. **Underwriter**—Scherck, Richter Co., St. Louis, Mo. **Proceeds**—For corporate purposes. **Office**—9th and Sidney Streets, St. Louis 4, Mo.

• **Big West Oil & Gas Co., Dallas, Tex.**
Sept 5 filed $1,760,000 of 5% sinking fund debentures due 1965 (convertible into common stock on basis of 40 shares for each $1,000 of debentures). **Price**—To be filed by amendment. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill. **Proceeds** — For drilling and development expenses.

Blair Holdings Corp.
Aug. 8 (letter of notification) 15,000 shares of capital stock. **Price**—At market (approximately $2.75 per share). **Underwriter**—First California Corp., San Francisco, Cal. **Proceeds**—To Virgil D. Dardi, President, the selling stockholder.

• **Botany Mills, Inc., Passaic, N. J.**
Sept. 1 (letter of notification) 1,200 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—P. F. Fox & Co. and John P. White & Co., both of New York City. **Proceeds**—To Chas. F. H. Johnson, Jr., Vice-President, the selling stockholder.

• **Calumet Harbor Terminals, Inc., Chicago, Ill.**
Aug. 31 (letter of notification) 159,165 shares of common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital. **Office**—130th Street and Stony Island Avenue, Chicago, Ill.

Canadian Superior Oil of California, Ltd. (9/11-15)
June 27 filed 2,150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Dillon, Read & Co. Inc. **Proceeds**—For geological and drilling operations in Canada. Expected next week.

• **Capital Transit Co., Washington, D. C.**
Aug. 30 (letter of notification) 1,000 shares of common stock (par $100). **Price**—$39 per share. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To Arthur J. Rosenthal, Jacksonville, Fla., the selling stockholder.

Centennial Turf Club Inc., Littleton, Colo.
Aug. 14 filed $320,000 of 6% sinking fund debentures due 1965 and 32,000 shares of common stock (par $5) to be offered in units of $100 debentures and 10 shares of stock. **Price**—$150 per unit. **Underwriter**—None. **Proceeds**—For unpaid construction costs and to repay 6% 90-day notes given to directors; the balance for working capital. **Business**—Operating horse racing plant. Statement effective Aug. 29.

Central Maine Power Co. (9/19)
Aug. 23 filed 260,000 shares of common stock (par $10). **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To go to New England Public Service Co., the selling stockholder, who will use proceeds to pay its outstanding notes.

• **Central Records Corp.**
Aug. 29 (letter of notification) 300,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—Cohu & Co., New York. **Proceeds**—To purchase equipment for use in corporation's remote control accounting system and for working capital. **Office**—50 East 58th Street, New York, N. Y.

Central Telephone Co., Lincoln, Neb.
Aug. 2 filed 94,035 shares of common stock (par $10) being offered to common stockholders of Central Electric & Gas Co., the parent, of record Aug. 11, at the rate of one new share for each 13 shares of Central Electric common stock held, with an overscription privilege; rights expire Sept. 20. **Price**—$10 per share. If any balance is publicly offered terms will be filed by amendment. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. **Proceeds**—To pay unsecured note held by International Telephone & Telegraph Co. Statement effective Aug. 22.

Chase Candy Co., St. Louis, Mo.
Aug. 28 filed 147,861 shares of common stock (par $1) to be offered first to common stockholders other than F. S. Yantis & Co., Inc., on the basis of one share for each two shares held. Unsubscribed shares to be publicly offered. **Price**—To be filed by amendment. **Underwriter**—F. S. Yantis & Co., Inc., Chicago, Ill., who had in June, 1949, purchased 200,000 shares at $2.50 per share. **Proceeds**—To selling stockholder.

Citizens Credit Corp., Washington, D. C.
June 2 (letter of notification) 3,000 shares of class A common stock (par $12.50) and 1,000 shares of class B common stock (par 25 cents), to be sold in units of three shares of class A stock and one share of class B stock. **Price**—$44.50 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—For general funds. **Office**—1707 Eye St., N. W., Washington, D. C.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

City Stores Co.
July 17 filed 149,317 shares of common stock (par $5) offered in exchange for common stock (par $10) of Oppenheim, Collins & Co., Inc., and for the 4½% convertible preferred stock (par $50) and common stock (par $1) of Franklin Simon & Co., Inc., at the following ratios: 1½ shares for each Oppenheim, Collins common share; two shares for each Franklin Simon preferred share and one share for each two common shares of Franklin Simon. Offer expires on Sept. 18. **Dealer-Manager**—W. E. Hutton & Co., New York. Statement effective Aug. 16.

Cleveland Electric Illuminating Co. (9/19)
Aug. 22 filed $25,000,000 first mortgage bonds due Sept. 1 1985. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; White, Weld & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Dillon, Read & Co. Inc. **Proceeds**—To repay $8,000,000 bank loans and for construction program. **Bids**—Expected to be opened at noon (EDT) on Sept. 19 at company's offices, Room 710, 75 Public Square, Cleveland, Ohio.

Coca-Cola Bottling Co. of St. Louis.
July 27 (letter of notification) 4,000 shares of common stock (par $1), to be offered to employees. Price—$65 per share. **Proceeds**—To benefit employees for services. **Office**—2930 N. Market St., St. Louis, Mo.

Columbian Enameling & Stamping Co.
Aug. 3 (letter of notification) 83 shares of common stock. **Price**—$25 per share. **Underwriter**—Cohu & Co., New York. **Proceeds**—To selling stockholders.

Consumers Power Co., Jackson, Mich.
June 23 filed 499,903 shares of common stock (no par) to be offered present holders at the rate of one new share for each 10 held, with an oversubscription privilege. **Underwriter**—To be named in an amendment, along with offering price. Five months ago an offering of 454 457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. **Price**—Expected to be not less than $33 per share. **Proceeds** — For construction. **Offering** — Temporarily postponed.

Continental Refrigeration Corp., N. Y.
July 28 (letter of notification) $250,000 of 6% 5-year income notes dated June 1, 1950 in multiples of $1,000. **Price**—At 100 and interest. **Underwriter**—National Investors Service, New York. **Proceeds**—To pay expenses incurred in prosecuting infringement actions under patent and for commercialization of patent. **Office**—50 Broadway, New York, N. Y.

Copper Canyon Mining Co., N. Y.
Aug. 25 (letter of notification) 500,000 shares of capital stock (par 10 cents). **Price**—15 cents per share. **Underwriter**—None. **Proceeds**—To increase capacity and for new equipment and working capital. **Office**—25 Broad St., New York 4, N. Y.

Credit Finance Services, Inc., Akron, O.
Aug. 4 (letter of notification) $300,000 of 2% to 4% certificates of investment. **Price**—$50 and up per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—316 South Main Street, Akron, O.

Cristina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). **Underwriter**—Max Wolberg, a director of company. **Price**—$1 per share. **Proceeds**—For development of tonnage and mining and shipment of ore. Statement effective Aug. 22.

Daily Compass Publishing Corp., N. Y. City
Aug. 21 (letter of notification) 30,000 shares of class C non-voting common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For promotional and developmental activities and for working capital. **Office**—164 Duane St., New York 13, N. Y.

Delaware Power & Light Co. (9/26)
Aug. 29 filed $12,000,000 of first mortgage and collateral trust bonds due Sept. 1. 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); First Boston Corp.; Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); W. C. Langley & Co. **Proceeds**—For construction program of company and its two subsidiaries. **Bids**—Will be received up to 11.30 a.m. (EDT) on Sept. 26 at company's office, 600 Market St., Wilmington, Del.

Detroit Hardware Manufacturing Co.
Aug. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—C. G. McDonald & Co., Detroit. **Proceeds**—To expand facilities and for working capital. **Office**—1320 Mt. Elliott Avenue, Detroit, Mich.

• **Diana Stores Corp., New York**
Sept. 6 filed 100,000 shares of common stock (par 50 cents). **Price**—To be filed by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To selling stockholders.

Duquesne Light Co., Pittsburgh, Pa. (9/12)
Aug. 17 filed 150,000 shares of preferred stock (par $50). **Underwriters**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); First Boston Corp.; Kidder Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers. **Proceeds**—To finance construction program and to repay bank loans. **Bids**—To be received up to 11 a.m. (EDT) on Sept. 12 at office of the company, Room 1540, 15 Broad St., New York 5, N. Y.

• **El Paso Natural Gas Co.**
Aug. 31 filed 230,000 shares of common stock (par $3) to be offered for subscription by common stockholders. **Price**—To be filed by amendment. **Underwriter**—If any, may be White, Weld & Co. and Stone & Webster Secur-

ities Corp. **Proceeds**—To retire either a part of the outstanding 2½% bank notes maturing in 1951 and 1952 or a portion of the 3½% convertible debentures due 1963.

Equipment Finance Corp., Chicago, Ill.
Aug. 7 filed 10,000 shares of 4% cumulative preferred stock, to be offered to officers and employees of this corporation and of Curtis Candy Co., parent. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To acquire equipment and real estate for its parent.

● **Ernest (R. W.) Printing Co., Los Angeles, Calif.**
Sept. 1 (letter of notification) 500 shares of common stock to be purchased by Robert M. O'Connor and Millie L. O'Connor. **Price**—At par ($100 per share). **Proceeds**—For acquisition of newspaper printing shop. **Office**—800 Standard Oil Bldg., Los Angeles, Calif.

Fedders-Quigan Corp.
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) to be offered to common stockholders on basis of one preferred share for each 12 shares held. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif. and for additional working capital. Offering postponed

Fleetwood-Airflow, Inc., Wilkes-Barre, Pa.
July 19 (letter of notification) 8,965 shares of common stock (par 50 cents). **Price**—At market. **Underwriter**—Howard O'Connor, 302 Cliff Avenue, Pelham, N. Y. **Proceeds**—To selling stockholder.

Florala (Ala.) Telephone Co.
June 29 (letter of notification) 1,200 shares of 4% cumulative preferred stock. **Price**—At par ($25 per share) **Underwriter**—None. **Proceeds**—To extend and modernize plant, lines and other telephone facilities

● **Florida Power Corp., St. Petersburg, Fla.**
Sept. 1 filed 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers. **Proceeds**—To repay bank loans and for construction program.

● **Gary Theatre Enterprises, Inc., Tampa, Fla.**
Aug. 30 (letter of notification) 750 shares of common stock, 376 shares of which are to be issued to Ernest S. Abate as payment for land and buildings and the remaining 374 shares to be sold. **Proceeds**—For construction of theatre. **Office**—3418 East Broadway, Tampa, Fla.

● **General Computing Machines Corp. (9/11)**
Sept. 1 (letter of notification) 50,000 shares of common stock (par 1 cent). **Price**—$2.50 per share. **Underwriter**—Singer, Bean & Mackie, Inc., New York. **Proceeds**—Principally for working capital, including purchase of completed machines from Air Associates, Inc., and the carrying of accounts receivable.

General Plywood Corp., Louisville, Ky.
July 17 (letter of notification) 101,500 shares of common stock (par 50 cents). **Price**—$2.11 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—334 East Broadway, Louisville, Ky.

General Radiant Heater Co., Inc.
May 3 filed 170,000 shares of common stock (par 25c). **Price**—$3 per share. **Proceeds**—For plant and warehouse advertising research, working capital, etc. Temporarily postponed. Amendment may be filed.

General Shoe Corp., Nashville, Tenn.
June 30 filed a maximum of 32,885 shares of common stock (par $1) to be offered on a share-for-share basis in exchange for outstanding preferred stock of W. L. Douglas Shoe Co. No underwriter. Statement effective July 25.

Gosselin Stores Co., Inc., Oklahoma City, Okla.
Aug. 15 (letter of notification) 27,000 shares of class A common stock (par $1) and 220,000 shares of class B common stock (par $1). **Price**—$1.10 per share for both issues. **Underwriter**—R. J. Edwards, Inc., Oklahama City. **Proceeds**—To expand chain stores.

Granville Mines Corp. Ltd., British Columbia Canada
Feb 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital. Statement effective May 10

Graybar Electric Co., Inc., New York
Aug. 23 filed 72,000 shares of common stock, to be offered for subscription by employees. **Price**—At par ($20 per share). **Underwriter**—None. **Proceeds**—For working capital.

● **Greenwich Gas Co., Greenwich, Conn.**
Sept. 1 (letter of notification) 8,000 shares of preferred stock (no par) and 9,777 shares of common stock (no par). **Price**—Of preferred, $25 per share and common, $10 per share. **Underwriter**—None. **Proceeds**—To retire bank loan and for working capital.

Hammond Instrument Co., Chicago
Aug. 24 (letter of notification) 2,500 shares of common stock (par $1). **Price**—$24 per share. **Underwriter**—Paul H. Davis & Co., Chicago, Ill. **Proceeds**—To selling stockholder.

Hooper Telephone Co., Hooper, Neb.
Aug. 18 (letter of notification) $30,000 of 3¾% bonds due 1970. **Price**—In excess of 102%. **Underwriter**—Wachob Bender Corp., Omaha, Neb. **Proceeds**—To retire temporary loans.

● **House of F. G. Inc., Jamaica, N. Y.**
Aug. 31 (letter of notification) 3,500 shares of 70-cent non-cumulative preferred stock (par $10) and 1,500 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—110-26 Merrick Boulevard, Jamaica 5, N. Y.

NEW ISSUE CALENDAR

September 8, 1950
Mohawk Business Machines Corp.________Common

September 11, 1950
American Oil Producers, Inc.____________Common
Canadian Superior Oil of California, Ltd.___Common
General Computing Machines Corp.______Common
Kerk Guild, Inc.______________________Bonds
Tennessee Gas Transmission Co.
11:30 a.m. (EDT)_____________________Bonds
Transvision, Inc. _____________________Common
Utah Power & Light Co., noon (EDT)____Common

September 12, 1950
Duquesne Light Co., 11 a.m. (EDT)______Preferred
Pennsylvania RR., noon (EDT)__Equip. Trust Ctfs.
Virginia Electric & Power Co.
11:30 a.m. (EDT)_____________________Bonds

September 18, 1950
Meck (John) Industries, Inc.____________Common
Standard Coil Products Co., Inc.__________Common

September 19, 1950
Central Maine Power Co._______________Common
Cleveland Electric Illuminating Co.
Noon (EDT) _________________________Bonds
New Hampshire Electric Co.______________Bonds

September 21, 1950
American-Canadian Uranium Co., Ltd.____Common

September 26, 1950
Delaware Power & Light Co.
11:30 a.m. (EDT)_____________________Bonds

September 27, 1950
New Bedford Gas & Edison Light Co...Notes & Com.

October 3, 1950
Sierra Pacific Power Co.______Debentures & Com.

October 4, 1950
Vanadium Corp. of America__________Debentures

October 9, 1950
Utah Power & Light Co., noon (EST)______Bonds

October 11, 1950
Ohio Edison Co.______________________Common

OFFERINGS TEMPORARILY POSTPONED
Consumers Power Co.___________________Common
Fedders-Quigan Corp.__________________Common
General Radiant Heater Co., Inc.__________Common
Middlesex Water Co.___________________Common
Rochester Telephone Corp._____________Common
Safeway Stores, Inc._______________Pfd. & Com.
Southern Co.__________________________Common
Standard Coil Products Co., Inc.__________Common
United States Plywood Corp._____________Preferred

Idaho Maryland Mines Corp., San Francisco, California
Aug. 8 (letter of notification) 10,000 shares of common stock. **Price**—At market (about $1.40 per share). **Underwriter**—E. F. Hutton & Co., San Francisco. **Proceeds**—To a selling stockholder.

● **International Uranium Corp., New York**
Aug. 28 (letter of notification) $300,000 in ore warrants (convertible into two shares of one-cent par value common stock par $1 value of warrants) and 600,000 shares of common stock to be reserved for conversion of warrants. **Price**—$1 per unit. **Underwriter**—Lawrence Frederick Gardner, Merrick, L. I., N. Y. **Proceeds**—For engineering and survey work and mining operations. **Office**—11 West 42nd Street, New York, N. Y.

Kaye-Halbert Corp., Culver City, Calif.
July 28 filed 100,000 shares of class A common stock (par $1). **Price**—$5 per share. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—For working capital.

● **Kerma Discount Co., Inc., Newark, N. J.**
Aug. 29 (letter of notification) $55,000 of 8% 20-year debenture bonds. **Price**—At 110%. **Underwriter**—Mortimer L. Schultz, President of company. **Proceeds**—For working capital. **Office**—60 Park Place, Newark 2, N. J.

● **Kerk Guild, Inc., Whitesboro, N. Y. (9/11)**
Aug. 31 (letter of notification) $125,000 of 10-year 6% first mortgage sinking fund bonds. **Price**—At par in units of $500 and $1,000 each. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. **Proceeds**—For working capital and to reduce current accounts payable. **Office**—30-40 Main Street, Whitesboro, N. Y.

● **Key West Propane Gas Corp. (Fla.)**
Sept. 1 (letter of notification) $125,000 of series A bonds. **Price**—At par ($1,000 each). **Underwriter**—Bioren & Co., Philadelphia, Pa. **Proceeds**—To purchase outstanding bonds and notes of Key West Gas Co. and stock of Island City Gas Co.

● **Kilbury Manufacturing Co., Lawndale, Calif.**
Aug. 28 (letter of notification) 30,000 shares of common stock (no par). **Price**—$10 per share. **Underwriters**—Donald MacDonald and John F. Hoornaert of Los Angeles, Calif. **Proceeds**—For manufacture of gas appliances. **Office**—14529 Hawthorne Blvd., Lawndale, Calif.

● **Leadville Lead Corp., Denver, Colo.**
Aug. 30 (letter of notification) 50,000 shares of common stock (par $1). **Price**—75 cents per share. **Underwriter**—None. **Proceeds**—To pay indebtedness. **Office**—500 Ernest and Cramner Bldg., Denver, Colo.

Leigh Foods, Inc. (N. Y.)
June 30 (letter of notification) 300,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—630 Fifth Avenue, New York 20, New York.

● **Lodi Oil & Development Co., Denver, Colo.**
Sept. 1 (letter of notification) 60,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For general operating expenses. **Office**—412 First National Bank Bldg., Denver, Colo.

Logan Home Telephone Co., Logan, Ohio
Aug. 25 (letter of notification) $50,000 of 20-year 3½% first mortgage bonds, series A, due 1969. **Price**—At 102.17. **Underwriter**—The Ohio Co., Columbus, Ohio. **Proceeds**—To pay for installation of automatic machinery.

Louisiana Power & Light Co.
May 23 filed 90,000 shares of preferred stock (par $100). **Proceeds**—To be used to redeem, at $110 per shart plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., $100.40 per share with a $4.65 dividend; Blyth & Co., Inc., and Equitable Securities Corp. (jointly), $100.10 with a $4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $5.80 dividend. Statement effective June 12. No further decision reached.

Loven Chemical of California, Newhall, Calif.
May 31 (letter of notification) 282,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To buy land, build a plant and equip it to produce so-called "impact" plastics. **Office**—244 S. Pine St., Newhall, Calif.

McDonald (H. A.) Creamery Co., Detroit, Mich.
Aug. 21 (letter of notification) 14,685 shares of class "B" stock. **Price**—$4 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—9700 Oakland Ave., Detroit, Mich.

Meck (John) Industries, Inc. (9/18-22)
Aug. 28 filed 150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Otis & Co., Cleveland, O. **Proceeds**—For working capital. Expected week of Sept. 18.

Merry Brothers Brick & Tile Co., Augusta, Ga.
June 15 (letter of notification) 1,250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—Johnson, Lane, Space & Co., Inc. **Proceeds**—To Ernest B. Merry, Jr., Vice-President and General Manager, the selling stockholder.

● **Metropolitan Brick, Inc., Canton, Ohio**
Aug. 29 (letter of notification) 50,820 shares of common stock to be offered to present common stockholders. **Price**—At par ($4 per share). **Underwriter**—None. **Proceeds**—To pay promissory notes and for plant improvement. **Office**—Renkert Bldg., Canton, O.

Middle South Utilities, Inc.
June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries—Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. **Underwriter**—Equitable Securities Corp will serve as "dealer-manager." (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

Middle States Telephone Co.
Aug. 23 (letter of notification) 410 shares of common stock. **Price**—$14 per share. **Underwriter**—None. **Proceeds**—To Central Telephone Co., the selling stockholder.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Indefinitely postponed.

Miles Laboratories, Inc., Elkhart, Ind.
June 23 (letter of notification) 2,500 shares of common stock (par $2). **Price**—$16.50 per share. **Underwriter**—Cohu & Co., New York City. **Proceeds**—To two selling stockholders. Offering date indefinite.

Miles Laboratories, Inc. Elkhart, Indiana
Aug. 14 (letter of notification) 5,000 shares of common stock (par $2). **Underwriter**—Albert McGann Securities Co., Inc., South Bend, Ind. **Proceeds**—To selling stockholders. Letter withdrawn.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

Mission Appliance Corp., Hawthorne, Calif.
July 24 filed 50,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($20 per share). **Underwriter**—Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and install machinery and equipment

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in a proposed new plant to be located east of the Rocky Mountains. **Business**—Manufacturer of gas and electric water and space heaters.

Mississippi Power & Light Co.
May 23 filed 85,000 shares of cumulative preferred stock (par 100). **Proceeds**—To be used to redeem at $110 per share plus dividends, the outstanding 44,476 shares of $6 preferred stock and for construction and other corporate purposes. **Bids**—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., $100.10 per share with a $4.80 dividend; Lehman Brothers, $100.551 with a $4.85 div.; W. C. Langley & Co. and First Boston Corp (jointly), $100.30 with a $4.90 dividend; and Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), $100.19 with a $4.90 dividend. Statement effective June 12. No further decision reached.

Missouri Utilities Co., Cape Girardeau, Mo.
Aug. 24 (letter of notification) 1,500 shares of 5% preferred stock (par $100). **Price**—$102 per share. **Underwriter**—Wachob-Bender Corp., Omaha, Neb. **Proceeds**—For construction and improvement of property.

● **Mohawk Business Machines Corp. (9/8)**
Aug. 30 (letter of notification) 25,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—743 Fifth Avenue, New York, N. Y.

Mt. Carmel (Ill.) Public Utility Co.
July 24 (letter of notification) 3,000 shares of 4% preferred stock being offered to common stockholders of record July 31 in ratio of one preferred for each six common held; rights to expire Aug. 30. **Price** — At par ($100 per share). **Underwriter**—None. **Proceeds**—To retire short-term notes and expand facilities. **Office** — 316 Market St., Mt. Carmel, Illinois.

● **National Barge Co., Pittsburgh, Pa.**
Aug. 30 (letter of notification) $38,000 of 5% preferred ship mortgage bonds. **Price**—$989.54 per $1,000 unit. **Underwriter**—S. K. Cunningham & Co., Inc., Pittsburgh, Pa. **Proceeds**—To pay bank loan and for new barge.

New Hampshire Electric Co. (9/19)
Aug. 2 filed $3,600,000 of first mortgage sinking fund bonds, series A, due 1975. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Proceeds**—To retire (a) $1,880,000 first mortgage bonds, series A and B, due 1963, and (b) $1,250,000 of bank loans due Dec. 31, 1952; and the balance for construction purposes. **Bids**—Expected to be invited around Sept. 7 and opened on Sept. 19.

New Orleans Public Service Inc.
Aug. 24 (letter of notification) 7,754 shares of common stock (no par) to be offered to stockholders (other than Middle South Utilities, Inc., parent) at rate of 0.168 share for each share held. **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To finance plant additions. **Office**—317 Baronne Street, New Orleans 9, La.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases. Statement effective May 22.

Northern Illinois Coal Corp., Chicago
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

Northwestern Public Service Co.
June 9 filed 49,200 shares of common stock (par $3) offered to stockholders at rate of one share for each 10 held. **Underwriter**—A. C. Allyn and Co., Inc., New York **Price**—$10 per share. **Proceeds**—For construction expenditures.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

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

● **Overseas National Airways, Inc., Washington, D. C.**
Aug. 25 (letter of notification) 70,000 shares of class A preferred stock (par $1) and 170,000 shares of common stock (par 10 cents). **Price**—At par. **Underwriter**—None. **Proceeds**—For operation of non-certificate air carrier. **Office**—1417 K St., N. W., Washington, D. C.

Pacific Power & Light Co.
Aug. 30 filed 1,750,000 shares of common stock (no par), representing all of the outstanding shares of the company to be sold by a group of 16 stockholders headed by A. C. Allyn & Co., Inc. and Bear, Stearns & Co. **Underwriters**—To be named by amendment.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds**—Mainly for development. Statement effective April 10, 1950.

Parks Air Lines, Inc., East St. Louis, Ill.
July 26 (letter of notification) 100,000 shares of common stock (par $2). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—For operating purposes. **Office**—Parks Metropolitan Airport, East St. Louis, Ill.

Perlite Mines Co., Denver, Colo.
Aug. 10 (letter of notification) $150,000 of 5½% debenture certificates due 1955 (in denominations of $500 each) and 30,000 shares of common stock (no par). **Price**—For certificates, $400 each; for stock, $1 per share . **Underwriter**—Robert D. Bowers & Co., Denver. **Proceeds**—For working capital.

Pheoll Manufacturing Co., Chicago, Ill.
Aug. 23 filed 112,500 shares of common stock (par $4). **Price**—To be filed by amendment. **Underwriter**—Blunt, Ellis & Simmons, Chicago. **Proceeds**—To four selling stockholders, part of which will be used to pay debt of some of shareholders to company. Expected about the middle of September.

● **Pioneer Telephone Co., Waconia, Minn.**
Aug. 30 (letter of notification) 2,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($100 per share). **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn. **Proceeds**—To expand telephone service.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

● **Powers Theatres, Inc., New Orleans, La.**
Aug. 30 (letter of notification) 5,000 shares of common stock (no par) and 1,000 shares of preferred stock (par $100) to be offered in units of one share of preferred and two shares of common stock. **Price**—$100 per unit. **Underwriter**—William F. Thurmond, New Orleans, La. **Proceeds**—To build theatre. **Office**—6208 Louis XIV Street, New Orleans, La.

● **Prudential Fire Insurance Co.**
Aug. 30 (letter of notification) 50,000 shares of common stock (par $4). **Price**—$6 per share. **Underwriter**—None. **Proceeds**—To increase capital to become multiple line company. **Office**—Braniff Bldg., Oklahoma City, Okla.

Quaker City Fire & Marine Insurance Co.
Aug. 2 (letter of notification) 10,000 shares of capital stock (par $20) to be offered on a one-for-four basis to stockholders of record Oct. 20, 1950, with the rights expiring Dec. 4, 1950. **Price**—$25 per share. **Underwriter** — Unsubscribed shares to be offered publicly through Burton, Cluett and Dana, 120 Broadway, New York, N. Y. **Proceeds**—For working capital. **Office**—226 Walnut Street, Philadelphia 6, Pa.

● **Rainier Funeral Chapels, Inc., Seattle, Wash.**
Aug. 31 (letter of notification) 15,000 shares of 5% cumulative preferred stock and 3,000 shares of common stock. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To build funeral home. **Office**—1817 Exchange Building, Seattle, Wash.

Rochester (N. Y.) Telephone Corp.
June 29 filed 125,000 shares of common stock (par $10) to be offered to present stockholders at rate of one new share for each four held. **Price**—To be filed by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For general corporate purposes, including construction and repayment of a loan. Offering postponed.

Rocky Mountain Textile Mills, Inc.
July 11 (letter of notification) $150.000 of 5% convertible sinking fund debentures, due 1960, and 15,000 shares of common stock (par $10), to be sold separately or in units of one $1,000 debenture and 100 shares of stock. **Price**—Separately, at par, and in units, at $2,000 each. **Underwriters**—Boettcher & Co. and Peters, Writer & Christensen, Inc., Denver, Col. **Proceeds**—For new machinery, equipment and working capital. May be placed semi-privately.

Roper (George D.) Corp., Rockford, Ill.
Aug. 3 (letter of notification) 4,500 shares of common stock (par $5). **Price**—$22 per share. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Chicago, Ill. **Proceeds**—For benefit of Grace Y. Roper, a stockholder.

Royal Television & Electronics, Inc., Washington, D. C.
June 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To buy television set components. **Office**—714 Fifth St., N. W., Washington, D. C.

Ryerson & Haynes, Inc., Jackson, Mich.
Aug. 15 (letter of notification) 5,000 shares of common stock (par $1). **Price** — At market. **Underwriter** — McDonald-Moore & Co., Detroit. **Proceeds**—To go to two selling stockholders. Being sold on New York Curb Exchange from time to time.

Safeway Stores, Inc.
June 8 filed 321,000 shares of cumulative preferred stock (par $100) and 257,064 shares of common stock (par $5). The common will be offered to common stockholders at the rate of one new share for each 10 shares held. Of the preferred 205,661 shares will be offered in exchange for 186,965 shares of outstanding 5% preferred stock, along with an unspecified cash payment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will offer the unsubscribed common shares as well as 85,114 shares of preferred not needed for the exchange and 30,225 shares which will be created by converting that many of the old 5% shares brought in under the exchange into new preferred stock. Any old preferred not exchanged will be redeemed on Oct. 1. **Price**—To be filed by amendment, along with the dividend rate on the new preferred. **Proceeds**—To redeem the unexchanged 5% stock, make cash payments on exchange, and toward the prepayment of $20,000,000 in bank loans. **Offering**—Temporarily postponed.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

● **Sierra Pacific Power Co. (10/3)**
Sept. 1 filed $2,500,000 of debentures due Oct. 1, 1975 and 24,716 shares of common stock (par $15), the latter issue to be offered pro rato to preferred and common stockholders of record Oct. 3 on basis of one share for each six preferred shares and one share for each 12 common shares held rights to expire on Oct. 19. **Underwriters**—For debentures to be determined by competitive bidding (bids to be received by company before 11 a.m. (EST) on Oct. 3); for common stock, to be supplied by amendment, together with subscription price. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. Probable underwriter for stock: Stone & Webster Securities Corp. **Proceeds**—To pay bank loans and to finance new construction.

Simmel-Meservey Television Productions, Inc.
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—Koellmer & Cunther, Newark, N. J. **Proceeds**—To complete films in progress and for general corporate purposes. **Office**—321 So. Beverly Drive, Beverly Hills, Calif.

● **Smith-Dieterich Corp., New York City**
Aug. 31 (letter of notification) 75,292 shares of common stock (par $2.50) to be offered to common stockholders of record Sept. 8 on a share-for-share basis; rights expire on Sept. 28. **Price**—At par. **Underwriter**—None. **Proceeds**—For purpose of producing motion picture films for television, and for purchase of new equipment. **Office**—50 Church Street, New York 7, N. Y.

Southern Co.
July 28 filed 818,415 shares of common stock (par $5) offered in exchange for 545,610 shares of common stock of Birmingham Electric Co. on a 1½-for-1 basis. No underwriter. Offer to expire on Sept. 22. Statement effective Aug. 29.

Southern Co., Atlanta, Ga.
June 23 filed 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders are: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co., Inc. Temporarily postponed. **Bank Loans**—Common stock financing proposal was amended in August to provide for $12,000,000 of bank borrowings to provide funds necessary to acquire $12,000,000 common stock of Alabama Power Co. and Georgia Power Co. ($6,000,000 in each), the bank loans to mature in one year. As soon as practicable and feasible, sale of the 1,000,000 common shares will be made, and the proceeds used to retire the bank loans.

Southwest Natural Gas Co., Shreveport, La.
June 26 (letter of notification) 13,500 shares of common stock to be sold by Ronald M. Craigmyle, at market (about $7.37½ per share) through Craigmyle, Pinney & Co., New York City.

Standard Coil Products Co., Inc. (9/18)
Aug. 11 filed 367,500 shares of common stock (par $1). **Price**—$15.25 per share. **Underwriter**—F. Eberstadt & Co. Inc. **Proceeds**—To three selling stockholders. **Offering**—Expected week after next.

Sudore Gold Mines Ltd., Toronto, Canada
June 6, 1949, filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Sylvan Products, Inc., Centralia, Wash.
Aug. 17 (letter of notification) 6,000 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter** — None. **Proceeds** — To establish plywood mill. **Address**—Box 449, Centralia, Wash.

Tennessee Gas Transmission Co. (9/11)
Aug. 10 filed $40,000,000 of first mortgage pipe line bonds due 1970. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co., Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To pay off $35,000,000 of short-term notes and for expansion. **Bids**—Will be received at the office of Messrs. Cahill, Gordon, Zachry & Reindel, 26th floor, 63 Wall St., New York 5, N. Y., up to 11:30 a.m. (EDT) on Sept. 11. Statement effective Aug. 30.

Tennessee Gas Transmission Co., Houston, Tex.
Aug. 28 filed 100,000 shares of common stock (par $5) to be issued in exchange for 80,000 shares of common stock of Sterling Oil & Gas Co., and for 10-year subscription warrants to purchase 133,333 shares of Sterling common stock. The rate of exchange is to be supplied by amendment. **Exchange Agent**—The National Bank of Commerce of Houston, Tex.

Transvision, Inc. (9/11)
June 13 filed 300,000 shares of common stock (par $1). **Price**—$2.75 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—To increase working capital and repay loans from RFC and Croydon Syndicate, Inc. Statement effective Aug. 21.

Unexcelled Chemical Corp.
Aug. 14 (letter of notification) 52,097 shares of capital stock to be offered to stockholders of record Aug. 21

on basis of one new for each five shares held; rights to expire in 30 days. Unsubscribed shares to be offered to employees and others. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For expansion and working capital. **Office**—350 Fifth Avenue, New York, N. Y.

United States Plywood Corp.
June 19 filed 60,000 shares of series B cumulative convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co., New York. **Price**—To be filed by amendment along with dividend rate. **Proceeds**—To increase working capital and for other corporate purposes including the erection of a new plant at Anderson, Calif. Temporarily postponed.

Utah Power & Light Co. (10/9)
Aug. 2 filed $8,000,000 first mortgage bonds due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); First Boston Corp. and Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler. **Proceeds**—For construction program. **Bids**—Expected to be received up to noon (EST) on Oct. 9. Statement effective Aug. 30.

Utah Power & Light Co. (9/11)
Aug. 2 filed 166,604 shares of common stock (no par) to be offered to common stockholders of record Sept. 12 on basis of one new share for each eight shares held; rights will expire on Oct. 4. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds**—For construction program. **Bids**—Will be received by the company at Room 2033, No. 2 Rector Street, New York 6, N. Y., up to noon (EDT) on Sept. 11. Statement effective Aug. 30.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

Virginia Electric & Power Co. (9/12)
Aug. 9 filed $20,000,000 first and refunding mortgage bonds, series H, due Sept. 1, 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; First Boston Corp. **Proceeds**—To pay $8,000,000 of bank loans and for construction program. **Bids**—Must be received up to 11:30 a.m. (EDT) on Sept. 12 at the office of J. C. Leighton, Room 503, 90 Broad Street, New York, N. Y.

West Disinfecting Co.
July 25 (letter of notification) 3,000 shares of common stock (par 50 cents). **Price**—At market (about $10 per share). **Underwriter**—Coffin & Burr, Inc., New York. **Proceeds**—To selling stockholder. **Office**—42-16 West Street, Long Island City, N. Y.

Western Carolina Telephone Co., Franklin, N. C.
June 22 (letter of notification) 1,406 shares of capital stock to be offered to stockholders at rate of one share for each two shares held. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To pay bank loans.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None. **Proceeds**—Exploration and development work. Statement effective May 23.

● **Winn & Lovett Grocery Co., Jacksonville, Fla.**
Sept. 6 filed 210,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For working capital.

Prospective Offerings

Aetna Finance Co.
June 3 it was reported company may do some financing later this year. Traditional underwriter: Goldman, Sachs & Co.

Alabama Power Co.
Sept. 1 it was announced company has filed with the SEC an application covering an issue of $10,000,000 preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp. **Proceeds**—For construction program.

American Investment Co. of Illinois
May 24 announced company is planning to file shortly a registration statement covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

Anton Oil Corp., Fort Worth, Tex.
July 31 it was rumored that a registration statement will be filed covering $10,500,000 of preferred and common stock.

Associated Telephone Co., Ltd.
Aug. 28 it was reported the company plans to sell in October $6,000,000 of first mortgage bonds, series G. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Shuman-Agnew & Co. (jointly); Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly). **Proceeds**—For construction program.

● **California Electric Power Co.**
Aug. 31 company filed application with FPC for authority to issue 40,000 shares of 5% cumulative preferred stock (par $50). Exemption is sought from competitive bidding requirements. It is planned to place this issue with a small group of insurance companies through Merrill Lynch, Pierce, Fenner & Beane. Proceeds are to be used to finance expansion program.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

Chenango & Unadilla Telephone Co.
July 17 company applied to New York P. S. Commission for authority to issue $1,000,000 of mortgage bonds, $357,000 of preferred stock and $300,000 of common stock.

Cleveland Electric Illuminating Co.
Aug. 1 it was reported that company this fall may issue and sell an issue of preferred stock, of which 495,011 shares of no par value are presently available, stockholders on April 25 having increased the authorized amount to 750,000 shares from 500,000 shares. The proceeds are to be used for construction program. Probable underwriter: Dillon, Read & Co. Inc. if negotiated sale.

● **Connecticut Power Co.**
Aug. 31 company announced stockholders will vote Sept. 18 on approving an issue of $10,000,000 new bonds, which may be placed privately. Of the proceeds, $7,200,000 will be used to redeem three outstanding bond issues and the balance for plant expansion and construction.

Consolidated Edison Co. of New York, Inc.
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

Consolidated Lobster Co., Inc.
Aug. 11 it was stated that company plans to offer additional capital stock (no par) for subscription by stockholders. At April 30, 1950 there were outstanding 34,393 shares out of 47,000 shares authorized.

Eastern Utilities Associates
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

El Paso Electric Co., El Paso, Tex.
July 19 it was announced company plans to refund $3,500,000 bank loans (notes approved Aug. 22 by FPC) with permanent financing prior to March 31, 1951, their maturity date. The last issue of debentures was placed privately last September with the John Hancock Mutual Life Insurance Co. Previous financing underwritten by White, Weld & Co.

Elliott Co.
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

Emerson Radio & Phonograph Corp.
May 29, Benjamin Abrams, President, announced that company may use unissued 1,240,390 shares of capital stock (par $5) to acquire additional plant facilities if needed. Traditional underwriter: F. Eberstadt & Co.

Empire District Electric Co.
Aug. 21 it was reported that early registration is expected of $7,000,000 bonds and 50,000 shares of common stock. **Underwriter**—Probably The First Boston Corp.

Florida Power & Light Co.
June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are soon expected to be offered to finance part of construction program which is expected to require approximately $25,000,000 new capital through 1952.

Georgia Natural Gas Co., Albany, Ga.
Aug. 2 filed new application with FPC for authority to construct a 335-mile pipeline system in Georgia and Florida to cost about $5,100,000, which would be financed through issuance of first mortgage pipe-line bonds and the sale of common stock. Previous application was withdrawn.

Holeproof Hosiery Co.
June 22 it was announced that registration statement is expected to be filed shortly covering not less than 25% and not exceeding 33⅓% of the stock held by principal stockholders following proposed 7½-for-1 split up. Stockholders meeting, scheduled for Aug. 16, was postponed indefinitely. **Underwriter** — A. G. Becker & Co., Inc., Chicago, Ill.

Houston Lighting & Power Co.
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

Iowa Southern Utilities Co.
April 26 company said to plan sale of first mortgage bonds to finance part of its $3,200,000 construction program for 1950. Probable underwriter: The First Boston Corp.

● **James Mfg. Co., Fort Atkinson, Wis.**
Sept. 7 it was announced company expects shortly to sell 15,973 shares of common stock to stockholders on the basis of one share for each 10 shares held. **Underwriters**—Loewi & Co., Shearson, Hammill & Co. and Bell & Farrell, Inc. **Proceeds**—For working capital. **Business**—Manufacturers of barn and poultry equipment.

● **Johansen Brothers Shoe Co.**
Oct. 25 stockholders will vote on proposal to issue and sell $350,000 of 4% sinking fund debentures due 1960. Proceeds to retire outstanding 3½% debentures and for other corporate purposes. Traditional underwriter: Stifel, Nicolaus & Co.

La Crosse Telephone Co.
June 6, company announced that it has advised the Wisconsin P. S. Commission that it expects to sell $1,000,000 of long-term bonds and not less than $600,000 additional common stock. Proceeds will be used to repay $1,300,000 bank loans, due in September, 1951, and the remaining $300,000 will go to Central Telephone Co., parent, to repay temporary advances for construction. Probable underwriter: Paine, Webber Jackson & Curtis.

Long Island Lighting Co.
Aug. 29 company asked SEC authority to issue $20,000,000 first mortgage bonds, series H, due Sept. 1, 1980, and requested exemption from competitive bidding, planning to place the issue privately. Proceeds would be used to repay bank loans and to reimburse treasury for construction expenditures.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Louisville Gas & Electric Co.
Aug. 29, SEC was notified that Standard Gas & Electric Co. plans to sell its holdings of 137,857 shares of common stock (no par) of Louisville Gas & Electric Co., and use the proceeds to retire $2,250,000 of bank notes. Probable bidders: Lehman Brothers and Blyth & Co., Inc. (jointly); First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Merrill Lynch, Pearse, Fenner & Beane, White, Weld & Co. and Union Securities Corp. (jointly). Expected before end of 1950.

Loyal Automobile Insurance Co., Los Angeles
Aug. 14 company applied to California State Insurance Department for authority to issue a total of 100,000 shares of capital stock (par $1), of which 50,000 shares are to be offered to California stockholders at $2.50 per share, less a 10% discount if rights are exercised within 60 days. The remaining 50,000 shares are to be offered to bona fide California residents at $3 per share.

Macy (R. H.) & Co.
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

Market Basket, Los Angeles, Calif.
May 25 company announced it plans sale of 4,452 shares of authorized but unissued, preferred stock, series C, (par $15) and an additional 30,000 shares of preferred stock, (par $15) to be authorized. Further details not available.

Michigan Bumper Corp., Grand Rapids, Mich.
July 20 stockholders voted to increase authorized common stock (par $1) from 250,000 shares to 500,000 shares, with holders of present outstanding stock to have no preemptive rights.

Michigan Consolidated Gas Co.
Aug. 7 it was announced company contemplates permanent financing will be consummated before maturity (Feb. 20, 1951) of proposed $25,000,000 bank loans which will include, during 1950, $20,000,000 of first mortgage bonds and $6,000,000 of common stock, and the sale, in 1951, of about $10,000,000 of preferred stock. **Underwriters for Bonds**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Proceeds**—To pay off short-term bank loans and for new construction costs. The additional common stock will be sold to American Natural Gas Co., parent. Expected this Fall.

Michigan-Wisconsin Pipe Line Co.
July 25 company received SEC authority to borrow not more than $20,000,000 from banks. A permanent financing program provides for the elimination of these bank loans prior to their maturity, July 1, 1951, and such pro-

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gram will include the issuance and sale of $12,000,000 additional bonds and $3,000,000 of additional common stock. Previous debt financing was placed privately.

MidSouth Gas Co.

July 31 it was announced that this newly organized company may issue and sell publicly $2,800,000 of common stock and place privately with institutional investors $6,900,000 of 20-year 3⅝% first mortgage bonds, the proceeds to be used in connection with the acquisition of the gas distribution properties of Arkansas Power & Light Co. Initially it is planned to sell $800,000 stock and $1,500,000 of bonds. **Underwriter for Stock**—Equitable Securities Corp., T. J. Raney & Sons and Womeldorff & Lindsay.

Milwaukee Gas Light Co.

Aug. 22 company applied to SEC for authority to issue $3,500,000 promissory notes to banks to mature April 27, 1951, the proceeds to be used for construction purposes. The permanent financing program is expected to be consummated prior to October, 1950 and will involve the refinancing of $13,334,000 first mortgage 4½% bonds due 1967, $2,000,000 of 7% preferred stock and bank loans (about $8,500,000) through the issuance of $27,000,000 of bonds, and $6,000,000 of preferred stock (to be offered publicly and $3,000,000 of common stock to common stockholders. (American Natural Gas Co. now owns 97.7% of presently outstanding common stock.) Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly). Registration expected mid-September.

Montana Power Co.

Aug. 22 it was reported company plans to sell in 1950 and 1951 approximately $22,000,000 of new securities. with $10,000,000 of debentures expected in October. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion and extension of gas and electric properties.

Mountain Fuel Supply Co. of Utah

June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp. Expected this Fall.

Mountain States Power Co.

May 17 the stockholders voted to increase the authorized preferred stock (par $50) from 75,000 to 150,000 shares. There are presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

New Bedford Gas & Edison Light Co. (9/27)

Aug. 9 company applied to SEC for authority to issue and sell 10,631 additional shares of common stock (par $25) and $3,750,000 of 25-year notes, series B, due 1975, the latter at competitive bidding, with probable bidders including Halsey, Stuart & Co. Inc.; Coffin & Burr and F. S. Moseley & Co. (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co., Inc.; First Boston Corp.; Whiting, Weeks & Stubbs. The common stock is to be offered for subscription by common stockholders at $67.50 per share, with New England Gas and Electric Association, parent, taking any unsubscribed shares. Proceeds from stock sale will reimburse Plant Replacement Fund Assets for construction expenditures, while proceeds from sale of notes will repay a like amount of bank loans.

New England Power Co.

April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) for preferred:—W. C. Langley & Co.

Niagara Mohawk Power Corp.

Jan. 19 announced that construction program will necessitate in 1950 not more than $25,000,000 of additional debt or equity financing, including short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co.

North American Car Corp.

Aug. 15 it was reported that the company is to issue and sell publicly not exceeding 40,000 shares of common stock (par $10). Probable underwriter: Glore, Forgan & Co., New York. The proceeds are to be used for car rebuilding program.

Northern States Power Co. (Minn.)

July 29 it was reported that the company will be in the market probably this fall with an offering of $17,500,000 new preferred stock. Probable bidders: Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. Proceeds would be used for new construction.

● **Ohio Edison Co. (10/11)**

Sept. 1 it was announced company plans to issue and sell 396,571 shares of common stock (par $8) for subscription to common stockholders of record Oct. 11, 1950 on basis of one share for each 10 shares held, with an oversubscription privilege; rights expiring on Oct. 30, 1950. SEC approval was sought on Sept. 5. **Price**—To be later determined by company. **Underwriters**—To be determined by competitive bidding. Probable bidders may include The First Boston Corp. and associates. **Proceeds**—For construction program and to increase investment in common stock of Pennsylvania Power Co., a subsidiary. **Bids**—To be received on or about Oct. 11.

Pacific Northwest Pipeline Corp.

June 30 company sought FPC authority to build a 2,175 mile pipeline system—from southern Texas to Washington—at a cost of $174,186,602. Negotiations for major financing requirements are now in process of being completed.

Packard-Bell Co.

Aug. 2 it was stated that following approval on Aug. 25 of an increase in the authorized common stock from 500,000 shares, par $1, to 1,200,000 shares, par 50 cents, to be followed by a two-for-one split-up, the company may issue additional common stock for the purpose of raising additional working capital. Traditional underwriter: Cruttenden & Co.

Panama (Republic of)

Aug. 18 it was reported that $10,500,000 of new 3% bonds due 1996 would be issued through Lehman Brothers, the proceeds, together with treasury bunds, to be used to retire the 3¼% bonds, series A, due 1994, and 3½% bonds, series B, due 1967, and 5% bonds due 1963, of which a total of approximately $15,000,000 are outstanding. The new 3% bonds are expected to be placed with a small group of institutional investors, and are to be secured by the $430,000 annuity annually paid by the United States to the Republic.

Pennsylvania RR. (9/12)

Bids will be received by the company up to noon (EDT) on Sept. 12 for the purchase from it of $10,005,000 additional equipment trust certificates, series Z, to mature annually April 1, 1951 to April 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler.

Philadelphia Electric Co.

May 5 it was said that there will be additional financing later this year, with probably some common stock to be underwritten by Drexel & Co. Bond financing would be competitive, and preferred stock would be either negotiated or competitive.

Public Service Electric & Gas Co.

April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

Reading Co.

July 31 it was reported that company may in near future sell an issue of equipment trust certificates, series T. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Reynolds Metals Co.

Aug. 9 stockholders increased the authorized common stock from 1,500,000 to 2,500,000 shares. The corporation has no intention of issuing any of the additional shares at this time. Traditional underwriters: Lehman Brothers and Reynolds & Co.

Roosevelt Mills, Inc., Manchester, Conn.

July 20 company was reported to be negotiating with a group of underwriters for a public stock offering of about $150,000 of additional capital stock at $1 or $2 per share. There are presently outstanding 1,381 shares of stock, which are closely held.

San Diego Gas & Electric Co.

July 31 it was reported that the company's original plan to issue between $8,000,000 and $10,000,000 of bonds late in September or early October may be changed to preferred stock, depending upon market conditions. If negotiated, Blyth & Co., Inc. may handle financing. If competitive, probable bidders are: Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Salomon Bros. & Hutzler. Proceeds would go toward construction program.

Schering Corp.

May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

South Carolina Electric & Gas Co.

Aug. 17, S. C. McMeekin, President, said the company expects to issue and sell later this year $3,000,000 of new bonds (in addition to private placement of $3,000,000 of 4.60% cumulative preferred stock, par $50), the proceeds to finance construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Union Securities Corp.

● **South Georgia Natural Gas Co., Atlanta, Ga.**

Aug. 23 company applied with FPC an amended application for authority to build a 526.9 miles pipe line in Georgia and Florida which, it is estimated, will cost between $10,500,000 and $12,080,000 to be financed by sale of first mortgage bonds and the issuance of junior securities. Probable underwriter: Courts & Co.

● **Southern California Petroleum Corp.**

Sept. 1, Tyler F. Woodward, President, announced that stockholders should be given the opportunity of subscribing for additional capital stock, the proceeds to be used to develop the company's Cuyama Valley holdings. The offering would be underwritten.

Southern Natural Gas Co.

July 31 it was reported proposed financing on a permanent basis has been increased from $10,000,000 to $24,000,000 first mortgage bonds, although company may decide to take this in two pieces, viz: $10,000,000 to $12,000,000 initially and the balance later on. On June 21 SEC approved temporary bank borrowings of up to $20,000,000 to mature July 1, 1951, the proceeds to be used for construction program which is estimated to cost $32,520,000 for 1950-1951. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); First Boston Corp.

Southwestern Public Service Co.

Aug. 1 it was announced by Herbert L. Nichols, Chairman, that the company expects to raise between $17,500,000 and $18,000,000 through the sale of securities during the fiscal year beginning Sept. 1, 1950. This may include bonds to be placed privately and the balance to be offered publicly as preferred and common stock with Dillon, Read & Co. Inc. underwriting. The proceeds are to pay for construction costs.

Toronto (Ont.), Canada

July 25 the Board of Control authorized the sale in the United States of $15,000,000 debentures to provide funds for construction of Toronto's subway. The proposal provides for borrowing at an average interest rate of 2.84%. The new debentures were placed privately last week with institutional investors through a banking group headed by Dominion Securities Corp. and Harriman Ripley & Co., Inc.

United Gas Pipe Line Co.

July 25 filed with FPC for authority to build 1,130 miles of new lines in Texas, Louisiana and Mississippi at a cost of about $110,000,000, including new facilities. It is probable that the bulk of this new capital will be raised through the public sale of new securities.

Utah Natural Gas Co.

June 5 it was announced company plans to build a 325-mile 22-inch pipe line in Utah to cost approximately $25,000,000. Hearings will be held before the Utah P. S. Commission in August or September, after a study of the project.

Valley Gas Pipe Line Co., Inc., Houston, Tex.

June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

Vanadium Corp. of America (10/4)

Aug. 21 company announced plans to offer publicly $5,000,000 of convertible debentures. Underwriting negotiations are being carried on with Kidder, Peabody & Co. Proceeds will be used for modernization and expansion of the company's properties. Expected beginning of October.

Warner-Hudnut, Inc.

July 20 change in company's name from William R. Warner & Co., Inc. was approved, but no action was taken on proposed recapitalization plan, due to market conditions. It is planned to file a registration with the SEC covering the sale of approximately 325,000 shares of the proposed new common stock (par $1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc.

Western Pacific RR.

July 17 it was reported company plans issuance and sale of $22,000,000 mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—To retire first mortgage 4% bonds and convertible income 4½% bonds due 2014, and over $5,000,000 "new money." Expected about middle of November.

Wilcox-Gay-Majestic Corp.

July 14 it was announced that in connection with acquisition by Wilcox-Gay Corp. of Garod Radio Corp. and Majestic Radio & Television, Inc., Wilcox-Gay-Majestic Corp., the new company plans public offering of 500,000 shares of common stock (par $1). **Underwriter**—Gearhart Kinnard & Otis. **Proceeds**—For working capital. Expected in October.

Our Reporter's Report

The underwriting industry gives indication of getting down to the business of shaking off the grip of summer dullness. Things are stirring with the first real corporate offering in weeks due on the market today in the form of Plantation Pipe Line Co.'s $40,000,000 of 20-year sinking fund debentures.

Aside from the big Canadian Government dollar bond issue brought out recently, which incidentally found ready placement, August was a month that the investment bankers are ready to forget.

Recent weeks have seen little in the way of new financing and activity has been pretty much limited to the municipal market which was fairly active and to trading in the seasoned market.

In the latter direction there has been good business going through in top grade railroad obligations while those of public utility and industrial companies have been quite neglected. The answer to the rising popularity of good rail issues is not hard to find.

Such bonds have been available to prospective buyers in rather sizable volume and at prices that make the yield favorable by comparison with those ruling in the other two major groupings.

Meanwhile the market had to withstand the effects of the latest Treasury-Federal Reserve imbroglio and the consequent unsettlement of the government market. But now that the shooting in that direction appears pretty well over, it develops that long Treasuries are just a little off the levels prevailing before the upset.

Two Current Offerings

The Plantation Pipe Line Co.'s debentures due out today are being brought to market via the negotiated route and are expected to encounter a good reception.

The $40,000,000 is part of an overall operation to raise $52,000,000 with the difference to be raised by way of bank loans. The Street was inclined to look for a price tag which would bring the buyer a yield of somewhere around 2.80%. Proceeds will be used to finance construction of a new major pipe line.

Meanwhile, those interested in stock opportunities were slated to get a chance to subscribe for a large secondary offering tomorrow in the shape of 120,000 shares of common stock of Vulcan Detinning Co. This stock is being sold for the Continental Can Co. which will receive the proceeds less selling commissions.

Next Week's Calendar

Unless something unforeseen happens to alter current schedules next week promises to develop substantial new corporate business for underwriters, but all four issues on tap are of the competitive variety.

Tennessee Gas Transmission Co. is slated to open bids on Monday for $40,000,000 of new first mortgage pipe line bonds due 1970. Proceeds will be applied to liquidation of $35,000,000 in short-term notes and for expansion.

Virginia Electric & Power Co. is due to take up bids the following day for $20,000,000 of bonds while on the same day bankers will be competing for $10,005,000 of equipment trust certificates being marketed by the Pennsylvania Railroad Co.

Duquesne Light Co. has set the same date for opening bids for 150,000 shares of new $50 par preferred stock and has called on prospective bidders to meet with its officials today for final briefing on registration data.

Municipals Quiet Down

For the moment at least the municipal market for new issues appears destined to take a "breather" after its steady outpouring of recent weeks. The calendar in this section of the market is relatively light for next week.

There is assurance of a substantial number of smaller issues, but only one really sizable deal appears in the list, that a housing offering.

The Commonwealth of Massachusetts will consider bids for an issue of $10,109,000 for housing on Sept. 14. The next largest offering is $6,625,000 of Washington Suburban District Sanitation District, Md.

Oliver Kimberly Is With Starkweather

Oliver A. Kimberly

Oliver A. Kimberly, formerly with J. K. Rice, Jr. & Co., is now associated with Starkweather & Co., 111 Broadway, New York City, members of the New York Stock Exchange, in their trading department.

Casebolt Joins Staff of H. Irving Lee Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Bernard Casebolt has joined the staff of H. Irving Lee & Co., First National Bank Building. He was formerly with Bacon & Co., Davies & Mejia and Wilson, Johnson & Higgins.

With Walter C. Gorey

(Special to THE FINANCIAL CHRONICLE)

SANTA ROSA, Calif.—William Berger has become affiliated with Walter C. Gorey Co. of San Francisco. For many years he has represented Conrad, Bruce & Co. in Santa Rosa.

Daniel Rice Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Charles S. Goldy is now affiliated with Daniel F. Rice & Company, 120 Northeast First Avenue. He was previously with Reynolds & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Thomas R. Legan has become connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Quail & Co.

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, Iowa—Robert B. Ausdal is with Quail & Co., Davenport Bank Building, members of the Midwest Stock Exchange.

Morgan Stanley Offers Plantation Pipe Line 2¾% Debentures

Morgan Stanley & Co. and 60 investment firms are offering to the public today (Sept. 7) $40,000,000 Plantation Pipe Line Co. 20-year 2¾% sinking fund debentures due 1970 at 99¾% and accrued interest to yield approximately 2.766% to maturity.

The proceeds from the sale and the proceeds of $12,000,000 of bank loans will be added to the general funds of the company and used with other cash funds for general corporate purposes, the primary purpose being the construction of a pipeline comprising 432 miles of 18-inch and 275 miles 14-inch pipe parallel to the company's present main pipeline, with pump stations and incidental tankage and terminal facilities, the total cost of which is now estimated at approximately $52,000,000.

The proposed new line will extend from Baton Rouge, Louisiana, through Birmingham, Alabama and Atlanta, Georgia to Charlotte, North Carolina.

The new debentures are redeemable to and including Sept. 1, 1954 at 103% and thereafter at prices decreasing to 100% if redeemed after Sept. 1, 1967. If the directors of the company determine that the effect of any U. S. Government regulations affecting steel or steel products will prevent the completion of its expansion program by Dec. 31, 1952 the debentures may be redeemed in whole or in part at any time to and including Dec. 31, 1951 at 100¾%.

A sinking fund starting March 1, 1958 is calculated to redeem all of the bonds by maturity.

Upon completion of this financing there will be outstanding, in addition to the $40,000,000 of debentures, $12,000,000 of 2⅜% bank notes and 127,500 shares of common stock of no par value; stated value $100 per share.

W. C. Turner Opens

LOS ANGELES, Calif.—W. C. Turner is engaging in a securities business from offices at 216½ South Hoover Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—It is seen here as entirely likely that, despite enactment of the new controls bill, there will be no sweeping actions affecting the distribution or use of the basic industrial raw materials, such as steel, copper, and building materials, for perhaps a good many weeks.

This does not rule out, of course, such action in the near future respecting some of the smaller, tighter metals. The reason why industry observers here do not book for any sweeping allocations or priorities on basic materials for a good many weeks is simply the fact that the government has only the shadow of an idea of what its defense program amounts to in terms of tonnages of raw materials, or when these materials will be needed.

There is some talk, however, of giving priorities to accompany orders for defense or supporting contracts under old appropriations merely to protect steel companies in case the latter have as a result later to renege under existing private contracts. The actual diversion of steel, however, from civilian consumption will not begin until late in the year.

One of the poorest kept secrets here is that in Congress and in many of the civilian parts of the Administration, there is extreme irritation at the utterly embryonic stage of the planning which went behind the appropriations to step up military production. Old-time observers in Congress said they had never seen a time when the military officials knew less what they proposed to spend their billions for.

It is true that in the public hearings there were some crude break-downs of what would be spent for ammunition, aircraft, ships, and so on. However, under questioning by committee members the military simply showed that they had not translated their billions into concrete procurement plans, and then the hearings would go off the record.

So the first job of Charles Sawyer, Secretary of Commerce, will be to try to wheedle the military into getting out of their jet-propelled, high altitude states of mind, and back to down-to-earth planning.

It is understood that Sawyer intends, if he gets the nod to operate the controls on the chief metals and materials, to get a requirements committee appointed. This requirements committee will attempt to browbeat the military into telling behind closed doors what they want. Then the technicians will translate these procurement goals into tons of steel, copper, et al., and then in turn the job will be to try to work out with the military the time scheduling of this procurement.

In the meantime, however, it is entirely likely that Sawyer's shop will have to put through a shotgun form of inventory control. The more the government talks shortages and allocations but fails to come up with orderly plans, the more is the basic situation aggravated by industry trying to hedge against the great unknown of bureaucratic planning.

So the first inventory control thing, which may be fairly soon, will be a crude affair, aimed simply at stalling off inventory accumulation until the Administration finally gets some idea of how much of what it wants when. Then the inventory ordered will have to be modified, piece by piece, to suit the peculiar conditions of particular industries.

Actually the first step chronologically, will be the staffing of the agencies, and the knocking together of the heads of different agencies until they learn to work with one another and get some common ground of agreement on objectives and policy.

This is the outlook, it is believed, dictated by the logic of circumstances and likely to be followed by a man of Sawyer's temperament—if he has his way. Silly as it may seem, it is entirely possible that he will not have his way and that the Administration will feel impelled, for election purposes, to churn about with its control powers and show the people it is doing something.

The Federal Reserve, of course, was all set up to reinstate Regulation W. This is a comparatively routine, self-operating thing, and the Board and System forehandedly had done all the staff work necessary to reach a judgment as to terms and down payments on consumer durables.

* * *

If the Federal Reserve Board follows through on its threat to promote deflation via the banking system whilst the Administration is pouring gasoline on the fires of inflation, an interesting time is likely to be had by all.

The "Fed" can, of course, raise reserve requirements two to four points more on demand deposits and a point on time deposits without asking anybody's say-so. Best guess is that if they told Harry Truman about it, the President just might not like it.

On the other hand, the Open Market Committee threat that, if additional reserve requirements did not do the trick, additional powers could be got from Congress, is at this stage considered to be a little on the optimistic side. There will be no Congress to act unless there is a special session and so many things are happening so fast, next January is, so to speak, a century away.

The oft-printed prediction that the current dispute between the Reserve Board and the Treasury will have to be trotted over to the White House for settlement soon, is discounted here in informed quarters. The Treasury will have to engage in no deficit-financing beyond the weekly bill issues before January. The question of interest rates need not be raised until the December and January maturities come up. Meanwhile, of course, the Treasury will have to accept the fact already registered, that it must pay about 1⅓ on its 90-day money.

To those institutional investors who are happy over having broken the hard steel chain of 1¼% on 12-month money, there comes this tip from an informed source: Maybe by mid-winter when it becomes pluperfectly clear to the office boy in the bond house that the Federal government is more likely to go into $25 billion annual deficits than to cast aside the politically-precious benefits of the Welfare State, that even 1⅓% return on one-year money might not look high; and although it is revolutionary, since the top rate of 2½% under recent Administrations has been more enduring than the Constitution of the U. S., even the 2½% rate might be questioned by a few buyers.

* * *

Gov. I. W. Duggan of the Farm Credit Administration refurbished the old idea of a sort of retail price ceiling on farm real estate. He proposed that there be what he called "an excess profits tax" on the margin upward in price between any sales made in less than one year, 80% on sales made in less than two years, and so on.

Gov. Duggan's calling this an "excess profits tax" was perhaps just accidental, since at the time he publicly advocated this scheme, an excess profits tax on business was in the headlines of the day, and millions were thinking about it. He admitted that in fact it was a special capital gains tax to be applied gainst one kind of capital asset only, farm real estate.

This official is deeply worried over the tendency of the city fellers to go out and buy farms at inflated prices above their normal values, so as to acquire something that won't evaporate with inflation. He says this is a bad thing. Over a long period of years, farm real estate, he says, has a "normal value," based on its 20- to 30-year earning power. He believes that these high prices are making it hard for guys who make their money on the farms and spend it in the cities to compete with those who make their money in the cities and spend it on their farms.

Besides, says Gov. Duggan, farm costs are going up out of proportion to farm income, a fact readily disputed by many, or as to many crops.

Of course Gov. Duggan's proposal is altogether academic. An attempt to sell a variation of the proposal to farm organizations in 1943 fell flat. Farmers don't want to be prohibited from making an honest profit, or from expanding their establishments when they think they can afford to, even at inflated prices.

Although this proposal would receive no serious consideration outside the Farm Credit Administration, it does shed light on the fact that Gov. Duggan is a peculiar breed of bureaucrat. FCA by law can lend on land only to 60% of "normal" or long-time value. This formula allows for little of the war and postwar inflation of both real estate and income from farming. It assumes that one day the farm dollar will be back to 1938 purchasing power.

Figuratively across the street is the Farmers Home Administration, also limited to normal values, but with a loan ratio of 95 to 100% of collateral.

Obviously the FCA, after being reduced to a minor lending job during the war and postwar inflation, can look forward to nothing now for years but a further eclipse. The typical bureaucrat would be pounding on Congressional doorsteps for permission to consider present values normal, so he could get his foot back in the door.

Instead of asking, as do 99 out of 100 bureaucrats, for a chance to get back on the gravy train, Gov. Duggan sticks by his guns. He actually believes in normal values.

* * *

Little noticed by the press was the unprecedented latter sent by Chairman Clarence Cannon of the House Appropriations Committee to Frederick J. Lawton, Director of the Budget, respecting the $550,000,000 mandate to the President to reduce civilian expenditures.

What Cannon said was that the $550,000,000 was a "minimum" not a maximum figure ordered by Congress, that Congress meant what it said, that this "cut" could not be achieved by postponing payments or deferring unavoidable projects until a succeeding fiscal year. Cannon also pointed out that defense expenditures were not sacred, that Congress ordered only that the cut be not applied in such a way as to harm the war effort. Finally, Mr. Cannon suggested that all the cuts could not be applied to a limited range of expenditures.

Mr. Cannon's language was very polite, but in the vernacular, what he in effect said was: "We demand that you achieve these cuts. Don't try any of the 101 tricks administrators know to make apparent cuts or put Congress on the spot. If you do, boy, your tail will be in a crack."

Naturally, although the letter was written to Mr. Lawton, its real target was the White House. With this letter Mr. Lawton will have an answer to any demands on him as a Presidential hired-hand, to just play with the books.

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

BUSINESS BUZZ

"I have a feeling this new efficiency expert is REALLY going to trim expenses!"