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EDITORIAL

As We See It

The Defense Production Act of 1950 is now law. The President has issued certain executive orders thereunder, and has taken pains to explain over the radio the Administration's view of what lies ahead. We have been told what must be done to meet the difficulties and the contingencies likely or certain to be encountered. Some of the President's generalizations are straight to the point, and can be taken without reservation as plain statements of the facts as they stand and as frank assertions as to what is needed from the American people to meet a critical situation.

When the Chief Executive, for example, says that to meet the demands of the day "will require harder work and longer hours for everybody" we gladly and earnestly approve his position. He is on strong ground when he observes that "to the extent that we finance our defense effort out of taxes now, we will avoid an enormous increase in the national debt. During World War II we borrowed too much and did not tax ourselves enough. We must not run our present defense effort on that kind of financial basis."

Few, we imagine, would wish to take serious exception to the general statement that "the defense program means that more men and women will be at work, at good pay. At the same time, the supply of civilian goods will not keep pace with the growth in civilian incomes. In short, people will have more money to spend, and there will be relatively fewer things for them to buy. [We assume that the President means that these consequences would emerge if the financing of the defense effort is faulty.] This inevitably

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Our Fiscal Resources For the Emergency

By ROSWELL MAGILL*
Former Under Secretary of the Treasury

Asserting we must obtain maximum production at less cost in order to increase our fiscal resources, former Treasury official advocates "trimming the fat off current Federal budget." Contends, because of probable future heavy military outlays, we should not exhaust our tax ammunition in first skirmish. Warns of administrative difficulties of excess profits tax and says it should be used only to discourage profiteering. Concludes, if Congress holds down non-essential civilian expenditures, contemplated military outlays can be met without substantial tax increases.

War calls to arms able-bodied young men, and also tax administrators and tax specialists. Our task involves none of the perils that face our sons, the soldiers; but nevertheless it is one that requires our best thought and effort. We cannot merely propose to jack up rates 50% or 100%, nor will it be enough to look in the books to find some new taxes that will produce a lot more money. In devising ways to increase the tax burden, we must try to reconcile two propositions not easily reconciled. We know the economy must function at full speed, since, in the last analysis, the United States wins wars by out-producing the other fellow. Therefore, we need to encourage full production in every way; and, in particular, to remove any roadblocks to full production. On the other hand, if this war is to be paid for by ourselves and not by our children, our best producers, individual and corporate, must bear much heavier tax loads now than they have been bearing in

Roswell Magill

*An address by Mr. Magill before the National Tax Association, Pittsburgh, Pa., Sept. 11, 1950.

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The Business Outlook

By PAUL H. NYSTROM*
Professor of Marketing, Columbia University

Though stating outlook for retail sales for remainder of year is good, Dr. Nystrom warns inflation threat is serious. Sees danger from over-issues of government money and expanded credit greater than from goods shortages. Suggests as business program: (1) holding down of prices; (2) tightening of consumer credit; (3) cut in government civilian spending; (4) fair and wide increases in taxes; (5) no increase in minimum wages; (6) more productivity and less loafing on job; and (7) more public interest in sound political policies.

I. The Retail Outlook

Retail sales in this country since the first of the year are now well-known history. Prior to the Korean outbreak there was a sales boom in some lines, such as housing, automobiles, television, refrigerators and other appliances, but almost a depression in the sales of apparel and general merchandise. Retail shoes seem to have been an exception. They apparently held their own throughout the first six months of the year.

The Korean outbreak on June 25, 1950, was followed by a great surge of scare buying that continued through both July and August. The buying was particularly heavy in certain lines, such as autos, tires, television, household appliances, sugar, nylons, domestics, and goods made of wool. As of today, it seems probable that this wave of scare buying is probably past its peak. The shortages in goods expected by consumers have not been as bad as anticipated. Consumer demands in many lines have undoubtedly been saturated. Scare buying and hoarding has been somewhat discouraged by generally unfavorable public attitudes.

The outlook for retail sales for the remainder of this

Paul H. Nystrom

*An address by Dr. Nystrom before the National Shoe Retailers Association, New York City, Sept. 7, 1950.

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STANY OUTING PICTURES IN THIS ISSUE—Pictures taken at the Annual Outing of the Security Traders Association of New York on Sept. 8 at the New York Athletic Club appear on pages 21, 22, 23 and 24.

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.)

G. SHELBY FRIEDRICHS

Partner, Howard, Weil, Labouisse, Friedrichs & Co. New Orleans, La.

(Central Louisiana Electric Co.)

My favorite securities are those which appear to afford a combination of the following factors: (1) A minimum of risk; (2) a good return; (3) a good probability of enhancement in value.

G. Shelby Friedrichs

I am convinced that it is worthwhile to sacrifice a considerable degree of marketability if necessary in order to obtain this combination of factors. With this in mind I present Central Louisiana Electric Co. Common Stock as the Security I Like Best.

This relatively small utility operating company renders electric service to 17 incorporated towns and villages and 50 unincorporated communities which form a neatly intergrated system in the heart of Central Louisiana. Water service is furnished to four communities, ice plants are operated in two and a profitable dairy business is operated in Alexandria, La. Ninety per cent of the company's operating revenues, however, come from the electric utility business. The territory served is a rapidly growing diversified industrial, residential and agricultural section.

The company's financial structure is particularly sound. All of the outstanding debt with the exception of $479,500 of 2% U. S. Rural Electrification Notes, were recently refunded into $5,500,000 First Mortgage 3% Bonds due 7-1-80. Total Debt is approximately 59% of Net Plant, and since there are no Debentures or Preferred Stock outstanding, there remains a **41%** Common Stock Equity.

Prior to July, 1948 the company purchased from others substantially all of its electricity. With the completion in that year of a thoroughly modern outdoor plant, however, its generating capacity became more than suffcient to serve its needs. Incidentally this plan is located close to five separate sources of natural gas supply, and therefore combines low fuel cost, with the last word in gas-steam generating equipment to produce very low cost power.

With the completion of this plant the company's earnings per share jumped from $2.39 per share for the 12 months ending June 30, 1948 to $3.90 per share in 1949. ($3.61 per share after giving effect to the sale of 9,888 shares Aug. 16, 1950). Dividends have been increased from $1.60 per share paid 1946-49 to $1.80 per share rate at present.

On the basis of the current level around 32 this produces a return of better than 5½% on an electric operating utility common with a **41%** equity. A return that represents only 50% of earnings.

In addition to the **stability** resulting from the nature of the business and the substantial Common equity, and the **good return**, this situation also appears to offer good probabilities for **enhancement in value** in the future. Residential and commercial customers account for approximately 60% of gross operating revenues. At the end of 1945 the company had 11,200 such customers. By the end of 1947 this had increased to 15,900 and by the end of 1949 to 21,200. New customers continue to be added at the rate of better than 150 per month. Dollar revenue per residential customer is also increasing, having averaged $44.79 in 1949 against $40.03 in 1947.

With most of the company's expansion program completed, this growth should be reflected in better per share earnings and larger percentages of earnings disbursed as dividends in the future. These usually bring about enhancement in value.

The stock is unlisted and is suitable for the average individual investor.

MAX L. HEINE

Partner, L. J. Marquis & Co., New York City.

(Lima Hamilton Corporation: Soon to form part of Baldwin Lima Hamilton Corporation)

The appraising investor will have plenty of food for encouraging thought when looking over Lima Hamilton's communications to the stockholders. Balance sheet and earnings statement tell the story of past achievement in terms of financial success. The annual reports and proxy statements give a record of action taken by management to overcome unusual problems. The recent proxy statement of Lima Hamilton Corporation proposing consolidation with Baldwin Locomotive Corporation encourages the belief that a complex situation comparing with the most difficult reconversion problems of postwar industry has been successfully mastered.

Max L. Heine

When the American railroads switched from steam to diesel propulsion after the war Lima as well as Baldwin lost the market for their major product. In addition, much of the heavy machinery constituting both companies' business did not lend itself readily to mass production. In these days of rising wage rates and even steeper increases of other elements of labor cost, such as social services and shortened work week, the old time-honored method of one or a few of a kind had to be modified.

The proposed consolidation should go a long way to solve these problems. To quote the proxy statement:

". . . Great economies can be accomplished if (Baldwin and Lima) could make joint use of their facilities in the fields of research and development, which are very necessary, but very costly. Further, by concentrating all of the locomotive production at one location tooling requirements will be reduced and greater volume can be secured. Most important a new pattern of operation can be established where, generally speaking, only one type of heavy machinery will be built under one roof. For example, at Lima we are convinced that the manufacture and sale of our earth moving machinery can be greatly simplified and extended if the manufacturing organization there is concentrated entirely upon this particular product."

The benefits of the merger while uncalculable now may in time make for a real improvement in the position of the stockholders of both companies.

The pro forma balance sheet as per June 30, 1950, for the consolidated companies shows a stockholders' equity of $22.50 a share and net current assets of $14.40 a share. These figures are substantially in excess of the present market price of $10. There is no long-term debt and no preferred stock.

Both companies pay currently dividends at the annual rate of 60c. There is a record of dividends unbroken since 1941 in Lima and 1938 in Baldwin. Earnings for the period from 1947 to 1949 averaged $1.25 on the combined stock outstanding after consolidation, but were only 40c for the first six months of 1950. This was partly accounted for by the lag created by the disappearance of the steam locomotive business and — for Lima — the initiation of Diesel production.

The present stage of political twilight will presumably soon employ whatever reserve capacity will be left unused by the rising demands of the civilian economy. Prospective excess profit taxation will probably not importantly affect the company unless the income rises well beyond the level of the past years.

As to the future, I like to think not only of the domestic market, but also of the hitherto untapped limitless possibilities in a peaceful world society which will be ours if America is finally able to use its productive genius to spark cultural progress all over the world. Both Lima and Baldwin always relied on export for a good part of their business. To help in the development of undeveloped areas of the world might be the biggest job the new consolidation will ever undertake.

BERWYN T. MOORE

President, Berwyn T. Moore & Co., Louisville, Ky.

(Northern Indiana Public Service Co. Common Stock)

The "Security I Like Best" as heretofore, and even in a defense economy, is Northern Indiana Public Service Co. common stock.

Berwyn T. Moore

For about three years, we have suggested the attractiveness of good operating utility stocks. We have continued to point out that the industry as a whole was in a growth phase, earnings were increasing, dividends were being lifted and those who have followed our suggestions and bought

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New Houses

By ROGER W. BABSON

Mr. Babson contends powerful Federal housing agencies are fostering today's dangerous housing boom through easy credit and government guarantees. Says sharp decline from present peak in home building appears imminent, and recommends investment in homes in small rather than large cities.

Many people ask me what I think of the present housing boom, how long it will last and whether it is wise to buy or build new homes now. Briefly, these are my conclusions:

Roger W. Babson

During the first seven months of 1950, nearly 800,000 new non-farm dwellings were started in the United States. In July a new monthly record of 144,000 units was chalked up. What is the reason for this unprecedentedly high volume of new home construction? The answer can be summed up in just two words: **easy credit.** Of course, there are other factors, but it is this ready availability of mortgage loans **guaranteed by the government** which has created and sustained the housing boom.

What Is Wrong?

Government pump-priming is not bad in itself. In a complicated and highly industrialized economy such as ours, it may become a necessary device in the promotion of our national interest. However, I am opposed to the abuses of pump-priming. The powerful Housing Agency is fostering today's dangerous housing boom. Through its easy credit terms, it is encouraging individuals to discard the principles of industry, thrift and resourcefulness which have made our nation great.

Easy mortgage loans are of dubious value if you take a long range viewpoint. They can prove disastrous following times like these when wages and prices are on an artificially high basis. I am greatly disturbed when I see young people getting involved in operations and commitments that can be justified only if these extremely favorable business conditions should persist. Some will lose the new homes which they so proudly and so easily acquired. Others will be able to keep them only at the price of difficulties due to expecting something for nothing.

Buy Larger Houses

Another aspect of the housing situation which distresses me is the size of the majority of the new houses now being built. In their zeal to keep costs at or near $10,000 per unit, builders seem to have concentrated on too small houses, many of which have only four rooms. Certainly these latter are not very practical for **family living** in the American tradition. Nor will they have a very good resale value.

GIs and others, lured by the bait of no, or at best a small, down payment and the promise of easy mortgage terms, should take time to think of these purchases in terms of future needs and future values. Perhaps if they were required to proffer a substantial down payment, as were their fathers, they would be more discerning and more practical.

What Should We Expect?

A sharp decline from the present peak activity in home building now appears imminent, owing to the Korean trouble. However, I believe that the accumulation of deferred housing demand would have been satisfied before long anyway. Recent tightening of Federal housing credit and a very material increase in government stockpiling of strategic materials should hasten the return to a more normal market in new home construction to provide for our expanding population.

It is probable that the present scarcity of housing in our larger cities may suddenly turn into a surplus. The day may not be far off when it will be difficult to sell some of these city units **at any price** because of the possibility of of their being bombed and because of high city taxes and living costs. Also, remember that today there is a home to every 4.1 persons; while the previous saturation point came in 1930 when the people were satisfied with one home for each 4.4 of population!

Don't Overlook Small Cities

I would not buy a house today in any of the larger cities of the United States unless it was essential that I live within the limits of one of them. Big city property valuations are too vulnerable. Yet, I would not hesitate to build or buy a house for my family's use with a 30% down payment in the better sections of most small American communities. I am convinced that the population trend away from the larger cities will continue, thus decreasing big city real estate values.

It also may be that an older type, well-built house in the best sections of these smaller cities is a better buy than a new house in the present crazy market. You may pay more for such a house than it originally cost to build, but you will still be getting it for about half of what it would cost to build today.

Bayliss Manager for Smith Barney in Hartford

HARTFORD, Conn.—Charles E. Bayliss has become associated with Smith, Barney & Co., as manager of their Hartford, Conn., office, Hartford-Aetna Building. Mr. Bayliss was formerly with Putnam & Co.

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Food and Food Processing Industry Securities

By ALLAN R. FINLAY*

Scudder, Stevens & Clark, Investment Counsel

After pointing out similarities and dissimilarities in food processing companies, Mr. Finlay discusses, by way of illustration, the corn refining group from standpoint of raw materials and costs; manufacturing processes and products; competition and prices; profit margins and profit factors; and sources of information. Stresses importance of proper accounting for inventory profits and losses. Urges close analysis of operating results.

As I understand it, this afternoon my subject is food and food processing from the approach of the investment analyst. The investment approach involves many problems that you might not have in just studying these fields, but I believe that the ideal in the investment approach should be for each analyst to try to know his industry and his company almost as well as the top officials of those companies.

If you do not know your subject that well, you frequently find developments that catch you unawares, and they are often costly developments about which you then have to scurry around to try to find the answer after it is too late.

Now, in order to illustrate this approach, rather than cover the food processing industry, I am going to go over some of the general investment factors in different groups of food processors, and then take one industry, the corn refiners industry and go into considerable detail in this.

Now, first let's cover a few of these basic food processing groups. There is one underlying similarity in all food processors. They are all dependent upon agricultural produce. Beyond that point, I think the dissimilarities are far greater than the similarities.

Variety of Food Processing Companies

Let's take a few. The United Fruit Co. is an industry unto itself. The one dominating investment factor in this company is that it is basically a farmer. As far as I know, it is the only big food processing company that is a farmer, although some of the sugar companies raise part of their sugar cane requirements. Its work consists of growing bananas, cocoa, sugar, and many other products in the tropics—cultivating them, harvesting and transporting them to this country, and in the meantime, processing them into a form which we can use.

Now, what does that mean? You all know, I think, from economics that you may have had or from the study of the war period, that the farmer has greatly benefited from government controls, price supports and from war-price inflation. United Fruit Co. is the only company in the group that has benefited as fully as the farmer. The other companies operate on a spread. They buy their agricultural products, process them, and distribute them. Therefore, they have not benefited so fully as has United Fruit.

Conversely, should we have a reversal of these conditions, price and otherwise, United Fruit Co. would suffer much more, as it did during the 1930s.

There are other companies, for instances, the biscuit, the bread bakery, and the dairy companies, in which there are certain similarities, a principal one of investment significance being that they all sell products more or less direct to the consumer. It is very costly to do that. It means a high labor cost, and generally means real labor problems, because practically all of the distribution systems in the food field, breweries, and soft drinks, are tightly unionized.

Now, another group—General Foods and Standard Brands. At first blush you would think they are two similar companies. They both process and sell coffee. They have some similarities, but General Foods has a big frozen foods business; Standard Brands doesn't. Standard Brands has a liquor business. The differences are quite significant. There are entirely different operating problems. Within the liquor division, Standard Brands has an important Scotch whiskey on which there is only a distribution profit. It has a domestic whiskey business in which all of the problems of the liquor industry are involved.

Then the canners and the vegetable oil processors. What is the investment factor of significance there? It is probably that they operate on an annual-crop basis. There is no widespread trading market for selling cottonseed, soybeans, or the various other oil-producing seeds that these vegetable oil processors handle. There is a market; it is quoted in the paper every day, but it is not big or widespread enough for these companies to operate effectively in, and, therefore, they must buy the bulk of their annual raw material needs when the crops are harvested in the fall. The same is true of the canners and their raw fruit and vegetable needs.

What is the investment significance from the analyst's point of view? Well, it is that they have to buy at the price that prevails at that time and take the risk that the price will not decline for one solid year until the next harvest. That means these companies are subject to inventory profits and losses. Their earnings fluctuate widely as a result. Out of that problem the analyst frequently has many headaches and many unforeseen profits.

Then, the sugar companies. You might think the sugar business is one nice, coherent industry. It certainly isn't. There are beet sugar processors in the Midwest and Western U. S., cane sugar producers in Louisiana, Florida, Cuba, Pureta Rica, Hawaii, the Philippines, the Dominican Republic, and then there are the cane sugar refiners along the East Coast, the South, and the West. Every one of those groups of companies has its own problems, many of which are different from the others. You, as an investment analyst, must study each separately and know what the differences in those problems are and how they affect investment results. If you do not, you will find one day that one group is behaving very nicely and another very poorly. There are logical reasons for it, and you must know what they are.

Chewing gum companies and confectionery companies again have different problems. The principal problem is one of merchandising, just as with cigarette companies. The successful merchandiser is the successful company. Normally there are not many serious raw-material problems although in times of war or in times such as the present, there are because they obtain their basic raw materials from outside the United States. Actually I have been told that the chewing gum companies could make very good gum out of old rubber tires if they have to, and in recent years an increasing percentage of the gum base used has been synthetic.

I have just given you a bird's-eye view of these various groups, and have tried to illustrate what some of the problems are that you, as budding analysts, must face in order to understand these different companies.

The Corn Refiners

Now, let's take the corn refiners. These companies, unlike the chewing gum companies, for example, deal almost entirely with the large industrial and commercial consumers. Only a moderate part of their output is in a form going directly to the individual consumer. That has an important bearing on their problems and how they operate.

Let me summarize first briefly the various phases of the industry with which you should be familiar, from an investment research approach, illustrating the extent to which you should know your industries:

(1) Raw materials and costs.

(2) Manufacturing processes and products.

(3) Markets.

(4) Competition and pricing.

(5) Profit margins and profit factors.

(6) Sources of information.

(7) Miscellaneous items of the Corn Products Refining Co., particularly accounting factors, to illustrate a lot of things that you will run into in other companies.

The corn refiners basically produce starch from corn. They then process starch further by a treatment which fundamentally is the same as the human digestive process. That produces corn syrup, or glucose, and corn sugar, both crude and refined, the latter known also as dextrose, the technical name of simple sugar, it is. The by-products are oil, gluten feed and meal; also recent new products which I will go into as we go along.

This is a small industry. Sales are only about $450 million net before taxes around $30 to $35 million and net after taxes only $20 million. That would not be too large a company, if it were all in one, but nevertheless there are certain investment attractions in the industry that I will bring out as we go along.

First, the raw materials. You should know a little about corn to understand this industry. Corn is a major agricultural crop. Its value is twice that of the wheat crop, is equal in value to all the combined oil and coal produced in the country, and is worth more as a crop than the combined net worth of General Motors, duPont, and United States Steel.

The United States is the largest producer of corn, accounting for nearly two-thirds of the world's output, and we use practically all of it ourselves. Argentina, with only 10% of total world production, is the biggest exporter of corn. Two out of three farms in the Midwest produce corn and three-quarters of all the corn is produced in a corn belt around the Great Lakes, particularly Iowa and Illinois.

Now, what is the investment significance of this? First, it determines the location of most corn refining plants around Chicago. This is sound economically in relation to the markets for the industry's products. A pie-shaped area, from Chicago to the East Coast, the point being in Chicago and the other extremities on the East Coast, between, let's say, Bangor, Maine, and Washington, absorbs 80% of the industry's output.

A second factor of significance in the corn picture is that, with all that corn and with the corn refiners using only 4% of it, you would think there was no problem at all in their buying corn. That isn't always the case. The price and availability of corn to the corn refiners are largely determined by the relationship between the price of corn and the price of meat animals. Most of the corn crop is fed directly to hogs or beef cattle. Only 25% of all the corn produced comes to the cash market normally.

You must understand that basic condition because sometimes the demand for meat and the price of meat brings the price of corn up to a point which puts the corn refiners at a competitive disadvantage with other products. Furthermore, during the war the government deliberately set a policy of encouraging the production of hogs. The result was a price level on corn which was above the ceiling price on cash corn. Thus, we produced 122 million hogs in 1943 compared with 80 million prewar and the corn refiners went without corn.

Furthermore, a large part of the cash corn goes into mixed feeds. There are 400 mixers of feed in the country, mostly small businessmen. As such, it was easy for many mixers to get around wartime price and quota controls, taking cash corn away from the bigger corn refiners who couldn't afford to operate that way. This added to the tough time the corn refiners had getting corn during the war.

A related economic fact of investment significance is that in 1934 and 1936 we had droughts, and the corn crop was way off. The price of corn went up to a level placing the corn refiners at a disadvantage competitively. Thus, their earnings were severely reduced or converted to deficits temporarily. Now we have a new kind of corn, hybrid corn, which is being used almost entirely in the corn belt, and, therefore, the vulnerability to drought is far less.

You have to know that corn when it is harvested is frequently soft, or wet corn. It doesn't keep very well, but corn refiners can use it effectively, so sometimes they get it at a market advantage if there is a lot of wet corn.

These are some of the highlights of the corn situation from an industry raw materials standpoint. Now I would like to tell you briefly something of the manufacturing processes and other important raw materials used.

Here is a drawing of the kernel of corn in which you have the hull outside, and the germ containing the oil in the center, surrounded by starch. The problem is to extract each of those substances. It is done by steeping the corn in a big tank of boiling water just as you do an ear of corn on your stove. In the process it is softened and then ground lightly to break the kernel. Thereupon the germ floats to the top and is skimmed off. The rest of the substance goes through what we probably should call sifters to sift out the hull.

That leaves the starch and the gluten on long "settling tables," the starch drops to the bottom and the gluten floats on top so ultimately you segregate each one of those elements of the corn. Centrifugal machines are now used for this purpose in some plants. The starch is then dried as starch or further processed into glucose or dextrose.

The Raw Materials

Now, what are the important raw materials needed other than corn? It takes a pound of coal to produce a pound of starch. It requires about 40 gallons of water to process a bushel of corn. The industry uses enough water in a year to take care of a city of 100,000 people, and around 2 million tons of coal are consumed. Obviously the corn refiners are dependent on Mr. John Lewis, although less so than they used to be. The coal strike of late 1949 cost one of the corn refiners $600,000 more for its first quarter 1950 coal requirements than would otherwise have been the case.

What does the water mean? That much water flowing through plants causes a rapid rate of deterioration in the equipment, higher plant maintenance and all that sort of thing. Those are investment factors that are important to know because they affect costs and profits.

With regard to by-products, the corn refining industry used to produce nothing but starch and syrup. They threw away all the rest of the materials, all the hulls

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*A lecture given on July 31, 1950, the 10th in a series of 17 on Securities Analysis 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

Total industrial production for the country as a whole last week attained a new postwar high with overall output considerably above the level of the corresponding period a year ago. In keeping with the upward trend of business and industry, total claims for unemployment insurance for the latest week again show a slight falling off from the level of the week before.

The voluntary wage increases and improved pension benefits granted recently by companies in the automotive industry have served to stimulate other businesses to similar action.

Wage increases were announced by several more firms on Friday, last, and in one instance the pay boost served to end a strike threat.

Companies granting increases were Eastern Air Lines, Johnson & Johnson, Inc., Rome Cable Corp., the Steel Co. of Canada, Ltd. and the Budd Co.

A strike of 2,500 mechanics was averted at Eastern Air Lines through a 10-cent hourly wage rise.

On Sunday, last, the Studebaker Local 5 of the CIO United Auto Workers voted acceptance of a new five-year wage contract, providing for an immediate nine-cent hourly pay raise for 21,000 workers.

The new contract also provides for an annual increase of four cents for each of the five years, and further adjustments according to the cost of living index of the Bureau of Labor Statistics. It became effective on Sept. 1.

* * *

An important step undertaken the past week to implement the nation's domestic mobilization program, according to reports, was the setting up of a National Production Authority equipped with sweeping powers to promote the flow of essential materials to war industries.

Secretary of Commerce Charles Sawyer, acting under President Truman's authority, announced that William Henry Harrison, of New York, President of the International Telephone and Telegraph Corp., will head the National Production Authority.

The new agency will be a part of the Department of Commerce and will function along the lines of the War Production Board of the last world war. It will handle priority, allocation and inventory controls provided for under the Defense Production Act which President Truman signed last Friday.

* * *

The impact of military and related demands on the steel market is increasingly in evidence, "Steel," national metalworking authority, states this week. Civilian goods manufacturers' procurement difficulties are mounting in step with accelerated defense efforts.

Voluntary allocations to government and related programs are working out well so far as supplying these needs are concerned. But they are giving rise to dissatisfaction among regular customers. Widening gaps in civilian steel supply banks are appearing and these promise to grow progressively worse. Naturally, consumer complaints are increasing as the scramble for supplies intensifies, the magazine adds.

Much duplicated tonnage inquiry is believed circulating among the mills and little success is attending buyers' efforts to get protective coverage since even the premium conversion and gray markets are jammed with tonnage and offer little in the way of encouragement under present conditions.

* * *

Production of energy by electric utilities reached 307,490,792,000 kilowatt-hours for the year ending July 31, 1950. This figure represented the highest total attained during any 12-month period to date and exceeded by 1% the previous high set during the period ending a month earlier.

In addition, electric utility power plants consumed a record 66,707,524,000 cubic feet of gas during July, or an increase of 9.4% over the previous high set in June, 1950, and 19.2% above the 55,969,792,000 cubic feet burned in July a year ago, a current report from the Federal Power Commission also discloses.

* * *

Increased retail sales and higher farm prices in July helped boost United States personal income sharply to an almost record level, the Department of Commerce reported last week.

The Department said personal income soared to a yearly rate of $219 billion in July, $1,900 million more than the June rate. The July figure was only $3,700 million shy of the record high rate set in March, 1950.

Steel Output Scheduled at 99.6% of Theoretical Capacity

A complicated snarl of red tape threatens to foul the new machinery of the Defense Production Act, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

Smooth operation is supposed to be assured by the newly created office of Defense Coordination. But this is likely to prove an impossible job—especially when pressure from thousands of consumers become reflected in priority disagreements among the several administrators.

The men from industry, who were finally called to Washington during the last war to unsnarl the red tape of impossible and unrealistic priorities, have not been recruited again, this trade authority notes. It adds, many of them are available and willing to serve, but the important jobs have been given to the planners.

Steelmaking operations this week are scheduled at 100% of rated capacity, up one point from the previous week and the

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Ryan Vice-Pres. of Value Line Distributors

Value Line Fund Distributors, Inc., 5 East 44th Street, New York City, have announced the appointment of Harold J. Ryan as Vice-President in charge of national distribution.

Albert Frank Agency To Consolidate With J. M. Hickerson


Frank J. Reynolds J. M. Hickerson

The business of J. M. Hickerson Inc., advertising agency, New York, Chicago and Detroit, will be consolidated into the advertising firm of Albert Frank-Guenther Law, Inc., effective Oct. 1, 1950, it was announced yesterday by Emmett Corrigan, Chairman of the Board of Directors of the latter company, whose name and corporate structure remain unchanged.

Mr. Hickerson has been elected President and a director of Albert Frank-Guenther Law. Frank J. Reynolds, who has been President of the company since 1932, has been elected Vice-Chairman of the Board of Directors. He had been President since 1917 of Albert Frank & Co., a predecessor firm, organized in 1872. Robert E. Potter, Sr., has been elected a Vice-President of Albert Frank-Guenther Law, Inc., in charge of consumer advertising in the Chicago office.

Mr. Hickerson's entire business career has been in the advertising and sales field. Upon graduation from the University of Iowa, he joined the General Electric Company in its incandescent lamp advertising department and was with the company for nine years. In 1930, he became associated with the advertising firm of Lord & Thomas, leaving that organization in 1939 to organize and become President of the agency bearing his name.

The head office of Albert Frank-Guenther Law is at 131 Cedar Street, New York. The uptown office continues at 110 East 42d Street. Other offices are located in Boston, Philadelphia, Washington, D. C., Chicago, Detroit and San Francisco.

Holton, Farra Adds

(Special to The Financial Chronicle)

LEXINGTON, Ky.—Kendall H. Lutes has been added to the staff of Holton, Farra Company, Bank of Commerce Bldg., members of the Midwest Stock Exchange.

Observations . . .

By A. WILFRED MAY

The Simmering War, Point IV, and the Investor

President Truman's order of Friday last directing Secretary of State Acheson to carry out the Point IV program, against the background of the great growth in international tension, makes important a re-examination of the "bold new plan" for aiding under-developed areas. The Korean aggression, and the ensuing change from cold to hot war with the need for worldwide rearming, have greatly increased the Program's already-existing objectionability. The strong and effective offensive by the Communist North Koreans has clearly demonstrated the fundamental mistake of extending international philanthropy without building up military defenses. If we go around the world handing out economic subsidies to countries before they are armed we are merely creating new fat prizes for Stalin to gobble up.

A. Wilfred May

First Things First!

Just as everyone is against sin, doing-good individually and internationally of course is unobjectionable. But the timing as well as the technique is all-important. With possibility of our heads being atomized-off threatening us right here in New York, this is surely no time to concern ourselves with long-term programs for raising living standards throughout the world.

To devote our money and effort now to dubious long-term economic instead of rearmament help may be likened to a physician prescribing a rest in the country instead of immediate surgery for a patient dying of appendicitis. First things first! We must close the gun-gap before we close the standard-of-living gap! Unfortunately, we cannot have our allies both rearmed and industrialized in 1950-51.

The Kremlin has shown unmistakably that it will respect force only—decisive uses of airpower as our Berlin airlift, or a fleet around Formosa—rather than indefinite promises of TVA's on the river Jordan.

Other of our foreign policy-makers have come to appreciate such priority of armament needs. It will be remembered that pre-Korea Paul Hoffman, our ECA director, strongly opposed proposed diversion of Marshall aid moneys for armament purposes. But now—post-Korea—he and his roving Ambassador, Milton I. Katz, have sensibly reversed themselves in vigorously persuading the recipient nations to forego economic subsidies for military equipment.

Contradictions a Help to the Kremlin

Toward the United Nations and the future of that wobbly organization, in its existing and proposed coordinated setup, also does Point IV harbor a potential threat. For there is fundamental contradiction in furthering a program which on the one hand has the basic aim of furthering United States foreign policy and containing Communism (and paid for by American dollars); and which on the other hand is administered partly as a United Nations project. The program cannot simultaneously be *both* anti-Communist and pro- a United Nations body that includes Russia.

If the United Nations is thereby put in the position of furthering United States anti-Communist policy, the Kremlin's charges of the UN being a mere tool of the United States would seem to gain justification. Also would our development of backward areas in professed furtherance of foreign policy promote the Soviet's charges of United States' imperialism.

France Demonstrates Bread Is Not All

Current experience also should go far in debunking the traditional bromide, based on the fiction that man lives by bread

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Factors Influencing Government Bond Market

By MALCOLM B. LEES and DAVIS L. BAKER, JR.*
The First Boston Corporation, New York City

Asserting public debt and its management constitute keystones of national economy and therefore influence interest rates and financial markets materially, Messrs. Lees and Baker list as factors affecting Treasury securities: (1) debt management policy of Treasury; (2) money management policy of Federal Reserve Board; and (3) status of public confidence in the national economy. Discuss budgetary policy as means of maintaining business and credit stability and describe effects of Treasury financing operations on money supply and bank reserves. Explain Federal Reserve procedures for influencing money market and list miscellaneous factors affecting government security prices.

It had been originally intended that this discussion should relate only to the mechanics of trading government securities. However, in view of the fact that yields on these issues serve as the fundamental yardsticks against which all other credit and financing costs throughout the economy are measured, it seems more desirable to discuss why the government market is basically important, what factors affect it and how their influences may be brought to bear.

The Federal debt has reached its present importance in the economy as a result of the huge government expenditures involved in the two great wars, and the borrowing which was necessary to finance the deficits incurred. The magnitude of this expansion of debt may be expressed only in very large figures—the gross debt is now about $257 billion, which compares with only $55 billion Nov. 30, 1941, and the peak figure of $27 billion during the First World War. This huge debt, represented by a variety of obligations ranging from Treasury bills with a maturity of three months or less, to long-term bonds maturing in 1972, has found its way into the hands of all classes of investors. As a result of this development, anything which influences the market for government bonds is of concern to almost every investor, through the linking of other types of investment to government securities in ways which we shall consider. The Secretary of the Treasury has emphasized the fact that one of the major policies of the Treasury is to analyze the needs of investors in determining what type of securities to offer when cash is needed, or when maturing issues are being refunded.

*A lecture given on Aug. 7, 1950 the 13th 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.

Thus the public debt and its management constitute keystones of the whole economic position of the country, of the interest rate structure, and of our financial markets. That is why the government market is sensitive to every influence which might directly or remotely affect the present or the future position of the $155 billion marketable bonds which are held by all classes of investors.

The factors which must be considered fall into three major categories: (1) the debt management policy of the Treasury, (2) the money management policy of the Federal Reserve Board, and (3) the physical status of and public confidence in the national economy. Briefly, the Treasury's responsibilities include the financing of the Federal budget and the management of the debt in such manner that the credit of the United States may be maintained at a minimal interest cost. The Reserve Board is charged with the responsibility to control the supply of money and credit so that funds necessary to a healthy economy will be available and so that this supply will not exceed the ability of the economy to use it, and to conduct its open-market operations in support of Treasury financing plans. The financing of private capital expenditures and consumer requirements, of course, directly affects the money supply and hence the government market, which reflects the level at which the demand for and supply of funds is in balance.

The Federal Budget

One of the first of our items which should be considered is the Federal budget. Upon the position of the budget depends much of the Treasury's debt management policies. When the Treasury is running a surplus it is in a comfortable position to cope with inflationary trends and to assist the Federal Reserve System in its problems of credit control by a policy of retirement of outstanding debt. But when the Treasury is running a deficit it loses much of its freedom of action, and its financing needs may seriously conflict with the credit policies of the Federal Reserve System—as was true in 1947 and 1948 in connection with the policy of supporting prices for government securities and has again developed since November, 1949 with respect to the Reserve System's anti-inflationary program.

There has been much discussion as to whether the Treasury should endeavor to smooth out fluctuations in the economy and in business, at least to some extent, through budgetary means. Thus, in a time of inflationary trends coupled with high business activity, the Treasury might endeavor to operate at a surplus in order to exercise some restraint over these conditions. Purchasing power is cut down by heavier taxes than otherwise are needed. Likewise in a time of depression a budgetary deficit would add to the purchasing power in the hands of consumers and provide a stimulus to the economy. Unfortunately our experience in this field has been both brief and unsatisfactory. Whatever may be the theoretical viewpoints involved, the practical application seems to result almost exclusively in deficits. We have had deficits in 17 out of the last 20 years, and deficits in 1949 and 1950, years of very high production levels, provide a sorry record against which to study possibilities along these lines. It is a good example of the extent to which political considerations are likely to interfere with what may seem to be attractive theories, such as compensatory budgets and spending policies associated with Keynes and others of his school of thought. Unhappily, our lawmakers (and we who send them to Washington are not without blame) seem to find spending infinitely easier than savings. This is not a condition which is likely to change much, or soon.

Another important influence is the fact that the Treasury receives substantial tax payments for various trust accounts such as social security, unemployment, etc., which represent a cash income to the Treasury but do not necessarily involve corresponding cash expenditures. Through this mechanism the Treasury receives these cash funds but is required only to issue special obligations (equivalent to Treasury I.O.U.'s) to the trust funds. This gives the Treasury the use of these cash funds to meet ordinary budget expenditures and avoids the necessity of borrowing a corresponding amount in the open market, as would otherwise be required when the Treasury is operating at a deficit. This factor is of great significance with regard to the Treasury budget. It makes the Treasury cash deficit considerably smaller than the budget deficit (in which the Treasury issuance of special issues to these funds appears as a Treasury expenditure, even though it is not a cash expenditure). Thus, in the year ending June 30, 1951, the Treasury budget deficit was estimated to be about $5.1 billion, but the Treasury cash deficit was expected to be only $2.7 billion.

Effect of Treasury Financing

We should now review the effect upon bank reserves and the money supply of the sale of new securities by the Treasury. Many do not clearly comprehend the fact that when the Treasury sells new securities to the banks, a process is set in motion as a result of which the money supply (in the form of bank deposits) is increased, and the ability of the commercial banks to absorb further amounts of government securities is maintained.

The effect of Treasury financing through the banks can best be understood by following through a simple illustrative example. If a commercial bank subscribes to $1 million worth of new government securities, under present procedures the payment is accomplished by a simple bookkeeping transaction. The bank credits the deposit account of the U. S. Treasury on its books (a liability of the bank) with $1 million, and sets up a corresponding asset item in its accounts of $1 million government bonds. Thus,

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Shoe Production in Changing Times

By JOHN H. PATTERSON*
Economist, National Shoe Manufacturers Association

Mr. Patterson calls attention to uncertainties in present business outlook and warns shoe manufacturers not to speculate in raw materials. Contends, despite pending rise in consumer incomes, there is not likely to be substantial rise in demand for shoes. Looks for government controls if war comes, and advocates control of wages and other factors in production as well as prices.

It has been said many times that in business nothing is so important as the next sixty days. We always expect that uncertainties will be "clarified" and imponderables will be resolved. We never seem to remember from experience that problems rarely do clear up and that when they do we are invariably faced with new crises. Nevertheless, it can be said today with some truth that the next sixty days should give us a much better picture than we can have now of what lies ahead in the intermediate future.


John H. Patterson

One of the most difficult things about appraising our current situation is that we don't know exactly what has been happening. Aside from the information about supplies that Mr. Drew has presented, we have very few figures for anything later than June, and only the most fragmentary information about the industry overall. We have the Tanners' Council estimate of July production and their preliminary August estimate, but we do not know how many pairs were shipped to distributors. Even more importantly, we do not know the extent to which people all the way down the line from ultimate consumers of shoes to sellers of hides have built up inventories in anticipation of higher prices and shortages later on.

Under normal conditions we can do a pretty good job of telling where we are going by studying where we have been, even with data two months or more old, as most of our information usually and almost inevitably is. When a war intervenes, as it did at the end of June, what happened through June does not throw much light on what to expect in the future.

Even when we have information, however, we have great uncertainty. Take the matter of hides, for example. They went up sharply, then went down about half as much as they went up, and then went back up again. Are they going higher, lower, or staying about where they are? Do I know? Does anybody know? Not really, all we know is that supplies appear to be in line with probable requirements.

Against Speculation in Raw Materials

At present prices, you cannot afford to speculate in raw materials. Don't kid yourself into believing that leather today looks better than money in the bank. It isn't really as good as money for paying bills and taxes, or paying off a bank loan. At the same time, manufacturers must remember that to keep their working capital intact, they must maintain their inventories.

*An address by Mr. Patterson before the membership meeting of the National Shoe Manufacturers Association, New York City, Sept. 6, 1950.

This reminds me of the sage advice, which went unheeded, given by a manufacturer at a meeting of this sort at the time when hide prices were sky-high in 1919, after the first World War. He said, "Buy what you need, and can afford to own, and be guided by your customers' requirements."

We do know that when the Korean war started, the shoe industry was in a reasonably balanced condition. Production during the first six months ran about 5 million pairs higher than it had during the first six months of last year, but this was nothing to be alarmed about, because production last year had been only 455 million pairs, on the basis of the old series, while 463 million pairs would have been required to maintain per capita consumption at the normal prewar and postwar level.

The downward trend in men's production appears to have ended. While men's production may not rise, there is reason to believe that it will hold at the recent rate. Sandals and play shoes seemed to have found their proper place and rose only slightly. Slippers showed a somewhat better than average increase, but this could be accounted for possibly by the fact that per capita slipper production, after reaching terrific heights during the war, dropped sharply, and has yet to get back to its prewar per capita level.

Youths' and boys' shoes were down about 5% compared with the first half of last year, while misses' and children's shoes were up about the same amount. The explanation for this somewhat paradoxical situation presumably lies in the changing make up of our population by age groups due to the war and postwar increases in the birth rate. Youths' and boys' shoes haven't felt the effect of these changes yet, while misses' and children's have.

We have discussed these things at other times and places and mention them now only to stress the fact that the production pattern during the first six months is a fairly dependable guide as to basic civilian requirements in the months ahead. Unless the economy becomes seriously disrupted or shoes become so scarce that the public cannot get the kind and quantity that it needs, it is a fairly safe assumption that any departure from the first six months' production pattern represents hoarding or dishoarding somewhere along the line, from distributors to the ultimate consumers.

Shoe Buying Stable

Some people feel that with consumer incomes rising, there is a strong possibility of increased footwear buying. This view is based on the belief that consumers always try to rush their expenditures for each thing that they buy up to a point where they would individually get more satisfaction from spending their money in some other way. Therefore, if incomes rise the "margin" should be extended all along the line, just like the economics textbooks say. This may be sound economics, but it certainly is questionable if shoe buying by consumers work this way. It is difficult to buy 10 cents of additional shoes. Either you buy a pair or you don't. I would not argue the point that under certain circumstances it may be possible for a consumer to vary the quality of his shoe purchases in accordance with changes in his income. In fact, I feel strongly that if the shoe industry does get a larger share of the consumer's dollar in the months ahead, it will be principally because expanding incomes will result in some people buying higher-priced shoes. Not many people will, because most people do not think of shoes separately from their apparel and other appurtenances. A person's standard of shoe satisfaction is part of his standard of living, a part of his way of life. To expect to see much of a change in the public's attitude towards a functional, utilitarian item like footwear completely ignores the organic relation that it has to everything else which goes to make up people's way of life. Fashion and style fit into this pattern but they do not change it. People who want fashion and style always want fashion and style; albeit, it may be some other fashion, and some other style. But people who don't want either, buy some other kind of shoes.

I would readily concede that there may be an "extra" pair sold occasionally that does not eventually get worn out, but I would not expect to see any increase in these extra pairs just because consumer incomes will be swollen by increased military expenditures at the same time that the production of hard goods such as automobiles, television sets and refrigerators may be somewhat curtailed. If I am correct, people generally would rather save money than buy more shoes, and will want better ones only when they have better everything else to go with them.

According to the Survey of Current Business, personal savings took a sharp upturn in the second quarter of this year. Improved business conditions and higher incomes were reflected in higher savings rather than in increased personal consumption expenditures. The Korean War started too near the end of the quarter to have been the cause of the increased savings. People in general apparently had pushed their expenditures for consumption goods up to a point where they preferred to save a considerable part of the additional income rather than to spend it right then. A good deal of saving is merely postponed consumption.

I have stated the reasons briefly why I do not expect to see much change in the number of shoes used up and discarded annually (i.e., not necessarily "purchased" but, rather "consumed"). If higher labor and materials costs force shoe prices up, I would expect to see more spent for shoes, and I would not anticipate consumer price resistance unless shoe prices should get markedly out of line. People will buy what they need, but to the extent that they purchase larger quantities than they have been buying during the last two and a half years, I think it is fairly clear that they are anticipating needs, i.e., saving shoes instead of saving money.

I do not believe that this has taken place to any great extent as yet. Again, the only available information is fragmentary. As we noted in a recent bulletin, July chain store sales of the larger chains, increased from 3% to 12% over July, 1949, but a large part of the increase reported was undoubtedly accounted for by hosiery sales which are included with shoes. This suggests that shoe buying was not at

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From Washington Ahead of the News

By CARLISLE BARGERON

The charges which Senator Schoeppel sprung on Secretary of the Interior Chapman had been circulating around Washington for three months. At least that long ago I was shown photostats of his oath as Under Secretary of the Interior in which the clause swearing that the affiant did not belong to any organization advocating overthrow of the government by force, had been stricken out. And strangely enough they only mildly interested me. I cautioned the possessor of the photostats that he had better make a more thorough check and that particularly he should check as to whether Chapman's oath when he became Secretary of the Interior was similarly treated. He assured me this would be done. Apparently the second part of the oath in this instance had been retained which caused Schoeppel's suggestion that Chapman's affiliations had changed, that he could not truthfully have subscribed to the whole oath when he was made Undersecretary but could by the time he had become Secretary.

Carlisle Bargeron

The charges have, of course, been exploded and Senator Schoeppel has been made to look very silly. The Left-wingers are propagandizing the fiasco for all it is worth with the hope of offsetting the Hiss case and more so, the political capital that Senator McCarthy made notwithstanding he never made his charges stick.

My resentment to Schoeppel's charges is sincere as contrasted to the fake indignation which the Left-wing propagandists are working up. But it is not based on any smearing or wrongdoing of a great and innocent man. Chapman's peace of mind has not suffered in the slightest, he hasn't lost a single one of his friends. In the viciousness with which the politico-ideological game is being played in this country today, I doubt seriously that Chapman privately has any complaint. He has acted much worse, but with more effectiveness, against his opponents.

I have known him fairly well ever since he came to Washington as a subordinate bureaucrat, with his buddy, Baldy Brannan, early in the New Deal. I have never thought of him as a Commy, never once entertained the idea. But to me, to my way of political thinking, he is one of the most dangerous men in the Washington government, which does not mean, of course, that he hasn't a right to pursue his views and bureaucratic ways, but which does mean that the American people have a right to and should get him and his kind out of their government. If he had his way, all of the people would be subjects of the government, drawing their wages from the government, their water, their electricity, their food, their thinking. He would undoubtedly try to treat them well, too, giving them plenty of everything they needed. He is, in short, an unusually capable, power-seeking bureaucrat, believing without question, that the people would be better off under this sort of a set-up.

There are few bureaucrats who have more friends in official and semi-official life than he. Particularly does he have them among the Washington newspapermen, regardless of their political persuasion, and he has them on both sides in Congress. He reminds me a lot of Henry Wallace in the early New Deal years when his goodness seemed always to exude and any suggestion that he could not be the perfect man he was touted to be, was received with jeers and derision.

Year after year, Congress passes laws under which the Interior as well as the other agencies of the government, are supposed to operate. Chapman abides by them only when they fit his policy, and year after year, he and his assistants are hailed before Congress and asked why they did this or did not do this and he will slip away from the interrogation with the facility of an eel. If he should be de definitely cornered he will square his shoulders, show the other Chapman side and ask: "Well, so what?" He feels that he has built up enough political power in the West with his reclamation and hydroelectric projects to defy the members of the legislative branch and mostly they believe he has done exactly this, and they usually confine their crossing him to mere shadow boxing.

The private power companies are his main objective. With the persistence and cunning of a zealot he is determined to put them out of business and install public power over all the land. This is not the policy of Congress. Nearly every year in their set-to with him, they seek to make it plain that wherever private companies can do the work, they should be permitted to do so. But Chapman goes right ahead with his determination to squeeze them out. There have recently been two instances in which the Federal Power Commission and the other appropriate agencies approved plans of private companies for projects, only to have Chapman thwart them. When Congress asks him about this he will smile at first, but if the questioning gets persistent he will bare his teeth and it will be the end of that.

Joseph F. Jordan Co. Formed in Mass.

(Special to The Financial Chronicle)

NEWTON, Mass. — Joseph F. Jordan has formed Joseph F. Jordan & Co. with offices at 16 Cabot Street to engage in the securities business. Mr. Jordan was formerly with Boardman, Freeman & Co. and Richard J. Buck & Co. and prior thereto for many years was with R. H. Johnson & Co.

J. A. Warner Retires As Pres. of Firm

J. Arthur Warner has retired as President of J. Arthur Warner & Co., Incorporated, 120 Broadway, New York City. The firm will continue its investment business exactly as before.

It is understood that no new election of officers is planned at the present time.

Truman Outlines Impending Controls

President in radio talk tells of plans for expanding military operations and forestalling inflation. Sets up a coordinating agency and an economic stabilization board. Proposes voluntary restraints by business, labor and public, and asserts he will invoke wage and price ceilings only if deemed necessary. Says war preparations should be on pay-as-you-go basis, and urges excess profits tax.

President Harry S. Truman on Sept. 9 delivered his second radio address over all major networks, outlining his plans for executing the control powers given him under the recently enacted National Defense Production Act. In his address, the President stressed the need for greater production of defense materials, involving by next June outlays for military purposes aggregating $30 billion, with more to come. He urged also adoption of higher taxes to put the nation on a pay-as-you-go basis, along with the imposition of economic controls, including price and wage ceilings, if deemed necessary, to curb inflation.

President Truman

The full text of the address follows:

Last week, I talked with you about Korea, and about our efforts to maintain the peace and freedom in the world.

Tonight, I want to talk with you about what we must do here at home to support our fighting men and to build up the strength which the free world needs to deter Communist aggression.

The leaders of Communist imperialism have great military forces at their comand. They have shown that they are willing to use these forces in open aggression, in spite of the united opposition of all the free nations. Under these circumstances, the free nations have no alternative but to build up the military strength needed to support the rule of law in the world. Only in this way can we convince the Communist leaders that aggression will not pay.

To do our part in building up our military strength and the military strength of the free nations throughout the world, the United States must more than double its defense efforts. We have been spending about $15 billion a year for defense. We are stepping up this rate rapidly.

By next June, under our present plans, we expect to be spending at the rate of at least $30 billion a year. In the year after that, we shall probably have to spend much more than $30 billion. And we must be prepared to maintain a very strong defense program for many years to come.

This defense program cannot be achieved on the basis of business as usual. All of us—whether we are farmers, or wage earners, or business men—must give up some of the things we would ordinarily expect to have for ourselves and our families.

The danger the free world faces is so great that we cannot be satisfied with less than an all-out effort by everyone. We have not given up our goal of a better life for every citizen in this great country of ours. But, for the time being, we have to make absolutely sure that our economy turns out the guns and planes and tanks and other supplies which are needed to protect the world from the threat of Communist domination.

Three Tough Problems

To do this job, we must meet and solve three hard, tough problems.

First, we must produce the materials and equipment needed for defense.

Second, we must raise the money to pay the cost of our increased defense efforts.

Third, we must prevent inflation.

Solving these three problems is the challenge we face on the home front. And we must solve them if we are to preserve our freedom and the peace of the world.

First is the problem of producing the materials and equipment we need for defense. We can do that. But it will impose great new demands upon the productive power of our economy.

To meet these demands, we must do everything we can to expand our total production. This will require harder work and longer hours for everybody. It will mean additional jobs for women and older people.

It means that business men should expand productive facilities, develop new techniques, and increase efficiency in every way possible. It means enlarging our capacity to produce basic materials such as steel, aluminum and copper.

America's productive ability is the greatest in the history of the world, and it can be expanded a great deal more to meet the conditions with which we are faced.

With our economy now producing at an annual rate of approaching $275 billion, the goal I set last year of $300 billion economy by 1954 will undoubtedly be far surpassed.

With this kind of dynamic growth, we can arm ourselves and help arm the free world. We can improve our industrial plants and maintain the civilian efficiency and morale which underlie our defensive strength.

But we cannot get all the military supplies we need now from expanded production alone. This expansion cannot take place fast enough. Therefore, to the extent necessary, workers and plants will have to stop making some civilian goods and begin turning out military equipment.

This job of building new plants and facilities and changing over to defense production is a challenge to our free economy.

Management and labor can and will do most of this defense production job on their own initiative. But there are certain steps which the Government must take to see that the job is done promptly and well.

Provisions of Defense Production Act

Yesterday, I signed a new law, the Defense Production Act of 1950. This law will enable the Government to provide special financial help to business men where that is necessary to enlarge the production of our mines and factories for defense purposes.

This law also will enable the Government to make sure that defense orders have top priority, and that manufacturers get the steel, aluminum, copper, and other materials they need to fill such orders. This law gives the Government the power to prevent the hoarding of raw materials essential to defense. It also enables the Government to cut down the production of non-essential civilian goods that use up critical materials.

I have today issued an Executive order authorizing the appropriate agencies of the Government to exercise these new defense-production powers. The administration of these and other powers granted by the new law will be coordinated by the Chairman of the National Security Resources Board, Mr. W. Stuart Symington.

I have directed the agencies to exercise these production powers vigorously and promptly, making use of every resource of American business, large and small. These powers will be administered with one paramount purpose in mind: To produce the defense equipment we need as rapidly as possible.

Our second problem is to pay for our increased defenses. There is only one sensible way to do this. It is the plain, simple, direct way. We should pay for them as we go, out of taxes.

There are very good reasons for this.

To the extent that we finance our defense effort out of taxes now, we will avoid an enormous increase in the national debt. During World War II, we borrowed too much and did not tax ourselves enough. We must not run our present defense effort on that kind of financial basis.

Furthermore, if we tax ourselves enough to pay for defense, we will help to hold down prices. Inflation would hurt us more in the long run than higher taxes now. Inflation would benefit the few, and hurt the many. Taxation—just and equitable taxation—is

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Dealer-Broker Investment Recommendations and Literature

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

Chemical Drug & Liquor Stocks in the semi-war economy—56-page issue of the Value Line Reports bringing specific estimates and probable trends—special introductory offer to new subscribers includes four weekly editions of ratings and reports covering 177 stocks in 14 industries plus the Chemical and Drug issues—$5.00—Department CF-2, Value Line Investment Survey, 5 East 44th St., New York 17, N. Y.

Electric Utilities—Analysis of situation—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Is It Listed?—List of 25 unlisted Western stocks which have shown very great advances—Lauterwasser & Co., 145 Sutter Street, San Francisco 4, Calif.

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.

War Time Controls—Weekly letters giving reports, forecasts and backgrounds—Special 13-week trial subscription $4.50—Kiplinger Letters, Room 32, 1907 K Street, N. W., Washington 6, D. C.

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American Enka Corp.—Memorandum—Kirchofer & Arnold Associates, Insurance Building, Raleigh, N. C.

American Marietta Co.—Memorandum—Wm. J. Mericka & Co., 150 Broadway, New York 7, N. Y.

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Bendix Aviation Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

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

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Also available are memoranda on **Standard Gas & Electric** and **Transamerica Corp.**

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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.**

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COMING EVENTS

In Investment Field

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. 16, 1950 (N. Y. City)
Cashier's Association of Wall Street Annual Outing at Reinharts' Picnic Grounds, Staten Island.

Sept. 22, 1950 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Fall Outing at the Long Vue 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).

Korea and Taxes

By GENERAL BREHON SOMERVELL*
Chairman and President, Koppers Company, Inc.

Asserting red-ink spending will lead to red government in U. S., Gen. Somervell attacks Federal extravagance in civilian spending which he denounces as threatening to lead to constantly higher taxes and an increasingly burdensome national debt. Criticizes Administration's spending program and points out President is not following his own advice advocating "pay-as-you-go" policy. Cites instances where government spending can be reduced and urges public and business also follow policy of restraint.

Ater World War II we set out in good faith to reduce our military establishment. We went on the assumption that the united nations of the world wanted peace, and that any world differences either of dogma or fact, could be adjusted by negotiation—that no nation needed to back its opinions or its position with a vast and expensive armed force. Unfortunately, Russia and her satellites seem not to have held the same happy view.

Gen. Somervell

When it came to disarmament we did too much and did it too soon. Today the tide has turned and we are working vigorously and energetically to the time when we shall again have enough. Such a course will require at least two to three years of urgent and systematic rearmament.

We have embarked on a course from which there is no turning back. The cost in blood, treasure, and in plain inconvenience will be tremendous. Our strength, resources, and patience will be taxed to the limit and our supply of all three is not so great that we can squander any of them.

Our military program will require many new weapons, new planes, new equipment of all kinds. In World War II it took $1,074 per man to equip an army. New weapons, improved weapons, new types of equipment for today's divisions, have raised that to the point where it is estimated that to re-equip our army to cope with today's military problems will take a figure more in the neighborhood of $4,250 per man. The amounts for the sailors and air men are still more formidable.

Although the figures are still in a state of flux, the expenditures currently being discussed by military personnel as needed to rebuild our military strength over the next three years total $120 billion. This is not the cost of an all-out war. This is simply the cost of fighting a winning fight in Korea, plus rebuilding the United States to the position of a first-class military power whose strength and striking power will be respected from Moscow to Manchuria.

Nor are these billions the cost of war. We hope they're the cost of peace. They may buy us an uneasy peace, a restless peace, at an appalling monetary price, but still—peace. If this vast military outlay turns out to be the price of peace, I feel sure that the American people will be for it. We would a thousand times rather fire dollars than bullets, rather wound pocketbooks than men.

How Cost Can Be Met

Let's look together then, for a moment, at how we are going to meet the cost of this challenge. Let's look together at the subject of this talk, "Korea and Taxes."

The last war, World War II, cost $320 billion. Taxes during the war itself paid for $150 billion of this cost. We borrowed the rest.

Whether we are today in a cold war or a hot war makes no difference in this discussion. Whatever it is, it has to be paid for. The questions are how and when.

How and when. Never in all history have these two words needed to be faced more squarely than they do now. If we turn our backs on these two words, and the problems they present, we may well be losing at home the very thing that our men in Korea are fighting for today. It is entirely possible that we could bring the United States to a point of insolvency where the men who win security for us in Korea and elsewhere would return to find that we have squandered it at home.

There are three ways to pay for war or defense:

1. Printing money.
2. Borrowing.
3. Taxation.

Let's look at these. There seems to be no serious thought in the mind of anyone in America that our government should resort to printing money to pay for either a war or a defense effort. We can dismiss this. So let's look at borrowing.

In World War II we used this method. We used it $170 billion worth. For a period of two to three years our fighting costs were so high there seemed to be no possible way by which we could meet them on a pay-as-you-go basis. We started the war with a national debt of $48.9 billion and we ended it owing $258.7 billion.

Included in the current budget before Congress is the interest on this tremendous debt. It costs $5,700,000,000 every year. This is more than the whole Federal government cost the people in 1932.

Borrowing to pay war costs has always been one method of financing. In the War of 1812 we paid 57% of the costs by borrowing and 43% by taxes. The Civil War was paid for 77% with borrowed money and only 23% with current taxes. World War I was paid for 72% with borrowed money and 28% with tax money. In World War II we made a real effort to put that war on pay-as-we-went basis and managed to pay 45% of the costs through taxes.

After each of the earlier wars a combination of the increase in the national wealth of America and the will to do so enabled us to pay a considerable part of the costs over the following generation.

Government Extravagance Since 1945

Since 1945 there has not been a generation, but these have been five of the most prosperous years America has ever seen. During these prosperous years our government has been so busy spending the people's money on luxuries that the total reduction in the national debt from the end of fiscal year 1945 until the end of fiscal 1950 was only $1.3 billion. Yet during this same period the government collected a total of $201.6 billion in taxes. This is more than it collected in the entire history of the nation prior to World War II.

So if we resort to substantial borrowing now, we do so when we already owe $257.4 billion and we plunge the nation and the people further and further into debt—a debt which already is in excess of $6,020 for every family in the United States.

Some people say that we owe this debt to ourselves, so what difference does it make? It seems to me it makes a lot of difference. One difference which I pointed out a few minutes ago is the interest alone, $5.7 billion a year. To raise that interest requires an average of $133 a year to be collected by the Federal government for each family in our country.

What difference does it make? I have had the experience of living in countries which have gone broke and repudiated their debts. One who has seen the misery and suffering brought on when government debts are not paid and the people's money becomes worthless would never ask this question. Karl Marx knew the answer when he proposed a sure method of going broke: "There is only one way to kill capitalism . . . by taxes, taxes and more taxes."

Unless we are willing to let communism take over America from within while we are trying to defend it from without, we had better decide now to keep America solvent and try to pay as we go to the greatest possible extent. The question is—how much can we pay as we go?

We all agree that we are not yet in an all-out war. Therefore, while our expenditures for defense and other war-connected expenses will be much larger than we had planned, they still are not on an all-out war basis. The question you and I are talking about here today is the extent to which we could pay these current expenses out of current income.

It seemed to me worthwhile to go back and look at some of the government expenditures during the past war, as well as to look at some of the government tax collections. Since all government figures are on a fiscal year basis, I tried to take the six fiscal years which would most nearly cover the period of greatest war expenditure. These are the fiscal years 1942 through and including 1947, which means that they covered government expenditures from July 1, 1941, through June 30, 1947.

During that six-year period the government collected in taxes more than $200 billion, of which $165 odd billion went to pay war costs. During that same six-year period our government spent on domestic, civilian needs of the people of the United States an average of $6,400,000,000 annually. The actual figures ranged from a high of $7,951,000,000 in 1944 to a low of $4,946,000,000 in 1946. I can't remember that there were any serious wartime needs of the people which were not taken care of during this period.

Taxes rose until by 1944 they reached almost $45 billion, three and one-half times the 1942 peak. Yet in 1946 less than $8 billion went for what might have been regarded as domestic civilian activities of the government.

Would it not be entirely reasonable to assume that if we were able once to go through six troubled years using more than 80% of our revenues for defense purposes, we can do the same thing today? And if we do, would this not make it possible for us to carry out our announced rearmament program and take care of our defense budget out of income?

Are we planning to?

A Pay-As-You-Go Program

On Saturday last, the President advocated a "pay-as-we-go" program.

The President recently asked Congress for an additional $16.5 billion for defense and this has been granted. He asked Congress for a tax bill which would create an additional $5 billion of revenue, and this too is in process. He has told Congress that he will need additional revenues to finance the cost of defense preparation and he has stated that he will ask for additional expenditures.

He has said he intends to ask for sufficient in additional taxes to put our additional defense expenditures on a pay-as-you-go basis.

The important thing is that neither in his peacetime normal appropriations bill prior to the Korean development nor in the interim tax bill has he followed the policy of asking Congress to provide revenues equal to the expenditures which have been proposed. But still he goes on spending. How much will this spending be cut before elections? If you answer that one wrong, go to the foot of your class.

How in all conscience then, can he ask the people to deny themselves when our government itself is not prepared to do so?

One thing I don't understand, is the quaint theory in Washington that somehow government must go on spending more and more each year. This theory seems to be based on the principle that if our Federal government thinks the people ought to have something and would like to have it, if the government told them how nice it would be for them, then the people automatically do need it, and this type of need should not be denied or waited for, even if the people can't afford it. I am **not** talking about war expenditures.

The result of this quaint reasoning is that our government has spent more than it has taken in in 19 out of the past 21 years, although only five of those years were war years. The result of this constant over-spending has been that our non-war debt rose

Continued on page 34

*An address by General Somervell before the National Tax Association, Pittsburgh, Pa., Sept. 11, 1950.

Progress in International Financial Cooperation

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Secretary Snyder asserts, despite current disturbed international situation, progress in financial cooperation has been achieved and both International Fund and World Bank must continue their pioneer activities, despite new difficulties placed in their path.

The economic and financial problems which have confronted us since the war have proved difficult, indeed. They have been much more difficult in many respects than was foreseen at Bretton Woods, where the Bank and Fund had their beginning. But if the conditions under which these institutions have operated for the past five years have been far different from those expected and hoped for originally, it must be recalled that the same situation has existed as to all other postwar cooperative endeavors. Appraisals of our progress toward our objectives must be made in the light of existing circumstances rather than the circumstances for which we first hoped.


John W. Snyder

We have met our problems with confidence, and we have made a considerable advance toward solving them. It is our determination to continue confidently and diligently to work out solutions to every perplexing question which we encounter, of whatever character and of whatever source.

Our two organizations have pioneered new fields of international understanding, and the benefits of that pioneering are cumulative from year to year. Each experience we gain will help us to deal effectively with problems yet to be faced. Each study of a development project by the Bank looking to expanded productivity, and each consultation held by the Fund on a monetary, exchange, or trade problem, furthers our goal of international cooperation.

The Bank, after its initial efforts in the field of reconstruction, has been proceeding with increasing emphasis on development undertakings. It has sought to encourage better utilization of the basic resources of its member countries. The work of the Bank in effecting loans has been complemented by a marked increase in its technical assistance activities. The importance of having available adequate technical assistance in furthering economic growth in the underdeveloped parts of the world is universally recognized.

The Fund has used every means within its power to facilitate the creation of a financial environment conducive to a high level of international trade and a closer approach to normal balance in international payments. It has consulted frequently with member countries with a view to encouraging them to regard exchange and monetary policies as fields for concerted consideration.

As mechanisms of international cooperation, the Bank and Fund have contributed to the realization of the economic recovery we have experienced. We can look back over their participation in years of difficult but steady progress toward rehabilitation of the world's economic structure. Due in large measure to the exchange adjustments of the past year, and to expanding production in many countries, we have seen a significant improvement in the payments position of many countries.

We may take confidence in the fact that the economies of the free nations which suffered most severely from the war have now been markedly strengthened. Recovery has not been uniform in all countries, but it has been sufficiently pronounced in most areas to afford us great encouragement.

This achievement has, in large part, been the fruit of an immense experiment in international cooperation and helpfulness. The decisions which produced these measures of cooperative effort have been historic. The objectives were without precedent, as were the means adopted to achieve those objectives. The degree of success we have attained should demonstrate to all that common action is the proper means for meeting common problems.

We now face an international situation which threatens to force us to divert much of our attention to the task of protecting that which we have won. Increasing defense requirements will intensify inflationary pressures. These, if not accompanied by sound fiscal and monetary measures, may hamper our efforts to carry on with the tasks which lie ahead. As a consequence, the need for close and effective cooperation among us is more evident.

We cannot yet clearly foresee precisely how the changing situation will affect the activities of the Bank and the Fund. So long as the world is held in the grip of uncertainty and hazard, it would not be reasonable to expect the Bank and the Fund to deliver the full measure of economic assistance anticipated by their founders. Yet in these institutions lie great possibilities for furthering consultation and concerted action on problems of economic development and international monetary relations in the years ahead.

One paramount fact remains clear. This community of nations knows its great goals, and knows equally that the furtherance of mutual endeavor is the right road to attain those purposes.

It is my belief that the new difficulties which have been placed in our path will but harden our determination to proceed along the road which leads to the achievement of our goals.

We shall continue to place in international cooperation our hopes for the future.

*Remarks by Secretary Snyder at the Opening Session of the Fifth Annual Meeting of the International Bank and International Monetary Fund, Paris, France, Sept. 6, 1950.

F. L. Bennett With Coburn Middlebrook

Coburn & Middlebrook, Inc. announces the establishment of a municipal bond department in the firm's New York office, 42 Broadway, under the direction of F. Lawson Bennett. Mr. Bennett formerly was associated with Sellwood & Stonehill.

With Rockwell-Gould

ELMIRA, N. Y.—Charles H. Grund has become affiliated with Rockwell-Gould Co., Inc., 159-167 Lake Street.

McCabe Warns of Credit Expansion

Chairman of Federal Reserve cites recent increase in loans of all kinds as inflation threat and calls for powers "consistent with the policy of maintaining orderly conditions in the government securities market" to restrain further bank credit expansion.

In a talk before the National Sales Executives in Washington on Sept. 7 Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, urged as curbs to inflation, (1) the levying of adequate taxes; (2) the reduction of nonmilitary expenses of the government; and (3) restraints on credit expansion.


Thomas B. McCabe

Commenting on the credit expansion of the past year, the Federal Reserve Board Chairman remarked:

"Within the past year loans made by all commercial banks have increased more than $6 billion, to a total of over $47 billion. Consumer debt, excluding that owed for the purchase of homes, has increased $4 billion during the past year to a present total of more than $20 billion. Consumer instalment credit is up from $9.4 billion a year ago to a total of $12.6 billion at the end of July. The aggregate non-farm home mortgage debt has jumped nearly $6 billion in the past 12 months to a present total in excess of $40 billion.

"Within the past six weeks loans and holdings of corporate and municipal securities have expanded by $1½ billion at banks in leading cities alone. Such an expansion under present conditions is clearly excessive. In view of this development and to support the Government's decision to rely in major degree for the immediate future upon fiscal and credit measures to curb inflation, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee are prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market.

"The Board is also prepared to request the Congress for additional authority should that prove necessary.

"Effective restraint of inflation must depend ultimately on the willingness of the American people to tax themselves adequately to meet the Government's needs on a pay-as-you-go basis. Taxation alone, however, will not do the job. Parallel and prompt restraint in the area of monetary and credit policy is essential."

Asked to give businessmen some of his thoughts concerning what they might do in this emergency, Chairman McCabe suggested the following:

(1) That they maintain the versatility and resourcefulness for which American business is famous.

(2) That they do everything possible to avoid price increases except where forced to do so by mounting costs.

(3) That they constantly strive to improve labor-management relationships.

(4) That their research and development activities be intensified.

(5) That they make some of their best men available to the Government.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Increased dividend payments have been among the most prominent features of financial developments during the past few months.

Some of the more spectacular declarations include the $2.50 special payment of General Motors, indicating total disbursements for the year may possibly approach $10. Chrysler also recently declared a specal distribution amounting to $3 a share. One of the main beneficiaries of the G. M. dividend was du Pont, and as a result a quarterly payment of $1.50 was made in comparison with the previous distribution of 85 cents.

The list of increased payments extends to many other companies and include such prominent names as National Steel, American Smelting, National Dairy, Shell Oil, International Paper, United Fruit and Kennecott.

In addition, there are several companies where there have been stock splits such as Libbey-Owens-Ford and Allied Chemical and where the cash payment has been increased.

These developments come on top of the increased dividend rates adopted by many companies at the end of last year. Up until the middle of the current year dividend payments were running 6% to 8% ahead of 1949. Recent increases and special distributions, however, should widen the comparison.

In spite of the current uncertainties in the outlook, there would appear to be a growing realization by corporate managements that stockholders should receive some of the benefits from the substantial capital investments which have been made over the past four years as well as the fact that costs are also increasing for the individuals and institutions who depend on dividend income.

Although the dividend increases have been numerous, the percentage of earnings paid out as dividends is still generally conservative. Most companies have maintained a strong financial position and should be able to continue the increased rates under the present foreseeable conditions.

Increased taxes, of course, represent a major threat to earnings. As yet, the final tax measure for the current year has not been enacted, and the likelihood of an excess profits levy for 1951 seems fairly certain. Nevertheless, most companies should be able to maintain a level of earnings sufficient to support current dividend payments. There is also the fact that if construction programs are cut back the cash needs of many concerns will be greatly reduced.

Over the balance of the year many companies will be enjoying record earnings. The outlook over the immediate future is for a high level of business with defense activities increasing in importance. Completion of capital expenditures by a large number of companies has enabled them to build up their financial position and in many cases cash resources are in excess of requirements. While the threat of higher taxes may induce a cautious policy in some cases, we would expect the present trend toward increased distributions to continue.

These developments have special significance so far as they concern fire and casualty insurance concerns. As large holders of common stock, these institutions are important beneficiaries of the current boom in dividend payments. In some instances common stock investments amount to 40% to 50% of the total portfolio. There is also the fact that this income is exempt from Federal taxes up to 85% of the dividends received. With the increase in corporate rates, it assumes a greater importance.

The first half year statements of the major insurance companies showed that while underwriting operations were not as impressive as the results of a year ago, the income from investments showed increases of 10% to 25%.

The explanation for this favorable comparison arises out of the enlarged dividends which have been received and the larger volume of funds invested. A gradual increase in premium volume plus the retention of a considerable portion of the record earnings of last year, has enabled the insurance industry to augment its investment funds. A considerable proportion of these resources was invested in common stocks. They are now providing a favorable return and along with the higher income received on previous investments have substantially improved the investment income of these companies.

Thus, for the year investment earnings should reach record levels. As such income in the past has been a primary determinant of dividend policies, we would expect that the favorable results being achieved in this end of the business will be reflected in the dividend payments of insurance companies between now and the end of the year.

How to Meet Government Mortgage Competition

By HORACE RUSSELL*

General Counsel, U. S. Savings and Loan League, Chicago

Mr. Russell sees as essentials in meeting and beating government loan competition: (1) lowering mortgage interest rates to government level; (2) increasing period of loans; and (3) increasing percentage of amount of loan to appraised value. Also advocates dividends to savings and loan shareholders be kept below 2½% and reserves be built up to full 10% of liabilities.

This discussion will be confined to urban home mortgage government competition and how to meet it and beat it. Primarily, government competition consists of VA 4%, 30-year, 100% guaranteed or insured loans, with about 5% of the probable volume made by the government direct; and FHA 4¼% (4¾% cost to the borrower), 20 and 25 years, 80 to 95% loans. Also involved is a so-called secondary market provided by Federal National Mortgage Association with resources of $2,750,000,000 to purchase both types of such loans. There are numerous variations, which may be discussed in our question period.

Horace Russell

First, we should look at the urban home mortgage situation and see what our situation is. The volume of the debt is about $40 billion. About $9 billion of this is VA and about $6 billion is FHA, leaving about $25 billion conventional. The current volume of lending in recent years is about $11 billion per annum, and about $2 billion of this is VA and about $2 billion is FHA and about $7 billion conventional, although these ratios have varied considerably.

The next consideration is whether or not we shall try to meet or beat government competition. It is possible to ignore government competition and continue in the savings and loan business making conventional loans only, but if this is done, assuming the association tries to get 5 or 6% for its money, it will lose the cream of the market and will find itself eventually with a portfolio of second and third grade mortgages. In other words, if home mortgage money is available at 4 to 4¾% and for very long terms in great volume, the best personal risks and the best properties will obtain such money; and the poorer personal risks and poorer security will pay the higher conventional rate of from 5 to 6%. Furthermore, it is a grave question whether savings and loan associations can keep their funds employed at rates higher than such a great volume of government competition, and on shorter-term loans and at lower percentages of value. Personally, I am of the opinion that the savings and loan business cannot afford to be driven out of the first class mortgage loan market and into second and third class mortgage lending.

Competitive Essentials

The question then is how to meet and beat government mortgage loan competition. The first essential is to meet the rate of 4 to 4¾% so that we can either use the government facilities or make conventional loans in competition. The second essential is to make long-term loans so that the monthly payment will be comparable. The third essential is to make high percentage of value loans so that a home may be acquired with no cash or with little cash.

I assume that there may be more risk in a high percentage of value loan, and possibly more risk in a long-term loan, than in a lower percentage of value loan for a shorter period. However, it is my opinion that such risks may be measured. If this is true, then in order to meet government competition, we should simply measure those risks and provide reserves against the same in order to be able to meet and beat government competition. It is true that most of us with conventional loans cannot exceed 80% of value or 20 years, but we can go that far. Assuming identical rates, it is my opinion that local institutions can, with conventional loans, meet and beat government competition with 20 years against 30 and with 80% against a higher percentage, on account of the absence of government red tape. It cannot be done with 12-year loans at 6%.

The conclusion is then that to meet and beat government competition, we must establish a conventional home mortgage loan pattern of 4 to 5% for a full 20 years and up to 80% of full value. With this pattern the association, to the full extent it desires to do so, can make VA 4%, 30-year, 100% loans, or FHA loans, or conventional loans according to such pattern, or all three, and realize a yield on the mortgage portfolio of about 4½%.

The necessary cost of operation of the savings and loan business is from 1 to 1½%, and with such lending, necessary allocations of reserves are from ½ of 1% to 1%. This is a total of 2% for expenses and reserves and leaves not over 2½% for dividend rate.

The conclusion is, then, that we cannot meet and beat government competition in the current market with a dividend rate in excess of 2½%. We can meet and beat such competition with a dividend rate of 2% or 2½%. From 30 years of study of this question, I am completely satisfied that we ought to meet and beat the government competition on this basis. It would be better to go to a 2% dividend rate until reserves are a full 10%.

Further discussing the dividend rate, which I think is a necessary consideration in this discussion, I point out that while the government advertises 2.9% on more than $50 billion of Series E bonds, it is probably paying only about 1% for such money, on account of the very heavy penalties upon the cashing of such bonds. The commercial banks have more than $35 billion of time deposits upon which they are paying an average of not more than 1%. The insurance companies have more than $50 billion of savings and these are very, very long-term savings with heavy penalties for cashing out; and these companies are rapidly coming to a 2% rate in their contracts. Postal savings pay 2% except in a few states, where the rate is 1%. None of the competition for savings justifies a rate above 2%. The savings and loan business is organized so that the savings are equally as safe as any of the above. Their local savings accounts are more convenient and satisfying to the customer than any of the above, except the time deposit in the local bank, and a 2% rate is 100% more than the local bank is paying. If the associations pay a 2% rate, they can provide offices, equipment, personnel, facilities, and service which will get the savings in competition with the above at a 2% rate. The only reasonable and logical conclusion is that the business ought to adopt in the present situation a dividend rate of not less than 2% and not more than 2½%.

Build Up Reserves to 10%

Finally, if the dividend rate question is reasonably disposed of, our associations can and will build reserves to a full 10% of assets. If this is done, they can face the future with confidence. They can provide adequate offices, equipment, facilities, personnel, and service, including advertising. If these things are done, management and employees will be happier and it is certain that the customers will be happier. Management of the savings and loan business should not overlook the fact that safety and security are prime and compelling considerations in the operation of savings institutions. This is recognized by the savings banks with $20 billion, paying from 1 to 2%, and with reserves of more than 10%, and who have served safely and securely for more than two generations. It is recognized by the insurance companies likewise. Commercial banks and trust companies did not recognize such, and we saw a great many of them jump off the top of their buildings within our lifetimes. They are now for the first time in America recognizing such fact. Our savings and loan business as presently organized is comparatively young in the family of financial groups. We simply must recognize the facts of life. The welfare of our local communities, the state, and the nation is at stake. Insurance of accounts will fully protect the account-holders and can cost our economy a lot of money, but insurance of accounts is life insurance for the management. When Federal Savings and Loan Insurance Corporation pays off, the management which caused it to have to pay off is out for good. A new management will be put in which will recognize that safety and security are prime and compelling considerations and that in this business the same can be accomplished only by competitive savings rates and competitive loan rates.

Finally again, I must preach a short sermon on thrift and home ownership. It is completely demonstrated that thrift is promoted best by (1) a convenient savings account, (2) safety, (3) rate, and (4) advertising, in that order. Rate is not the first or second inducement to saving money. We have a great responsibility in every state, especially in these times, to promote thrift habits in American families. It can best be done as indicated above. The current census will show about 55% of American families owning any equity in a home, and about 45% renters. These figures will be much less favorable in some states. Furthermore, the housing census will show far too many families living in sub-standard homes, especially in some states. It is admitted by all students of the question that home ownership is a good thing, for too many reasons to mention here. A program as outlined above will undoubtedly promote home ownership and the ownership of better homes. The savings and loan business has for a very long time been the principal promoter of thrift and home ownership. Times change but the business has its greatest opportunity now and in the years just ahead of us. To seize that opportunity and realize upon it fully, we must proceed on sound principles.

*Address by Mr. Russell before the 62nd Annual Convention of the New York Savings and Loan League, Saranac, N. Y., Sept. 12, 1950.

To Analyze Post-Korea Investment Problems

New Course to Begin Sept. 25

A. Wilfred May

Benjamin Graham

A 15-weeks course on investment problems taking into account post-Korean war, economic and political factors, including renewed threats of inflation, will begin at the New School for Social Research Sept. 25. The course will be conducted by A. Wilfred May, executive editor of the Commercial and Financial Chronicle, who was formerly associated with the Securities and Exchange Commission. Titled "The Investor in A World of Uncertainty," the course is designed for the investing layman as well as the professional security analyst, customer's broker, investment counsel, investment banker, trustee and executor. Particular attention will be devoted to psychological factors which the current war atmosphere have made all-important in the market place.

Two lectures in the series, dealing with practical portfolio techniques, will be delivered by Benjamin Graham, investment trust manager and author of "The Intelligent Investor."

A leaflet giving details of the course may be had from the New School, 66 West Twelfth Street, New York 11, N. Y.

Mutual Funds

By ROBERT R. RICH

Natl. Securities' Stalwart Retires in Ill Health

Douglas Laird, whose Scotch wit and shrewdness have made him one of the most popular and successful men in the mutual funds industry, retired this week from his position as Vice-President in charge of Sales of National Securities and Research Corporation. Mr. Laird, who is retiring because of ill health, will retain his financial interest in National Securities and will continue as a member of the Board of Directors. He will also act as a sales consultant for the fund.

Douglas Laird

Henry J. Simonson, Jr., President of National Securities, in an interview, stated, "It is a matter of considerable regret to me that ill health has led Doug to the conclusion that he should retire from active service. My only consolation is that he is retaining his financial interest in our corporation, is continuing as a member of our Board of Directors, and, at my invitation, has agreed to act as a sales consultant to the Corporation. I know that, like myself, all of Doug's friends will miss his active association with the industry."

"Doug" Laird, as he is affectionately known to his many friends, became one of the organizers and Vice-President and Director of National Securities and Research Corporation in May, 1930. To him goes much of the credit for the rapid growth of the National Securities Series from its origin in August, 1940, to its present position, with assets of $70 million.

Mr. Laird, who was born in Edinburgh, Scotland, 58 years ago, arrived in this country when he was 18. He served in the Royal Air Force in World War I as a flyer. After the war, his success in selling attracted the attention of William Hargreave, which subsequently led to his presenting the Hargreave Science of Selling course to sales organizations throughout the country.

He began his pioneering work in mutual funds' sales in 1928.

Commonwealth's Growing Pains End Up Before SEC

Commonwealth Investment Company has grown so big that its investment manager, North American Investment Corporation, had to take the problem to the Securities and Exchange Commission.

Under existing circumstances, Commonwealth's portfolio is managed by North American Investment Corporation, a closed-end management investment company which has had the job since 1932.

However, if North American wants to remain a regulated investment company under Section 361 of the Internal Revenue Code, it cannot receive more than 10% of its income from other than dividends, interest and capital gains.

But it has become likely that payments from Commonwealth (1/8 of 1% quarterly) will exceed this 10% limitation, because Commonwealth's assets are now $19,000,000 and still going up.

Since North American Investment Corporation believes that the delay involved in calling a special meeting of stockholders to approve the investment advisory contracts will result in loss of its status as a regulated investment company, application has been made to the Securities and Exchange Commission by North American Investment Corporation, Commonwealth Investment Company and North American Securities Company, a wholly-owned subsidiary of North American Investment and principal underwriter of Commonwealth, to permit North American Securities to act as investment manager, without stockholder approval, until February, 1951, when the regular annual shareholders meetings of both principals occur.

It has been proposed to the Securities and Exchange Commission that the trained staff of North American Investment leaves its employ in order to be employed and paid solely by North American Securities, which will undertake all of the investment advisory functions together with the consequent expenses. It is also proposed that the existing investment advisory contract between North American Investment and Commonwealth be terminated and that Commonwealth enter into an investment advisory contract with North American Securities, providing compensation identical to that in the present contract.

United Funds Management Corp. Ceases To Be Investment Company

The Division of Corporation Finance of the Securities and Exchange has notified the Commission that it has reasonable cause to believe that United Funds Management Corporation has ceased to be an investment company.

United Funds Management Corporation has had no connection with United Funds, Inc., since 1943. Prior to that time it was the underwriter of United Funds, Inc.

United Funds Management Company, which issued face amount certificates, went into voluntary bankruptcy in 1942.

New Bullock Literature

Calvin Bullock announced today that members of the selling groups of Dividend Shares, Bullock Fund and Nation-Wide Securities were mailed copies of recently revised folders describing each investment company. The folders were revised to conform to the "Statement of Policy" with respect to "sales literature" issued by the Securities and Exchange Commission on Aug. 11, 1950.

Assets of investment companies under Calvin Bullock Management totaled $142,425,781 on Aug. 31, 1950. Of these, Bullock Fund's assets were $8,096,413; Dividend Shares' was $80,653,993; Nation-Wide Securities' was $15,219,247.

Diversified Reports $2,000,000 Increase

Diversified Investment Fund reported total net assets of $18,425,416 at the end of its fiscal quarter on Aug. 31, 1950, an increase of $2,000,000 since the end of its Nov. 30, 1949 fiscal year. Net asset value per share rose, during the nine month period, from $10.60 to $11.89.

Bonds represented about 24% of total investments, preferred stocks about 8% and common stocks, 66% on Aug. 31, 1950. Distribution of assets as among bonds, preferred stocks and common stocks was not revised as the result of the outbreak of the Korean War. However, investments in common stocks were revised during the quarter in the light of war developments and tax prospects. Major changes included an increase in holdings of oil stocks from 8% to 12% of the Fund, a reduction of holdings in public utilities and natural gas stocks from 17% to 9%, and a moderate increase in steel and textile holdings.

Television Fund Adds to Name

Shareholders of Television Fund, Inc., at a special meeting in Chicago on Sept. 8, authorized a change in the name of the open-end investment company to Television-Electronics Fund, Inc. The change was approved by the large majority of stockholders and by approximately 99.0% of those voting. The new name, according to Chester D. Tripp, President, "more accurately describes our field of activity as we are concerned with the entire, broad electronics industry, of which television is actually only one segment."

In reviewing recent developments, Mr. Tripp noted that the "pessimistic attitude taken by investors toward securities in the television and electronics group had been overdone." He said that "from Washington statements it now appears that teleset output in 1951 will be reduced by only about 20% but that many companies in the industry may have an increase in volume because of military demands for electronic equipment."

Knickerbocker's Million Becomes Effective

A registration statement of Knickerbocker shares, filed with the Securities and Exchange Commission July 27, 1950, covering 1,000,000 shares of beneficial interest in the Knickerbocker Fund for the diversification, supervision and safekeeping of investments, became fully effective on Aug. 30. Estimated market value of the shares is $5,190,000.

Diversified Reports Consumer Income Up

"Although increased taxes and higher prices for civilian needs may later curtail buying power, currently the typical American consumer is enjoying the highest level of real income in our history," E. E. Crabb, President of Investors Diversified Services, pointed out.

Commenting on the monthly study of Real Income just released by his company, Mr. Crabb said that the real income index of $1.06, as measured against last year's dollar, reflects the increase in wage and salary incomes. Investment income is up from a year ago but "other income," influenced by lower farm product prices, is below last year, according to the monthly consumer income study.

For the average householder, the outgo budget is virtually unchanged. Increases in some classifications have been offset by decreases in others.

Newburger, Loeb & Co. Adds Five to Staff

Newburger, Loeb & Co. announce that the following Registered Representatives have become associated with them: A. L. Cowings, Walling E. Harvey and Herman Paul Jarrett, all at the firm's main office at 15 Broad Street, New York City; Joseph J. Lenzner at their 2091 Broadway branch, and Lewis H. Miller at the branch at 931 Madison Avenue.

Raymond Chamberlain With F. S. Emery Co.

Ray E. Chamberlain

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Raymond E. Chamberlain has become associated with F. S. Emery & Company, Inc., 111 Devonshire Street. He was formerly Assistant Treasurer of A. W. Smith & Co., Inc.

McMartin Vice-Pres. of Tri-Continental

John S. McMartin has been elected a Vice-President of Tri-Continental Corp., a leading closed-end investment company, according to an announcement by Francis F. Randolph, Chairman and President.

Simultaneous announcement was made of the election of Frederick E. Page as Vice-President of Selected Industries Incorporated, and of Fred E. Brown, Jr., as Vice-President of National Investors Corp. and Whitehall Fund, Inc., investment companies of which Mr. Randolph is also President and Chairman.

The three new officers are associated with Union Service Corp., investment research and administrative affiliate of the investment companies. Graduates of Harvard University Graduate School of Business Administration, Mr. McMartin has been a member of the research organization since 1928, Mr. Page since 1933 and Mr. Brown since 1936.

Robert Watson Joins White, Weld & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert H. Watson has become associated with White, Weld & Co., 231 South La Salle Street. He was formerly with Francis I. du Pont & Co., F. S. Moseley & Co. and Blyth & Co., Inc.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Robert V. Schuler has been added to the staff of Dean Witter & Co., Bank of America Building.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John P. Steele has become associated with First California Company, 300 Montgomery Street. He was formerly with Davies & Mejia.

Mortgage Credit and Inflation Controls

By WILLIAM A. LYON*
New York State Superintendent of Banks

After citing vast increase in mortgage credit, New York Banking Superintendent recommends savings institutions curb their lending and invest more funds in government securities. Says real estate credit is in scope of Federal inflationary controls and promises state cooperation with Federal authorities.

For the third time in this generation war is our biggest single consumer. War's appetite for goods threatens again to create shortages here and there, and the problem of controlling inflation again confronts us. This is a battle on the home front in which all savings institutions must take part.

Wm. A. Lyon

We do not know the size of the defense effort that we will have to make, but we will be deluding ourselves, I am afraid, if we think a token effort will suffice. The prudent course is to expect that a major effort will have to be made and that we shall not be able very soon to break off our exertions.

It is regrettable in every way that we must find the trends of the last few years imperiled. When I accepted the invitation to speak to you I thought that I could confine my remarks to the great records of residential construction that have been achieved in this country. New York has been making giant strides in satisfying the demand for new homes. With nearly 100,000 dwelling units started last year, our State has been responsible for nearly 10% of the national housing effort. In urban building, where most of the activity is concentrated, New York was exceeded only by California where the increase in population for the last decade was 53% as against only 7% in New York State.

The record rate of residential building is marked by the greatest increase in mortgage credit ever experienced. Since the end of World War II the national home mortgage debt has more than doubled and now stands at about $40 billion. Savings and loan associations have played a most important role, year by year, in financing this expansion. They hold about one-third of all our home mortgages. In New York State about one-quarter of home mortgage recordings of $20,000 or less go to savings and loan associations. Thus these institutions have been fulfilling one of their primary purposes in an outstanding fashion.

They have also done another fine job. They have been a powerful influence in cultivating the savings habits of the public. In rate of growth they are the fastest growing institutions under the supervision of the Banking Department, both as regards the percentage rise in the dollar amount of savings and the number of holders of savings shares. By midyear they had come three-quarters of the way towards doubling the amount of free shares that had been outstanding on V-J Day. The rise in new savings members in this period has been by more than 50%, which means that more than 200,000 new shareholders other than borrowers have been added to your rolls.

I have noticed with interest the fact that our home financing institutions have been able to keep pace with the demand for homes. The Federal National Mortgage Association held at the midyear only a nominal amount of mortgages originating in New York State and in the New York metropolitan area. By contrast, California, Florida and Texas, which rival New York in building activity, have depended to a substantial extent on the secondary mortgage market of the United States Government. Our relatively good showing may be considered a tribute to the well developed savings habits of the people of the State and to the enterprise of New York's financial institutions active in the mortgage market.

Slow-Down on Mortgage Credit

Now we must expect that the building up of mortgage portfolios will be slowed down considerably. Wars, even less than total wars, cause serious distortions. Even an economy as boundlessly productive as ours cannot supply the demands of the war apparatus and business as usual at the same time. Something has to give. The effects of war and defense needs may not be fully felt until next year, but if we make a mistake in the timing of our preparedness I am sure that we all hope any error will be on the side of arming too soon. When government spends more, private individuals must spend less. We can bring private spending down forcibly through raising taxes or voluntarily by stepping up the rate of savings. This is where savings institutions come in. They can help to check inflation by redoubling their efforts to attract the savings of the public.

That is half of the job that savings institutions like yours can do at this time. The other half is to manage the funds that come to you in ways that hold down the inflationary pressures as much as possible. Funds that are invested without regard for the necessities of inflationary control will speed up the depreciation of the saver's dollar and hence place a profound discouragement in the way of all savings. If we cannot persuade the American people to save more and spend less, we can expect direct controls—over prices, wages and strategic materials—to come back.

One of the very first steps that savings institutions can take to help in the suppressing of inflation by indirect means is to see that the Treasury finds enough money outside the commercial banks and Federal Reserve Banks to finance any deficit it runs up in the war and defense effort. The borrowing needs of the Treasury should be filled out of private savings—savings invested directly in savings bonds by individuals or indirectly in government securities through savings institutions. It is necessary, therefore, for savings institutions to take up their share of any new money bonds offered by the Treasury. Recent events in Treasury finance suggest that our difficulty may lie in the Treasury's reluctance to offer bonds rather than in institutional unwillingness to buy them.

The recent increase in the annual quota of savings bonds which an institution is allowed to take

Continued on page 16

*An address by Supt. Lyon before the 62nd Convention of the New York State Savings and Loan League, Saranac, N. Y., Sept. 11, 1950.

Ira Haupt and Company Exhibits at Mineola State Fair

"Save—then invest in Mutual Funds" is the slogan which greeted the first visitors to the Mineola State Fair from a banner atop the exhibit of Ira Haupt and Company in the heart of the Fair.

Aimed at the "small capitalist," the exhibit, the first of its kind presented by an investment firm at a State Fair, offers many reasons why the average American can build his own financial security by judicious investment in mutual funds.

The exhibit, which is the idea and product of the combined thinking of Charles Bacon, manager of Ira Haupt's Mutual Funds department, and Anthony M. Reinach, Ira Haupt and Company, partner, combines the "close-to-the-people" feeling of the Fair with the dignity and secure austerity of investments.

In addition to the slogan banner atop the exhibit, each side of the tent has an attractive display poster. The display on the left shows a montage of various pamphlets and articles on mutual funds and is entitled "Looking for more income? Come in and ask 'How to get more income through Mutual Funds'." On the right an outline of the United States, with its many industries pictured within the boundaries, has the slogan—"Profit from part ownership in America's industries."—running from coast to coast.

Inside the tent other displays and exhibits outline other reasons for investment in Mutual Funds. Tables for interested visitors to relax at while an Ira Haupt salesman explains the facts of this popular type of investment are placed throughout the tent. On the tables are pamphlets explaining the operations and reports of more than a dozen or so various mutual funds now in existence.

To remind each visitor of the wise policy of the slogan—"Save—then invest in Mutual Funds"—a small coin bank is presented to each guest.

LETTER TO THE EDITOR:

Describes Pillsbury's Gold Plan as Thermometer, Not a Protector

George F. Bauer, referring to industrialist's recent "Chronicle" article, criticizes him for not insisting on our government's full $35 per ounce convertibility.

Editor, Commercial and Financial Chronicle:

In the article entitled "Labor's Security Package and the Collapsing Dollar" ["Chronicle" of Sept. 7, on page 17] Mr. E. S. Pillsbury pointed to an increasingly alarming situation whereby the actual buying power of pensions and wages is being undermined through faulty monetary policies.

George F. Bauer

It is regrettable that Mr. Pillsbury, while stressing as a corrective action the need of a relationship between representative paper money and gold, did not go the whole distance and insist that our government become definitely responsible for its issues of paper money by a commitment obliging it on demand to provide for conversion at a fixed rate of $35 per ounce of gold.

It seems the government is still to be exempted from any obligation of convertibility of its paper money into gold at a definite rate and we are to make ourselves content with observing what our dollar is daily worth in gold as a commodity in the open markets with fluctuations that might be as erratic as those in certain of the post-Civil War years when our government was not obliged to convert "greenback paper money" into gold at a definite rate.

Under Mr. Pillsbury's plan the one step contemplated toward rehabilitation of our money is to provide a thermometer in order that we may gauge daily whether the dollar is getting weaker or stronger in terms of gold.

He refers to the experience of the French with their currency. They had such a thermometer and daily could see how the franc was depreciating or appreciating by measure of gold in accordance with unwise or temporarily wise monetary policies. The mere existence of the thermometer in the form of a so-called free gold market did not deter the French Government from taking fiscal steps which finally ended with a franc worth only 1% of its original buying power.

In the case of the U. S. dollar we do not need a thermometer; we need a commitment by our government to make good on its representative dollars by an obligation to convert them for holders on demand at $35 per ounce. Otherwise we may find that we have a thermometer to record the fever variations in our monetary illness but that a drastic cure will nevertheless be needed in the form of a commitment in gold by our government for the paper money it issues, if the dollar is to provide a sound component of Labor's Security Package.

Sincerely yours,
GEORGE F. BAUER.
Vice-Chairman
International Section
New York Board of Trade, Inc.
New York City, Sept. 11, 1950.

Transvision Common Stock Offered by Blair F. Claybaugh

Offering of 300,000 shares of Transvision, Inc. common stock is being made today by Blair F. Claybaugh & Co. The shares are priced to the public at $2.75 each. The offering is subject to the sale of at least 135,000 shares.

Proceeds from the sale of the stock will be used to increase working capital, and to repay two outstanding loans.

Transvision, Inc. is engaged in the manufacture and sale of television receivers, television parts and accessories, television kits, master antennae systems and television picture tubes. Lectrovision, Inc., a wholly-owned subsidiary, was organized for the purpose of manufacturing cathode ray tubes which are used as picture tubes in television. To create an additional market for these tubes, the company was organized to manufacture and distribute television kits which could be assembled by laymen as well as technicians.

With Robt. Shimel

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, Ind. — Andrew O'Dwyer has joined the staff of Robert G. Shimel & Co., Standard Bldg.

With W. E. Hutton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me.—Mrs. Berta C. Johnson has been added to the staff of W. E. Hutton & Co., Bank of Commerce Bldg.

UNO Equities to Handle Over-Counter Secs.

UNO Equities, Inc., announces that the corporation will henceforth deal in general over-the-counter securities, with offices at 30 Pine Street, New York City, under the direct management of L. D. Silberstein, President. UNO Equities, Inc., heretofore was active in international banking as well as investors in New York City real estate.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Yoshiaki Moriwaki has been added to the staff of King Merritt & Co., Inc., Russ Building.

With Waldron Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harry L. Chandler has been added to the staff of Waldron & Company, Russ Building.

Alex Wilson Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alex E. Wilson is engaging in a securities business from offices in the Alexander Building.

With L. B. Gage

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Harold W. Stoddart is with L. B. Gage, 1387 Main Street. He was previously with Charles A. Day & Co.

With Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Harry Polny is with Richard J. Buck & Co., 8 Newbury Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Closing of the books for the September refunding, the reimposition of Regulation W, and somewhat lessened activity in government securities, were the important developments in the credit picture and the money markets. The near-term rate is still edging up, and this continues to influence the whole level of yields in the Treasury list. Periods of price weakness in the intermediate- and long-term issues have been followed by only very minor recoveries, due in part, according to advices, to support supplied by the Central Banks. Nonetheless, if the short-term rate is to continue upward, as it seems likely to do, the middle and more distant maturities will still have to undergo further yield changes. This appears to be what most followers of the market are expecting.

Investors on the Defensive

The short-term securities continued to be in the spotlight, far outshadowing the rest of the list. Investors are seeking the safest haven for funds during the period of rate adjustments in the money markets. This seems to spell out, "go short." The 1⅜s of 1954, the 1½s of 1950, and the 2¼s and 2½s of 1956 were under pressure. The longest bank 2½% and the taps also gave ground. All of this took place on lighter volume. With Regulation W back in force, the question is being asked: Will this eventually mean any change in Federal's policy toward the money markets and the trend and level of interest rates?

The government market continues to be subjected to the pressure of advancing short-term rates, which has created uncertainty throughout the entire list. Yield curves are being worked overtime in an effort to find out where the various issues should sell if the certificate rate should still be pushed up by the Central Banks. Buyers are becoming more cautious in their commitments, which means the market is very thin at times (on the bid side) particularly among the intermediate—and longer-term maturities. Accordingly, Federal has the market pretty much to itself and that goes for the longs as well as the shorts. When sellers appear as they have been recently in increasing numbers, prices of the longs, particularly, have gone down quite easily, because investors, dealers and traders are not there to support them. They all seem to believe quotations can go lower, so they argue, why stick your neck out now and get it chopped off? This fear psychology has made the market look bad at intervals, and according to reports Federal has had to step in and buy certain issues in order to stem the price decline.

1⅜% Certificate Rate Anticipated

The money markets are now trying to figure out, how high short-term rates are likely to go under Federal's sponsorship and what effect this will have on the intermediate- and long-term issues. A 1⅜% rate for certificates seems to be a foregone conclusion among most of the operators in the government market. Some even believe that a 1½% rate for one-year paper will be seen in the future. Based upon a 1⅜% rate for certificates there are still considerable adjustments which will have to be made in the list. An even higher rate would mean further changes would have to take place. Because of this uncertainty, it is not at all surprising that prospective buyers are quite willing to stay on the sidelines and watch the picture unfold.

Insurance companies and savings banks are sellers on balance and indications are they will continue to be for some time yet. There seem to be enough mortgages and private placements at sufficiently high rates to make it worth while to sell governments. With the market as thin as it has been on the buy side, it is not surprising to see gaps develop here and there in the issues that are being sold by these institutions.

Lower Prices on Long Terms Expected

To be sure, the market has not been entirely devoid of buyers, because there has been some scale purchasing going on. However, these have not been very sizable and they have been more or less of the reluctant variety, because it is felt in many quarters the longer-term issues might go lower, before an era of stabilization would be reached. For the time being, at least, it appears as though not a few of the potential buyers of the higher yielding Treasuries are going to give them an opportunity to prove where they are going on the down side, before important scale purchases will be undertaken. Switches have given a fillip to certain issues.

The bank 2½s of September 1967/72 are being watched very closely by many of the out-of-town institutions, but in this case also there is no rush to make commitments, despite the need for the income which this issue provides. There is the fear here also that further price adjustments in the longest eligible obligation might take it down to levels that would not make purchases at present prices look so good. There will be more than a passing interest in the longest bank 2½% when it approaches an area of stabilization, which some believe might be somewhat under current levels.

The 2½s and the 2¼s of 1956 are also getting attention, but not too much real buying at the moment, because recent purchases are now showing losses to their buyers, and they are not interested in more of the same. Nevertheless, it won't take much more of a price change in these two issues before scale buyers will be at them again. The 2¾s due 1960/65 have not been very active but have given a good account of themselves in a market which as a whole has been on the weak side. The few bonds that have appeared for sale have been readily absorbed.

Va. El. & Pow. Bonds Offered by Salomon Bros. & Hutzler

Salomon Bros. & Hutzler and associates are offering $20,000,000 Virginia Electric & Power Co. first and refunding mortgage bonds, series H, 2¾%, due Sept. 1, 1980, at 100.75% and accrued interest. The bonds were awarded to the group at competitive sale on Sept. 12 on a bid of 100.33317%.

Proceeds to be received from the sale of the bonds will be used to pay $11,000,000 or more of notes to three unaffiliated banks for construction purposes and the remainder for construction expenditures after June 30, 1950. Construction expenditures for 1950 are estimated at $37,500,000, of which $16,800,000 has been expended through June 30. For the year 1951 construction expenditures are estimated at $29,000,000.

The bonds may be redeemed at prices ranging from 103¾% to 100%. Special redemptions run from 100.85% to 100%.

Virginia Electric & Power Co. is an electric utility operating in most of Virginia and in portions of North Carolina and West Virginia, covering approximately 32,000 square miles. The company also conducts a manufactured gas business at Norfolk and Newport News. The population of the territory served is estimated at 2,032,000, roughly two-thirds residing in communities of 1,000 or more inhabitants.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank B. Kendrick has become affiliated with Reynolds & Co., 208 South La Salle Street. He was formerly with Otis & Co. and in the past was with Riter & Co.

With Sholten, Knight

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Linneus A. Lawrence has become associated with Sholten, Knight & Co., 135 South La Salle Street. He was formerly for many years with First Boston Corp.

With Thomson McKinnon

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind. — Harry W. Farmer and Joseph B. Lacy have become affiliated with Thomson & McKinnon 5 East Market Street.

Consumer's Interest In Utilities' Success

By RICHARD L. ROSENTHAL*
President, New York Water Service Corporation
President, Citizens Utilities Company

Utilities executive, in pointing out consumers have as much interest in facts and figures of a utility's economic life as its stockholders, stresses "cost of living" problem of utilities in effectively carrying out operations to provide adequate service at minimum rates, to pay operating costs, and to produce sufficient net income to obtain capital needed to finance replacements and expansion. Calls attention to tax and inflation increases as affecting ability to raise capital, and contends properly regulated utility should make no "profit" above that which is "investor-dictated."

I think all of us in the utility business have not realized as completely as we might the fact that customers of privately managed and privately owned utility companies are just as much interested in the facts and figures of a utility's economic life as are the stockholders of utility companies. Everybody is cost-of-living conscious today. And consumers of utility services are just as much interested in the "why's" of their monthly service bills as in the reasons for the costs of every other necessity.

Richard L. Rosenthal

If a company is confident that it is serving its customers with maximum efficiency and at minimum economic cost, considering all factors, it should want its customers to know the fundamental reasons for its costs and, therefore, for the rates it must charge for its service.

Although most consumers do not realize it, the utility company has a "cost-of-living" problem itself. Actually the private utility company, fundamentally, is merely a vehicle which permits the achievement or performance of three basic social and economic functions.

The first of these is to provide adequate service at minimum economic rates.

The second is to pay the operating costs involved in providing adequate service, present and future. These costs, of course, include proper and reasonable wages and salaries, property and income taxes, fuel and other purchased material and supplies and the cost of wearing out or depreciation of plant and equipment.

The third utility company function is to produce sufficient net income—after all operating costs, including taxes—to provide investors with what investors require as net income to persuade them to provide the continuous supply of new capital needed to finance plant and equipment replacement and expansion.

It is the combination of the cost of the second and third functions which constitutes the "cost-of-living" for the utility.

Net Income "Investor Dictated"

Unless a utility company can produce the investor-dictated quota of net income—net income adequate continually to attract capital as measured by the markets for the utility's securities—it cannot obtain capital and, therefore, cannot maintain, improve, and expand its facilities. Thus, if the utility company's earnings are not adequate, the public interest suffers accordingly, in terms of adequate service to consumers. The utility company doesn't get capital out of the air or find it in the bullrushes. It must compete in the capital markets with all enterprise—with industrial, railroad, and other utility companies—and with governments, State, Federal, and municipal, for the investors' dollars. Like all of them, including government, it must pay the investors' price—it must earn what investors require as return, as indicated by market prices for securities.

As a matter of fact, a properly regulated utility company doesn't itself really make a "profit" in the technical sense of the term. It earns a net income—but if the utility is properly regulated, that net income is only so much as is required for the payment of "hire" or what investors require for the use of investors' funds committed in the business.

It is necessary that we make every effort to encourage consumers to comprehend that all that the utility company wants, needs—and, indeed, on behalf of its consumers, must have—is rates high enough—but only high enough—to perform these three basic functions. In order to stay in business, a utility company must treat fairly with its consumers—or they won't use its services. It must treat fairly with its employees—or it won't have the staff with which to operate. Most people will quickly agree with these two premises.

It is just as important—and just as fundamental—that the utility company treat fairly with its investors. If it doesn't—or can't because it is not permitted rates high enough to earn the rate of return (ratio of income after taxes to investment) which investors require—the utility company will not be able to continue to expand and improve its service by additions to plant and facilities. It will not be able to because it won't be able to get funds from investors. And it is only with such funds that the utility can bring about expansion to fill the needs and desires for more and better service in its service area.

There is a simple analogy. Service to consumers is the cart: capital is the horse which pulls the cart; and return on investment is feed for the horse. If the horse doesn't eat, he won't—and ultimately can't—pull the cart. If the consumer understands this, the rate and revenue requirements of the private utility will be readily appreciated. In time they should be understood by the consumer as rate and revenue requirements basically in his interest—the interests of more and better service to more consumers. If a utility earns a satisfactory net income it can attract capital in competition with other capital seeking enterprises and governmental units. If it attracts capital it can perform its first function: maintain, improve and extend service. If it does not attract capital, it cannot. Fundamentally, our investor-dictated earnings and, therefore, rate requirements are just as simple as that. We in the industry know it. We must be sure that our consumers understand and appreciate it, too.

Utility companies everywhere have in the past few years experienced an unusually sharp increase in local taxes, adding substantially to expenses. The increase in Federal income tax rates for corporations pending before Congress—and now the prospect that an excess profits tax, retroactive to some date in 1950, will be added—will also increase expenses considerably and thereby reduce net income.

Investing Public Must Furnish Funds

Utility officials and managers, individually, all want to provide more and better service to more consumers. But the multi-billion aggregates of capital required in order to achieve this end make make it necessary to raise funds from the investing public. This is not a theory; it is a continuing condition. It needs to be reiterated that no matter what the personal desires of the individual company officials relative to continuing a construction and expansion program, the earnings of a company and the personal funds of its officials are not sufficient to finance the program under present expansion requirements. Therefore, such a program cannot be continued unless investors can be persuaded by a company's earnings to invest additional funds in the company, because without such funds in large amounts, equipment fundamental to the program cannot be purchased. Manufacturers of such equipment want to be paid for it in cash—not good intentions.

The adverse effect on utility net income arising from increased costs as the result of continuing inflationary trends, increased local taxes and prospective higher Federal income taxes is a matter of very definite concern. It has a very definite relationship to the industry's ability to obtain the funds from the nation's investors necessary to carry out construction and expansion programs. Our requirements for net income are not a matter of our own personal likes and dislikes. These requirements are dictated by the general investing public; and our net income has to meet investor requirements if we are successfully to raise funds.

Advise Customers of Operating Costs

I conceive it to be in the public interest, and in accordance with a policy of treating fairly with our consumers, to advise customers that increased costs, particularly increased local taxes and Federal income taxes, are therefore matters of just as great concern to the consumer as to the utility company. The reason for this is that if these increased costs so adversely affect the net income of the utility company that it cannot raise funds from the investing public because its net income and rate of return are not adequate, the company's predicament can only be solved one of two ways.

The first of these would be entirely to eliminate future capital investment and, therefore, the addition and replacement of facilities and equipment. This, of course, would adversely affect consumers, because it would not enable the utility company to provide new customers with service and would restrict the company from providing present consumers with improved service in greater quantities. The other alternative would be to seek rate relief, through higher rates, in order that the utility's income may be restored to a level adequate to enable it to continue to obtain investor capital. This, of course, obviously affects the consumer very directly and very apparently.

The consumer, therefore, has just as direct an interest in what is happening to the operating cost of a utility company as does that company's management and as does its investors. Higher local taxes, higher Federal income taxes, and higher operating costs of all types are ultimately something for which the consumer pays, if he desires a continued improvement in utility service and the availability of greater quantities of such service to more consumers. By reason of the industry's enormous capital requirements and investor-dictated rate of return as indicated by markets for its securities, the utility company can operate in no other way.

The utility company is not an endless well into which local and Federal Governments can dip for ever increasing amounts of taxes, suppliers can tap for increased prices for their products and employees can drain for higher wages and salaries, without a very direct effect on consumers. Consumer knowledge of these "facts of economic life," of the "cost-of-living" of the utility company, will perhaps aid the utility company in holding down its costs on behalf of consumers. In any event, such knowledge will indicate to consumers why the utility company must—no matter what the personal desires of its officials—seek rate increases when costs, including particularly local and Federal taxes, go up substantially, in order that the utility company may obtain the capital to enable it to continue to render proper service to its customers.

*An address by Mr. Rosenthal before the New York Section of the American Water Works Association, Saranac, N. Y., Sept. 7, 1950.

Wilson, Johnson Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Neal H. Kellogg has been added to the staff of Wilson, Johnson & Higgins, 300 Montgomery Street.

With Schwabacher Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif.—Samuel Welsh has become affiliated with Schwabacher & Co., 930 State Street. He was formerly with Paine, Webber, Jackson & Curtis and Buckley Brothers.

First Continental Co.

HEMPSTEAD, N. Y. — First Continental Company is engaging in a securities business from offices at 319 Main Street.

Harland Allen Assoc.

CHICAGO, Ill.—Harland Allen Associates is engaging in a securities business from offices at 28 East Jackson Boulevard.

With Blair, Rollins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James H. Collins has become connected with Blair, Rollins & Co., Inc., 135 South La Salle Street.

Dillon, Read & Co. Offering Canadian Superior Oil Stock

A group of United States and Canadian underwriters headed by Dillon, Read & Co., Inc., is offering to the public today (Sept. 14) 2,150,000 common shares of Canadian Superior Oil of California, Ltd., at $10 per share (U. S. dollars). Canadian underwriters headed by Wood, Gundy & Co., Ltd., as sub-manager of the group are simultaneously offering a portion of the issue, amounting to 215,000 shares, in Canada.

Canadian Superior is now a wholly-owned subsidiary of the Superior Oil Co. and the latter company will own and retain approximately 52% of the 4,450,000 shares to be outstanding upon completion of the financing.

Canadian Superior (organized in 1943) has been conducting an extensive program of freehold leasing and reservation of oil and gas rights in Western Canada, and now has over 4,000,000 acres held under leases, reservations or options widely scattered over large portions of Alberta, Saskatchewan and Manitoba. Such total includes approximately 1,600,000 acres under freehold leases.

Proceeds from the sale of the shares will be used chiefly for acquiring and holding reservations and leases and for exploratory, drilling and other operations and expenses of Canadian Superior in Canada and possibly elsewhere.

Officers of the company include W. M. Keck, Jr., President, and J. C. Cody, Vice President. Mr. Keck is President of the Superior Oil Co. and Mr. Cody is a Vice President of that company.

Opens Office

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Bertha M. Floyd is engaging in a securities business from offices at 9 Sutter Street.

With Guardian Securities

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edward J. Peck has become associated with Guardian Securities Corp. He was formerly with Cantor, Fitzgerald & Co., King Merritt & Co. and prior thereto was with Denault & Co.

Joins Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Allan Cohn, Jr. has joined the staff of Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

NSTA Notes

Harold's Waiting for Your Order!

Harold B. Smith, Chairman of the National Security Traders Association Advertising Committee

He is a Big Fella! And he goes after advertising for the NSTA in a Big Way.

Since 1939 he has captained the NSTA Advertising Committee which has brought in more than $50,000 to the National's Treasury over the past 11 years.

This year's score is encouraging so far, but we're still waiting for the ad insertion order from many firms that should be represented in our NSTA Convention issue of the "Chronicle."

Call him at Pershing & Co., 120 Broadway, New York 5, N. Y. —WOrth 4-4300.

AD LIBBING

Your committee is indeed happy to report that our affiliates, Georgia Security Dealers Association and San Francisco Security Traders Association, have gone over their quotas, and from the efforts being displayed by Jack Egan of First California Company, San Francisco members should make an all-time high.

Nine affiliates so far have produced gross advertising that has exceeded quotas and I am confident our final results will surprise many of us. "It can be done."

It is a great pleasure this week to mention the name of one of New York's most respected members. He is active in spite of his many other duties but needs no "Loyalty Test" to maintain membership in our NSTA. He produced a quarter page ad from a N. Y. bank and his name—Cy Murphy, John C. Legg & Company, New York. Thanks Cy and good luck.

I intend to place in your hands a memo of quotas and business produced by all our affiliates at our first National Committee meeting.

A recent letter from Ed Welch, of Sincere & Co., Chicago, says we may pass the 400 mark in attendance at the convention, with the ladies making a new high of over 100. Looks like a new record for convention attendance as well as advertising results for many affiliates. Do I refer to you?

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

NSTA GOLF TOURNAMENT

The second annual Calcutta Golf Tournament will be conducted at the NSTA Covention and contestants will have the pleasure of playing one of the nation's finest golf courses. The Cavalier Yacht and Country Club is the site of the annual $10,000 Cavaliers Specialists' Tournament. Usually held in April, players are selected by the Golf Writers' Association of America and thus assure the participation of the finest golfers in the world. It was during this year's play that the Australian pro Van Nida, in a practice session, got a hole-in-one on the 18th hole which is 200 yards, all carry and a green almost completed surrounded by water. A 6,665-yard, par-69 golf course, the Cavalier Club offers a test to all NSTA golfers who participate in the Calcutta.

The Calcutta Committee is headed by Stanley L. Roggenburg, of Roggenburg & Co., in New York. Other members of the Committee include Herbert H. Blizzard, Herbert H. Blizzard & Co., of Philadelphia; Jack Morris, Courts & Co., of Atlanta; Wm. F. May, May & Gannon of Boston; Fred J. Casey, Doyle, O'Connor & Co., of Chicago; Jay L. Quigley, J. L. Quigley & Co., of Cleveland; John B. Cornell, Jr., Dallas Rupe & Son, of Dallas; Paul I. Moreland, Moreland & Co., of Detroit, and Robert D. Diehl, Paine, Webber, Jackson & Curtis, of Los Angeles.

All members of the Committee have Calcutta tickets and the official entry blank for NSTA golfers who will play in the contest. Golfers are urged to send in their entry blank as soon as possible and teams will find their handicaps and playing time posted at Convention Headquarters prior to Friday, Sept. 29, when the tournament will be played.

Continued from page 13

Mortgage Credit and Inflation Controls

up is a step in the right direction. You will note that it leaves out any regard for the different sizes and needs of institutional investors. The Treasury claims that this relaxation of subscription limits is only a trial balloon to test the amount of funds available for such investments. I believe it will find in the end that nothing less than a tap issue of savings bonds will fill the bill.

To Hold Back Inflation

In employing the new savings we should be prepared also to coordinate our practices in mortgage lending with the policies adopted in Washington to hold back inflation. Efforts to check inflationary tendencies have been handicaped in the postwar period by the exclusion of mortgage credit from the scope of the controls. It has seemed all too often in recent years that Washington was following contradictory policies on credit control. One instance of this was the fact that all credit was put within the range of Federal Reserve authority with the notable exception of mortgage credit. The mortgage field has seemed to be a law unto itself. At the very time when the Federal Reserve was applying restraints to lending, and even to some extent was raising the cost of borrowing to the Treasury itself, the FHA and VA officials were easing up on their mortgage terms.

The Banking Department has taken the position for a number of years that credit policy by its very nature cannot be regional or local. We have over this period consistently maintained the reserves required against deposits of banks not members of the Federal Reserve System on a parity with those required of member banks. Whenever the Federal Reserve Board has changed the level of member bank reserves as a means of tightening or relaxing credit, our Banking Board has adjusted nonmember reserves accordingly. In following this policy the Banking Board has sought, among other things, to prevent nonmembers from gaining a competitive advantage through being permitted to maintain a smaller percentage amount of reserves.

We have decided views on the issues where the states should be allowed to set the rules. The scope of branch powers properly lies within the determination of the states. States should be allowed to decide whether they wish to have many units and few branches, or few units and many branches, or a fair measure of each. There is nothing in this inconsistent with the national interest; on the contrary, there is good reason for allowing the states to choose the branch policy that best serves their interests in the light of their needs. The policy so chosen should apply to all institutions of a particular kind doing business in the State, wherever they are chartered. It is sheer blindness to pretend that there are not regional differences in this country and sheer folly to try to ignore them.

But credit control is different from branch policy. Credit control affects the soundness of money. It is national or it is nothing. Credit is fluid and is not contained by state lines. We expect in the Banking Department, so far as we have any discretion in the matter, to conform to any truly national measures adopted to influence credit conditions. We do ask, however, that the measures be clear, that the efforts of the Washington agencies be coordinated and that the problem of controlling inflation should not be used as a pretext to extend Federal powers in unrelated fields.

In his July 18 letter to the Administrator of the Housing and Home Finance Agency, President Truman said:

"It is already clear that, as a result of events of the last month, many materials used in residential and other construction will be required in increasing amounts for national defense purposes."

"These increased demands," the President continued, "will aggravate inflationary tendencies already evident in some of these materials unless positive actions are taken to reduce pressures in residential construction."

Wide Government Authority Given for Mortgage Credit Control

The Defense Production Bill of 1950, enacted by Congress on Sept. 1, arms the President with wide authority to control real estate construction credit. It is not yet known what form the controls will take. If the regulations lay down a national policy on mortgage credit, the Banking Department will be just as ready to consider whether it can supplement the policy in its area of discretion as it has been for some years ready to coordinate nonmember reserve requirements with those of Federal Reserve member banks.

It is important to keep in mind the distinction between credit control and other objectives. Take the statute approved in June directing the Home Loan Bank Board to issue within six months a regulation on liquidity for members. In carrying out this mandate the Home Loan Board is not permitted to pick a percentage under 4% or above 8%. It does not appear that the Federal regulatory power on liquidity is intended to influence the supply or cost of mortgage credit. If that were the purpose of the regulation, we should promptly consider whether we should not fall in line. Credit control, I say again, lies properly within the scope of national policy.

If, however, our belief is correct that the purpose of the liquidity regulation is to impose a minimum operating standard, we should then expect to follow the dictates of our own judgment. After all, we feel that the New York Department has been a pioneer in setting up a liquidity standard for use in measuring operating practice. For nearly 10 years Deputy Leete of this Department has been advising you to maintain a liquidity ratio on our formula of 20%. We have believed that a good part of the gain in liquidity achieved during World War II should be retained.

As you know, our formula is the percentage that cash and investments at allowed value are of free shares and borrowed money. The Federal formula is the percentage that cash and government bonds are of total share capital. The great majority of our associations are now comfortably above the maximum level at which the Home Loan Board could set the requirement in its regulation. We have realized that we were breaking new ground in developing the liquidity ratio and that our ideas should not be firmly fixed until the formula had been tested over a period of years. We review the formula from time to time, and we are at the point of adjusting our recommended minimum standard, as Mr. Leete will tell you about during this convention.

Our preference is to continue to handle this question of liquidity by direct appeal rather than regulation. The fine degree of voluntary compliance we have had makes us believe that a regulation will not be necessary to obtain conformance of nonmember associations to an appropriate liquidity standard. But, in any case, we propose to follow the dictates of our own judgment in this matter. As I say, we regard the liquidity standard as presently applied to be separate and apart from national credit policy. We look on it as lying entirely within the sphere of supervisory discretion. Since we in the Department are interested, as our institutions are, in conforming to high standards in operating practice, we expect that our ideas on liquidity percentage will compare favorably in soundness with ratios required by other authorities.

We in this country all regret the necessity of slackening our effort to provide adequate housing for all in the shortest possible time. Any measures taken to release construction materials to the defense effort will strike a hard blow at savings institutions specializing in mortgage financing. The supply of mortgages must decline if we push our defense preparations with the energy that the danger to our country demands. But the construction that we do not carry out now is not lost for good. It is merely deferred. When we have removed the threats to our national safety we can turn into home building the savings that have been accumulating. The savings dollar now serves a double purpose. It suppresses inflation while our defense preparations are on a rising scale. It will prove a valuable national asset when peace is established, for it will provide both homes and employment.*

We are very near the point where all savings institutions must be part of the mobilization for defense. When you intensify your efforts to promote private savings, you are gathering together funds that can help in financing our arming and defense. You are also strengthening the home front by holding back the inflationary pressures. And you are accumulating the means of spreading home ownership with your normal vigor and enterprise when the perils from abroad have been removed. These are fields of wide and varied usefulness. It is a challenge to you to make the most of the opportunity for service that lies before you.

Roberts & Company is Formed in St. Petersburg

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Roberts & Company, Inc. has been formed with offices at 235 Fourth Avenue, N. E., to engage in a securities business. Officers are Albert Roberts III, President and Treasurer; Robert J. Jennings, Vice-President and Secretary.

Joins A. M. Kidder

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Frank K. Nelson has joined the staff of A. M. Kidder & Co., Ft. Lauderdale National Bank Building.

Halsey, Stuart Group Offers Tennessee Gas Transmission 3% Bds.

Offering of $40,000,000 first mortgage pipe line bonds, 3% series due 1970 of Tennessee Gas Transmission Co. was made on Sept. 12 by an underwriting group headed by Halsey, Stuart & Co. Inc. The bonds were priced to the public at 101¾% and accrued interest and were awarded the group at competitive sale on Sept. 11 on a bid of 101.10%.

Of the proceeds to be received by the company from the sale of these bonds, $35,000,000 will be used to pay the company's presently outstanding short-term notes in full. Proceeds from the short-term notes were used in the company's expansion program. The balance of the proceeds from the sale of the new bonds will be added to the general funds of the company and also will be used from time to time, together with other cash resources, for the company's expansion program.

Redemption may be made at prices ranging from 104¾% to 100%. Sinking fund redemptions may be made at prices from 101¾% to 100%.

Tennessee Gas Transmission Co. owns and operates a pipe line system for the transportation and sale of natural gas at wholesale. The company's main transmission pipe line on June 30, 1950 was 1,364 miles long, approximately 600 miles of which extended through a natural gas producing area in Texas and Louisiana. The company's principal deliveries of natural gas are for the system of the Columbia Gas System Inc. and for the system of Consolidated Natural Gas Co. The company also regularly sells gas under contract to a number of other customers. A wholly-owned subsidiary, Northeastern Gas Transmission Co. was incorporated in 1949 for the purpose of buying, transmitting and selling natural gas at wholesale to gas distribution companies, municipalities and industrial consumers in the New England States.

Terry & Co. to Be Formed in New York

Charles G. Terry and Frederick A. Terry are forming Terry & Co. with offices at 44 Wall Street, New York City, to act as participating distributors and dealers in securities. Charles G. Terry was formerly President of American Securities Corp. Frederick A. Terry was V.-P. and Treasurer of American Securities Corp. and prior thereto was an officer of Schoellkopf, Hutton & Pomeroy, Inc.

Charles G. Terry

Ralston Steel Car Co. Control Is Sold

Control of The Ralston Steel Car Co. has been sold to a Cincinnati group headed by Nat Galey. The company will continue under the same management with Frank Livingston continuing as President. Louis C. Lerner, Lerner & Co., Boston, who was a director and substantial holder of stock in the company, arranged the transaction and received no fee. Mr. Lerner has resigned as a director of the company.

Need of International Financial Defense Coordination

By PAUL EINZIG

Dr. Einzig, commenting on shipments of war-use materials by Britain to Russia, contends situation was induced by Britain's food needs and foreign exchange position. Says Russian grain was imported because of Argentine gouging in sales of meat and grain to British, and recommends U. S. use diplomatic and economic influence to induce Argentina to adopt more reasonable attitude.

LONDON, Eng.—In the course of his radio talk on Aug. 26 Mr. Churchill informed his listeners that one of the largest British manufacturers of machine tools, Craven Brothers, are still engaged in delivering to Soviet Russia machine tools suitable for the manufacture and repair of tanks, and that the British Government is not prepared to take steps to stop further deliveries. The firm itself has for some time been pressing the government to take action in the form of canceling the export licenses. In the absence of such a step the firm is under legal obligation to deliver the goods in accordance with contract, even though its management and proprietors are fully aware that in doing so they are acting against the interests of national security, not only because their machine tools tend to strengthen the striking power of the potential enemy but also because such machine tools are badly needed at home by factories engaged in arms production. Moreover, so long as the deliveries continue the engineers appointed by the Soviet Government to supervise them are at liberty to inspect the works engaged in the production of the tools, and they have excellent opportunities for securing information concerning British rearmament.

Dr. Paul Einzig

The instance quoted by Mr. Churchill is by no means isolated. It is in keeping with the policy as a result of which some years ago a number of jet aero engines were sold to Soviet Russia, and through which Russia has been and is still in a position to buy large quantities of natural rubber and other strategic raw material from British Dominions and Colonies. It seems probable that when Parliament meets this subject will figure prominently during the debates on national defense. Meanwhile the Parliamentary Secretary for Overseas Trade issued a statement declaring that the machine tools are sold to Russia in return for the sale to Britain of goods which are badly needed by Britain.

The question whether or not the deliveries of machine tools and other goods useful for military purposes should continue must be regarded from an essentially practical point of view. The exchange of essential goods between opponents is not unusual. During the last war and during many previous wars the opponents often made use of the intermediary of neutral countries to exchange goods which they needed. They were prepared to strengthen their enemy in return for receiving from them goods which could not have been obtained from elsewhere and which were indispensable for their war effort.

Thus, instead of indulging in righteous moral indignation about the British Government's attitude, the critics should examine dispassionately whether from a practical point of view the transactions concerned tend to weaken or strengthen the relative military power of the two potential enemies. Are the goods received by Britain essential for her economic war potential? And would it be impossible for Britain to obtain those goods from countries other than Soviet Russia?

Although the goods imported from Russia and other countries behind the Iron Curtain include some strategic metals, the main items on the list of exports from Eastern Europe are timber and coarse grain. Neither of them are strictly strategic material, nor are they irreplaceable from sources not under Russian control. Russian timber could be replaced by imports from the Scandinavian countries, Yugoslavia and, last but by no means least, Canada. Russian coarse grain could be replaced by imports from the Argentine and other countries. This is not done, because from an economic point of view it is greatly to the advantage of Britain to import from Soviet Russia and her satellites. Beyond doubt one of the major causes of the economic difficulties of Europe is the reduction of trade between Eastern and Western Europe, as a result of which the adverse balance of payments of Western Europe in relation to the Western Hemisphere has increased and cannot be reduced.

Considerations of price and of foreign exchange resources have also played a part in inducing the British Government to try to increase British imports from Russia. Beyond doubt, amidst her prevailing difficulties Britain could ill afford to sacrifice the economic advantages gained through trading with Russia. The question is, would it be possible to find a solution under which Britain could afford to stop exporting strtegically important goods to Russia without thereby making undue sacrifices by renouncing substantial economic advantages. The solution lies in the establishment of a higher degree of economic and financial coordination between the Democratic countries in the interest of their security.

The imports of coarse grain from Russia provide a characteristic instance. Argentina would be the main alternative source. It is of the utmost importance, however, for Britain to reduce her dependence on Argentine goods. Her dependence on Argentine meat supplies has provided the Perron Government with an opportunity to hold Britain on ransom by charging extortionate prices. Mr. Maurice Webb, the Minister of Food, has made a determined effort to stop this "blackmail"—as he described the Argentine's pressure for unduly high prices. His position would become greatly weakened, however, if Britain were to become dependent on the Argentine for coarse grain as a result of the cessation of imports from Eastern Europe. The solution would be to ensure a more reasonable attitude on the part of the Argentine. This end could be achieved by cooperation between Britain and the United States. So long as the Perron Government stands a chance of playing up the one against the other there is no hope for bringing it to reason. Unfortunately, in the precise moment when Britain made a firm stand against paying excessive prices, the United States unwittingly but none the less effectively strengthened the hands of the Argentine Government by granting a dollar credit. It is true, the proceeds served the purpose of repaying money already owed to American firms. But indirectly this enabled the Argentine to import more American goods on a credit basis, and therefore to adopt an adamant and truculent attitude in the negotaitions with Britain.

In such circumstances the switching over of coarse grain purchases from Russia to the Argentine would mean that Britain would have to pay highly excessive prices both for meat and for coarse grain. This would gravely increase her balance of payments difficulties. The additional deficit would be all the more inopportune as rearmament will in any case tend to increase Britain's trade deficit. This would hamper her rearmament to a considerable extent.

It is beyond doubt to the interest of the United States that Britain should not sell to Russia machine tools and rubber. This end could be achieved, without having to pay an unduly high price for it in the form of a deterioration of the British balance of payments, if Britain could become independent of Russian coarse grain imports. This again could be achieved if the United States were to employ their strong diplomatic and economic influence in South America to induce the Argentine to adopt a reasonable attitude in her trade negotiations with Britain. There are many other similar instances which illustrate the need for a closer coordination of the commercial and financial policies of the Democratic countries in the interest of their collective security. The official British attitude in respect of exports to Russia should not be viewed and criticized in isolation but as part of the general problem of the relations between the Western countries with each other.

Canadian Securities

By WILLIAM J. McKAY

The problem of inflationary pressures on economies already fully expanded by unprecedented civilian demand is now a major preoccupation of the world's monetary authorities. The situation is all the more complicated in view of popular opposition to the imposition of direct controls, and the fact that without some degree of monetary inflation it will be impossible to finance the currently projected defense programs. Resort has been made here to manipulation of the rate of interest but the uncertainty engendered serves only to complicate the problem of financing the vast sums that will ultimately be needed to meet the present emergency.

In Canada and Europe the currency devaluations of last September have played a large part in creating an upward pressure on the price level. They did however contribute towards the re-establishment of a healthier balance of world trade. European and Canadian exports have expanded and a check has been imposed on excessive imports. At the present time moreover the new markets that have been secured as a result of the currency adjustments are being consolidated as a result of the war emergency conditions. It would appear therefore that cheap exchange has played its part but is now no longer indispensable. On the other hand the higher cost of imports adds to the forces of internal inflation. For these reasons, and in the absence of a desirable alternative, the case for upward currency revaluations is becoming increasingly strong. If only to check the inflationary tide set in motion by previous devaluation, an upward currency adjustment would serve a useful purpose.

Action of this kind is particularly appropriate in the case of the Canadian dollar, the undervaluation of which is becoming increasingly evident. The growing strength of the Canadian dollar is accentuated moreover by the current weakening trend of the U. S. dollar which is clearly demonstrated by the recent heavy outflow of gold from this country. Foreign flight capital is now commencing to move from the previously considered safest havens, this country and Switzerland. Canada with its tremendous economic growth potential obviously offers the greatest attraction for foreign capital, both from the angle of security and the possibilities of profitable investment.

The current exchange movement out of the U. S. dollar has also extended to the Mexican and Uruguayan pesos and sterling. The present upward pressure on the pound is especially significant in view of its intimate relationship with the Canadian dollar. It will be recalled that it was only the extent of the devaluation of sterling that led to an accompanying adjustment of the Canadian dollar. Had the pound been devalued last September to the anticipated level of $3 or $3.20 it is probable that the Canadian dollar would have remained at par *vis-a-vis* the U. S. dollar.

Now it would appear that a sound case exists for a correction of the excessive devaluation of the pound from its admittedly undervalued level of $2.80. Current conditions in Britain furthermore suggest that action along these lines might not be long deferred. The recent vote of the British Trade Unions' Congress against continuance of the official freezing of wages, places the Labor Government in an almost impossible position with regard to its fight against inflation. In the event of a rise in the value of the pound the resultant cheapening of essential imports would greatly assist the official efforts to hold down the cost of living and to maintain the ceiling on wages.

A 10% upward revaluation of the pound would almost automatically lead to a corresponding adjustment of the Canadian dollar. Despite the customary official denials of intent to take any action in the field of exchange there is little doubt that serious consideration is now being given to revaluation of the Canadian dollar. In any study of this question the effect of such action on the relationship of the Canadian dollar and the pound can not fail to be taken into account. In the event however of a similar adjustment of the pound the existing relationship would remain unchanged. Whether or not any immediate step is taken with regard to sterling, the decision to follow the logic of events can not be indefinitely deferred in the case of the Canadian dollar.

During the week there was limited action in the external section of the bond market but the demand for internal Dominions and C.P.R.'s was on an unprecedented large scale. Free funds were also very strong and wider premiums were quoted on future deliveries. At 10¾%-10% the corporate-arbitrage rate remained virtually unchanged. Stocks advanced sharply following the special budget address which removed certain apprehensions that had existed previously. The industrials led the movement, but the base-metals, and Western oils were also well to the fore. The golds were less buoyant but nevertheless registered fractional gains.

New York Stock Exch. Weekly Firm Changes

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

Interest of the late Francis H. Geer as general partner and limited partner as trustee in Farr & Company ceased Sept. 8.

Transfer of the Exchange membership of the late Edward V. McEneaney to Edward G. McEneaney will be considered by the Exchange on Sept. 21.

Let's Not Stifle Discussion!

"Yes, we of the Democratic party are proud of our foreign policy; proud of our Administration's quick action against aggression. We call upon sincere Republicans, who believe in a bipartisan foreign policy, to rally to the support of President Truman, our leader in this great struggle to maintain our freedom.

"Foreign policy is no field for political bickering, no field for slanderous accusations that cannot be proved. By such tactics, misguided and selfish men play with men's lives and endanger our very existence as a nation.

"We call upon the American people to rise above politics in this crisis, as they have done in the past, and to support the positive and constructive measures for defense against aggression and for eventual peace in the world. Let us keep our minds on lasting peace while our hands prepare our weapons of war and of defense. With such united efforts we cannot fail to win this struggle against tyranny."—Miss Louise Nice, Keynoter at the recent Democratic convention in New York State.

In what sense, we wonder, is the Truman foreign policy "bipartisan"?

And, may we not have honest and frank exchange of views on these questions of such vital significance?

Why this eternal attempt to stifle discussion of foreign affairs?

The Federal Tax Program

September issue of the "Monthly Bank Letter" of the National City Bank of New York discusses current tax legislation along with 1951 tax plans and budget prospects. Holds slash in non-defense spending by Federal Government is imperative.

The current issue of the "Monthly Bank Letter," published by the National City Bank of New York, contains an extensive analysis of the pending Federal tax program as well as 1951 and 1952 budget prospects.

The full text of the article follows:

The prompt action by Congress in expediting a bill to increase Federal taxes substantially, as recommended by President Truman following the outbreak of war in Korea, will have the effect both of providing an increase in Treasury revenues to cover the rising military expenditures and of acting as a brake upon the inflationary pressures now present. It was estimated that the increases contemplated in various tax rates would together produce an increase in tax revenues of $4½ to $5 billion, on an annual basis, but some tax experts anticipate that actual yields will be much greater, due to the rising tempo of business and higher levels of national income. Senator George, Chairman of the Senate Finance Committee, is quoted as expressing the view that "by increasing the rates to pick up $5 billion on the basis of the present economy, we actually will get $8 to $10 billion, because of the fast expanding economy."

The bill, as recently approved by the Senate Finance Committee, represents a complete revamping of the House-approved tax readjustment bill intended to cut back wartime excise taxes in line with —but to a greater extent than— tax recommendations made by the President in January. Following the outbreak of hostilities in Korea, Mr. Truman asked the Senate Finance Committee to replace the proposed excise cuts of the House bill with individual income tax increases, to retain revenue-raising provisions which would close "loopholes," and to raise the House-approved scale of increases in corporation taxes.

This is substantially what the Senate Finance Committee has done. Not only were the provisions for excise tax reductions deleted, but such taxes were extended to television sets, deep freezers, slot machines, and auction sales of furs and jewelry. Retention of certain provisions for closing tax "loopholes" is calculated to raise $300,000,000 of additional revenue. Of primary importance from both the revenue and business standpoint, however, are the increases made in the rates of income tax upon corporations and individuals, estimated to augment tax receipts by $1,500,000,000 and $2,700,000,000, respectively.

Corporate Tax Increases

An increase is made in the combined rate for normal and surtax on corporate income from the former 38% to 42% on 1950 income, and to 45% on 1951 income. There are provisions for prorating the increase on companies having fiscal years ending on dates other than Dec. 31, and for preferential treatment of the large number of small corporations by imposing on the first $25,000 of taxable income rates of only 23% in 1950 and 25% in 1951. This eliminates the objectionable "notch" provision of the former law, which had rates graduated upward applying to corporations with incomes under $25,000, but very high rates to bridge the gap between that figure and the $50,000 level at which the standard rates applied.

A rate of over 40% on corporate income represents a new high for all time, except when excess profits taxes were added during World Wars I and II. Normal and surtax combined in the period 1942-45 was 40% for the larger corporations, while in 1939 the rate was 19% and in 1929 it was 11%. When the Federal Government was first authorized by Constitutional amendment in 1913 to levy income taxes the corporate rate was but 1%.

A novel provision introduced in this bill requires that corporations step up the proportion of their annual tax payments that are made during the first two quarters of the following year. Instead of paying, as heretofore, instalments of 25% of the total tax each quarter, corporations after Jan. 1, 1951 will pay 30% of the total tax in both the March and June quarters, leaving 20% in the September and December quarters. It is provided that in later years the payments in the first two quarters will be stepped up further, so that after five years they will be 50% in both the March and June quarters, thus covering in full the payments due on the preceding year's income.

Through this feature, which has been advocated as putting corporations more nearly on a pay-as-you-go basis, collection of Treasury revenues would be accelerated without being increased in the long run. Corporations would be hit during the speed-up period by the double burden of having to pay more taxes under the increased rates and of having to pay them earlier.

A provision in the law designed to encourage business outlays for construction of new plants for the production of armament and related equipment provides, as did World War II tax legislation, for the amortization of such facilities for tax purposes at a rate of 20% annually, rather than at the lower rates which apply generally and are based upon the estimated useful life of the assets. This accelerated depreciation charge in computing taxes would be available only on new properties certified as essential by the government.

Rise of Individual Income Taxes

Individual income tax rates are raised practically back to the wartime peak, although the bill does not change the provisions adopted in 1948 for more liberal dependency allowances and for a split in the income of joint returns in computing the total tax payable, in accordance with the community property principle. While the increase takes place, theoretically, as of Oct. 1, 1950, the tax payable on 1950 income will be computed on the total income for the full year 1950, with adjustment for the fact that the higher rates apply for only one-fourth of the year. This will avoid the complications of having to divide the year's income and to compute taxes on each part separately.

Withholding taxes on individual income will be raised, as of Oct. 1, 1950, from 15 to 18%, after the usual allowance for personal exemption and dependents.

Here again, as in the case of the corporate income tax, it is of interest to observe how rates of individual income taxes have tended to be pushed constantly and inexorably upwards from modest beginnings. Restoration of the wartime rate of 20% on all income after a $1,200 exemption for a married couple contrasts with a 4% rate in 1939 after an exemption of $2,500. When the federal individual income tax was first authorized in 1913, the normal rate was but 1% after a personal exemption of $4,000, while the graduated surtax started only at $20,000 and rose to a maximum of but 6%. Under the new bill, the combined normal and surtax rises to a maximum of 91%.

1951 Tax Legislative Plans

In advancing the present tax bill, the Administration and Congress have recognized the desirability of framing a measure that would be as simple and non-controversial as possible, and that could be put into effect promptly for increasing government revenues and checking inflation. It was planned that this "interim" or "quickie" measure would be followed up after the first of the year by additional tax legislation which might be needed but would be of a more complicated and controversial nature.

President Truman has indicated that he intends to ask for a corporate excess profits tax, and there is much political pressure for this type of tax. This is true despite its many inequities, the difficulties experienced in its administration, and the dangers in imposing on the economy a tax which, in effect, penalizes progress, when the country is not engaged in a full-scale war but is in a period of stress that might conceivably last for years to come. Senator George in a recent interview spelled out more specifically the various proposals that might be considered to raise perhaps $7 billion in additional taxes next year, including a corporate excess profits tax, a tax on cooperative organizations, and a tax on increased income of individuals. A Congressional committee has been appointed to study and report on these and various other types of taxes, including a broad extension of the manufacturers' and excise taxes, and a universal federal sales or transaction tax.

This is a formidable program, and the Administration and Congress have been wise in deferring action for further study and mature consideration. The main thing at the moment is to get something upon which most people can agree and which will start substantial amounts of additional revenue rolling in. While sound policy demands that the Korean war and the expanded program of military preparedness be financed within the framework of a balanced budget, we ought not to be panicked into a tax program that is based on vague and possibly exaggerated ideas as to what the requirements really are.

Already the tax burden is so heavy that it is not easy to tighten the screws or find new sources of revenue without destroying individual and business initiative. For example, at the same time that Congress was framing the bill to increase taxes, the Department of Commerce issued a report showing that total taxes—federal, state, and local—in 1949 aggregated almost $54 billion, an average of $359 for every man, woman, and child in the country. For the average family of four, this means taxes (direct and indirect) of more than $27 a week.

By deferring further tax legislation until after the first of the year there will be opportunity for formulating a more solid judgment as to the amount and character of additional taxes that may be needed. By that time we should have a better idea of the size of the military program and the rapidity with which actual disbursements will be stepped up. We should be able to estimate more closely the revenues to be expected from current taxes, including the higher rates of the present tax bill which will then be effective. Finally, there will be opportunity to see what can be done by a prompt and vigorous effort to cut back government non-essential peacetime expenditures.

1951 and 1952 Budget Prospects

As an aid to thinking more concretely about the budgetary outlook and the problem of increased taxes, we present herewith some budget projections for the fiscal years 1951 and 1952. They are based on certain assumptions as to the rate of increase in actual military expenditures (including military aid to foreign countries), cutbacks in non-military spending, and increase in yields from taxes.

Hypothetical U. S. Government Budgets, Based on Certain Assumptions*
Fiscal Years 1951-52
(Billions of Dollars)

	1951 January Esti.	1951 Assumed	1952 Assumed
Expenditures:			
Nat'l defense	$13.5	$20†	$30†
Internat'l affairs & finance	4.7	4	2
All other	24.2	21	18
Total expenditures	42.4	45	50
Total receipts	37.3	45	48
Budget surplus or deficit	—5.1	0	—2

*Hypothetical budget assumes (a) increase in actual expenditures for defense and foreign military aid to $20 billion in fiscal '51 and to $30 billion in fiscal '52; (b) decline in expenditures for international economic aid, due to tapering off in economic recovery aid and increased emphasis on military aid; (c) cutting back all other expenditures to level of fiscal '48, and (d) increased revenues due both to higher levels of business activity and national income, and to higher tax rates on individuals and corporations contemplated in the pending $5 billion interim tax bill. †Includes foreign military aid.

The figures in the first column give the estimated receipts and expenditures for fiscal 1951 contained in the President's January budget. Those in the second and third columns are based on assumptions as explained hereafter.

On the side of expenditures, it is assumed that actual outlays for national defense, estimated in the January budget at $13.5 billion for fiscal '51, will actually rise to something like $20 billion (including foreign military aid) this fiscal year and to perhaps $30 billion in fiscal '52. These are round numbers and, while no one can pretend to accuracy at this time, they are probably reasonable assumptions, based on the presently announced rearmament program and the inevitable lag in actual disbursements.

For international affairs and finance, it is assumed that expenditures might decline to $4 billion in fiscal '51 and to $2 billion in '52, due to tapering off in economic recovery aid and increased emphasis on military aid included in the national defense total.

In the case of "all other" expenditures, it is assumed that the country would be willing to tighten its belt and cut back these outlays to the levels of 1948, or to $18 billion. This would mean a reduction of $6 billion, spread over a two-year period, and could be achieved, if we have the determination to do it, by elimination of non-essential or postponable projects and the introduction of economies so clearly outlined in the Hoover Commission studies.

On this basis, the grand total of expenditures, estimated in January at $42.4 billion for fiscal '51, might be held to around $45 billion this year and $50 billion in fiscal '52.

On the revenue side, it is apparent that the higher rates of the interim tax bill, combined with the upward trend of general business activity and national income, will lift Treasury receipts in the current fiscal year far above the official budget estimate of $37.3 billion submitted in January. In the President's budget message at that time it was stated that the revenue estimates were made on the assumption that business would continue at its then prevailing levels, which was around 180 (1935-39=100) as measured by the Federal Reserve production index. Since then, however, the boom in business has raised the index to above 200, and it might well rise considerably higher with the expansion of the defense program. Moreover, general prices are also higher, which will raise the dollar volume of trade and incomes.

Taking account of all these factors, revenues might be conservatively estimated to reach $45 billion in the fiscal year 1951, and around $48 billion in '52 when the new rates become applicable to a full year's business and income. It is interesting to note that these figures agree closely with the estimate by Senator George, cited earlier, that the new $5 billion tax bill, in conjunction with expanding economic activity, might actually increase Treasury receipts by as much as $8 to $10 billion.

As will be seen from the table, these projections would indicate a balanced budget in fiscal '51 and a deficit of only $2 billion in '52.

Slash in Nondefense Spending Imperative

These figures may come as a surprise to many people in view of all the billions of new spending being talked about and apprehensions as to deficits of $10 billion or more. The "catch" is partly in not allowing adequately for the lag in spending and for the jump in taxes on the expanding economy. While the imponderables are of course many and great, the figures may help to clarify thinking about the financial problem, to suggest its general order of magnitude barring further marked expansion in our military commitments, and to indicate various ways in which it might be met.

In arriving at these budget results an integral assumption has been that Congress and the Administration will make a determined effort to trim down the "fat" in the budget, and everyone knows there is plenty of it. Since the cut of $6 billion projected for "all other" expenditures envisions merely eliminating those increases since 1948, this should not involve an unwarranted sacrifice in view of the unavoidable increases in military expenditures and taxes caused by world developments. In some areas, such as farm and housing subsidies, substantial cutbacks will take place automatically as a result of the improvement in farm prices and the reduction of government purchases of home mortgages under the Administration's announced program for tightening mortgage credit. In other areas, it will mean cutting back on new programs that had been proposed for this year, and on proposed expansions of existing programs.

It is logical and imperative that part of the increased defense costs be paid for in this way. The extent to which we are able to do this will be a measure of the courage of our political leaders, and of the ability of the people "back home" to see the seriousness of the issues and to place national above local interests.

John W. Smart Opens Offices in Louisville

John W. Smart

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—John W. Smart has opened offices at 301 Washington Building to engage in a securities business. Mr. Smart was formerly a principal of Smart & Wagner.

Pittsburgh Bond Club To Hold Ann. Outing

PITTSBURGH, Pa.—The Bond Club of Pittsburgh will hold its 26th annual fall outing on Sept. 22 at the Long Vue Country Club.

Features of the day will be golf, with the Bond Club Trophy to first Low Net (The Bankers Club) and other prices. J. J. Turner Wells is in charge. Green fees, $5 per person. La Bocce, in charge of Lowrie Applegate, Geo. G. Applegate & Co., and Elmer Powell, Elmer E. Powell & Co.

A buffet dinner will be served about 8 p.m., for which there will be no charge to members; guests $7.50 each. J. Ray Baldridge, Moore, Leonard & Lynch, is in charge. A special event will be held in the evening, in charge of Louis Hauptfleisch.

Reservations may be made with Robert M. Stewart of Moore, Leonard & Lynch.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Franklin Sanders is now affiliated with Kidder, Peabody & Co., 115 Devonshire Street.

Only One Day for Work?

There are days in the year		365
You sleep eight hours a day	122	
Balance		243
You rest eight hours a day	122	
Balance		121
Sundays in a year	52	
Balance		69
Half day Saturday all year	26	
Balance		43
Legal holidays in year	12	
Balance		31
One hour a day for lunch	16	
Balance		15
Two weeks' vacation	14	
Balance for work: one day		1

Securities Salesman's Corner

By JOHN DUTTON

Some Helpful Hints for Selling Trust Fund Shares to People Who Are Not Security Minded.

MAKE IT SIMPLE: The tendency is to overtalk. When you sit down with a man who tells you, "I never bought any stocks because I've always realized I didn't know anything about them," the natural tendency is to talk too much. You have a clear track. You can show off how much you know about securities. DON'T DO IT. Of course if you want to impress the other fellow with the fact that you do know something about stocks and bonds, and forget that you are there to find out WHAT IS HIS INTEREST and WHAT HE WANTS HIS INVESTED MONEY TO DO FOR HIM, you will put on a boring show but you won't make the sale.

USE ONE OR TWO PIECES OF LITERATURE—THAT'S ALL: Lay it out in front of him. Sit down with your man. Most of the funds supply you with a performance record. Go over it. Then ask, "Is that clear Mr. Prospect?" Don't go on unless he says he understands. If he starts to talk to you to show you that he knows something about the subject—let him do it—don't interrupt. (More on this in next paragraph.) Then show him how his money is diversified. Ask him if he would like to have his money spread out over such fine companies as these? If he says yes (AND YOU HAVE CREATED A PARTIAL DESIRE AT LEAST) try for a close, but leave the door open to go on. Say, "Then you are ready to go ahead—how much will we start off with Mr. Prospect?" If he doesn't buy then, go on with your explaining. Ask him each step of the way, "Is that clear to you? Do you understand this Mr. Prospect? Isn't that an excellent idea? How do you like it?"

LET THE OTHER MAN SHOW YOU HE KNOWS SOMETHING ABOUT FINANCE TOO. Take a case where a salesman says, "Mr. Prospect, you know about those people who were so unfortunate as to put practically every penny they had into government bonds in 1940. They were supposed to get $4 for every $3 in 1950. You know that the four they got will now only buy $2 worth of food, clothing and shelter, don't you?" This is all very true but isn't it better to say, "Mr. Prospect, everybody should own some government bonds but one thing an investment like this will do for you that even government bonds cannot do and that is give you some inflation protection. You know that inflation is becoming quite a real problem for everybody today, isn't that right?" THEN LET HIM TELL YOU WHAT HE THINKS ABOUT INFLATION. If he asks you why a diversified investment in common stocks and other good securities offers some inflation protection and government bonds do not, then tell him but make it short. (If you want some additional proof on this subject get Prof. Slichter's comments from "Chronicle," Aug. 31 and show it to him.)

NO MAN WILL BUY YOUR TRUST SHARES OR ANYTHING ELSE unless he first sees that he can **fill a need** by doing so. Don't try to explain the mechanics of your investment in trust shares until after you have found out what he would like to do. Does he want to save for a rainy day? Does he have an aged parent that needs an income? Does he have children that he would like to educate? Is he that type of man who just likes to have a little check or two come in every month or so? Would he like to save for his old age? These are the things you can start off with and you find out about them by **asking him a few questions**. First ask him if you might discuss a few things with him, that you want to ask a few questions. Show a real interest in his problems. LET HIM TALK. The more he tells you the sooner you will find out where HIS MAIN POINT OF INTEREST LIES. When you find out that he has two boys aged eight and 10 that he would like to send to college, and you know that he has $5,000 in a savings bank for this purpose, you can show him how he can get them there much quicker with 4% than 2% on at least a reasonable proportion of his savings and you are on your way to a sale. YOU CAN ONLY SELL HIM AFTER YOU HAVE HIS CONFIDENCE. You gain his confidence through sincerity and an honest desire to HELP HIM IF YOU CAN, AND ONLY IF YOU CAN. LET HIM KNOW THAT TOO.

PROSPECTUS: IF YOU SELL HIM RIGHT YOU NEED NOT HAVE ANY WORRIES ABOUT THAT. IT CAN BE USED TO HELP MAKE THE SALE. Next week we will tell you how.

Public Utility Securities

By OWEN ELY

Duquesne Light Company

Duquesne Light Company, serving the city of Pittsburgh and adjacent territory, is 100% controlled by Philadelphia Company, important sub-holding company in the Standard Gas & Electric system. The future earning-power of Duquesne will largely determine the eventual break-up value of Philadelphia Company common stock, and will thus be an important factor in the final allocation plan of Standard Gas. Duquesne in 1949 initiated a big construction and finance program, which is expected to improve earnings substantially during 1950-52—minus, of course, the possible inroads of heavier Federal income and excess profits taxes.

Duquesne's current financial program includes the sale of $12 million new-money bonds on Aug. 28, the future refunding of the $27.5 million 5% preferred into a 4% issue ($50 par), and later the competitive sale of $7.5 million additional preferred. The present new issue of 4% preferred is being sold to Philadelphia Company for cash plus the stock of a small railroad company which hauls coal for Duquesne. Philadelphia Company will later use the Duquesne preferred stock in a program to retire its own remaining preferred stocks.

After adjusting Federal taxes against income to a separate return basis, selected items in the Duquesne income statement are as follows in millions, including estimates for 1950:

Year	Revenues	Adj. Net Oper. Rev.	Adj. Net Income	Adj. Bal. for Common
	(In millions of dollars)			
1940	$34.4	$12.7	$10.1	$8.7
1941	37.9	10.6	8.0	6.6
1942	40.4	9.8	7.1	5.7
1943	43.6	9.5	6.6	5.2
1944	43.9	9.5	6.6	5.2
1945	43.5	9.8	6.9	5.5
1946	42.6	10.5	7.8	6.4
1947	49.9	12.4	9.3	7.9
1948	55.9	10.7	8.6	7.2
1949	56.5	10.9	8.8	7.4
1950 Est.	--	--	10.0*	8.6**

*Assuming a 42% Federal income tax rate applied to the calendar year 1950.

**The new pro forma preferred dividend requirements after completion of the present financing program will approximate the old figure of $1.4 million.

Reported earnings (which included substantial system tax savings due to consolidation, in all years since 1940) ranged from about $3.75 to $4.45 during 1940-49. Dividend payments have also been quite steady between $3.70 and $4—a high payout. Estimated pro forma 1950 earnings approximate $8.6 million or about $4 on the 2,152,828 shares outstanding, after adjusting taxes to a separate return basis with a 42% Federal rate. Savings derived from present consolidated tax returns are expected to taper off, amounting to about $1.2 million in 1950 and $750,000 in 1951—they will, of course, disappear altogether after the break-up of the Standard Gas system.

Duquesne's generating capacity has been inadequate to handle peak loads, and last year's installation of an 80,000 kw unit (capacity) was the first since 1942. The retarding effects of high operating costs on net earnings during this period is indicated in the above table. However, present plans provide for the addition of 350,000 kw in the period 1949-52, an increase of about 50% over the previous capacity, and providing about a 15% reserve margin. At present costs, the new units can produce electricity at a station cost of 2½—3 mills per kwh. This will replace power which the company is now buying at 1.5-1.9 cents per kwh or more, and some generated power costing as high as one cent per kwh.

Total cost of construction is estimated at $75 million for the three-year period 1950-52, averaging about $25 million a year. The current financing will take care of 1950 requirements and leave about $3 million cash for next year. The company will need about $12 million in new funds in 1951, and $7.5 million in 1952, it is estimated. It appears likely that it will not require any equity financing to maintain the current 30% equity ratio.

In January this year Duquesne requested a $7.5 million rate increase from the Pennsylvania Commission (the first general rate application in its history). In its application the company presented the following rate-base figures (including working capital of $10.7 million): reproduction cost new, $400 million if based on spot prices, or $375 million if based on three-year average prices; original cost, $235 million; and depreciation figured at 24.8% compared with a book reserve of 26.8%. The commission has in some past cases determined the rate base by taking an approximate average of net original cost and net reproduction cost. A 6% return was asked by Duquesne, which rate the commission has allowed in the recent Bell Telephone case and in other electric utility cases. Using calendar year 1950 estimated income figures, the percent earned on the rate base in 1950 should be almost the same as in 1949, allowing for increased plant.

The present outlook for sustained activity in the steel industry is a favorable factor in the improved earnings outlook, and the company is also developing a program to stimulate residential sales through the greater use of electric ranges and hot water heaters, in which saturation is relatively low.

In recent years the dividend rate has been $3.85 but it is understood that the management intends to raise it to $4 in September. A $4 dividend pay-out would mean dividend income to Philadelphia Company of $8.6 million. Under more normal market conditions the Duquesne stock could perhaps be valued on a 6% yield basis, if earnings coverage was fairly satisfactory. This would mean a value of about $143 million. Assuming that Philadelphia Company might be able to retire all its senior liabilities without having to dispose of any Duquesne common stock, this would indicate an estimated break-up value of about 26. However, it appears possible that Philadelphia Co. might have to borrow some $15-20 million from its parent (Standard Gas) or from banks in order to complete the retirement of its senior obligations, in which case the break-up value (estimated as above) might approximate $22-23. Philadelphia Company is currently selling on the Curb around 21 and has had a range this year of 24½-17⅛.

* * *

Correction—In the article on Utah Power & Light in this department (Aug. 31 issue) the dividend rate was given at $1.65, which was the 12 months' cumulative rate. The current indicated rate is $1.80, the quarterly dividend having been increased from 40c to 45c on July 1. This of course increases the yield (at the recent price around 24¼) to about 7.5%.

Continued from page 2

The Security I Like Best

Northern Indiana Public Service common have obtained excellent investment results.

This operating utility serves an estimated population of approximately 800,000 people in a 12,000 square mile, highly industrialized and rich farming area of northern Indiana, the northwest portion of which is a continuation of the Chicago metropolitan area. About 57% of the population served is in the cities of Fort Wayne, Gary, South Bend, Hammond and East Chicago, Indiana. The territory represents about one-third of the entire state of Indiana.

In the past 35 years, both the population and the industrial activities in the northern section of Indiana have increased much rapidly than in either the state as a whole or the entire middle western district. The northwestern part of the company's territory is a natural center for industry, laced with a network of railroads and fine highways. The principal industries in this territory include steel, railroad equipment, oil refining, food products, automobiles, electric equipment and cement.

With the outbreak of war in Korea there was a fear that utility stocks, being peace issues, would not fare as well as stocks of armament companies. However, it becomes immediately apparent that utilities are vital to increase industrial production. In helping to increase this industrial output—it in turn sustains the earning capacity.

Operating utilities have a favorable tax status. We believe there will be no increase in corporate taxes this year. Utilities, being regulated, can, when necessary, ask for increased rates. This would also apply in the case of excess profit taxes at a later date. A strong case is being made for utility companies in that since they are subject to rate regulations, they should not be bur- [illegible] tax.

The management of Northern Indiana is very aggressive and the employee relationship is good. The safety program with employee participation resulted in further reduction of lost-time accidents. The training program for gas service men, electric linemen and welders, which has been carried on for five years is now being expanded. Group life insurance, hospital and surgical insurance, sick leave and pension plans have been maintained.

Herewith is a resume of the factors underlying my choice of Northern Indiana Public Service Co. common stock as my favorite security:

(1) An operating utility which has increased gross revenues in every year since 1933.

(2) The $1.40 annual dividend offers a yield of 6 6/10%: latest earnings, 12 months (6/30/50), were $2.09 per share.

(3) Continued growth of population and industry in this territory offer excellent appreciation possibilities in its common stock.

(4) Gross revenues are approximately 60% from electricity, 38% from gas and 2% from water. Company expects to increase its gas business substantially over the near future.

(5) Mainly a transmission and distributing company, with no large investment in gas manufacturing and electric plants, but with very favorable gas and electric long-term purchase contracts

Advocates Consumer Loans by S. & L. Ass'ns

Andrew S. Roscoe, President of South Brooklyn Savings and Loan Association, sees opportunities for extending loans to the consumer field.

In the course of an address at the annual convention of the New York State Savings and Loan League at Saranac, N. Y. on Sept. 12, Andrew S. Roscoe, President of the South Brooklyn Savings and Loan Association advocated freedom and expansion of credit, and recommended that savings institutions consider the broadening of their activities by entering the consumer credit field.

Andrew S. Roscoe

"Let me remind you," Mr. Roscoe told the convention delegates, "that while the human race enjoyed, at various times, much other material freedom, it was but a few decades ago that the freedom of credit has been afforded some recognition as a force for good and for economic and social progress."

The measure of our prosperity, Mr. Roscoe said, depends in important degree upon the availability of capital. Hence, Mr. Roscoe asserted it follows that "rented capital, that we call credit, is equally important for the well being of our trade and commerce, for the well being of our people."

"The savings and loan concept incarnates mutuality, spirit of cooperation and freedom of credit," he continued. "I make the bold claim that the savings and loan movement can be justly cited with the great change that came about, not only in academic thinking, but also in business practices and in fields of endeavor that seem distant from the home financing sector of our economy.

"The old theory was that an individual should not acquire real or personal property until he has been able to save and accumulate its price. I wonder how many automobiles could be manufactured, how many radios, television sets, refrigerators and other items could be distributed on the basis of the old theory?"

Since consumer credit enters into many phases of business and constitutes so important a vehicle for millions of American families to acquire a better way of life, Mr. Roscoe urged the savings and loan associations to give active consideration to the broadening of their lending activities in the consumer field.

"We finance homes and we urge provisions for modern gas ranges, refrigerators, deep freezers, washing machines, dish washers and other appliances with the cost included in the price of that new house," he said. "We can provide the financing of such equipment for our old home owners but we must do it, at all times, on the basis of a rigid pattern.

"Many of our families live in multiple dwellings, in rented quarters, and at the present time, it is not within our province to serve these families. But, home financing is a broad term and I respectfully submit that the families who live in apartments have every right to consider those flats as their homes. And, I further submit that the financing of every need of a family within that home constitutes a function of the home financing institution."

New York State's savings and loan associations, at the end of last year, had $1,274,000,000 in resources, $1,131,000,000 in savings and $1,002,000,000 in mortgages, Mr. Roscoe pointed out. The volume of savings in the average savings and loan office, he said, amounts to $4,190,000 and the average mortgage portfolio is $3,710,000.

"The savings and loan association," Mr. Roscoe declared, "attracts the savings of its members to finance the homes of other members. It acts as a distributor of credit and the guardian of credit; it is the trustee of that freedom of credit. The measure of the success in retaining this freedom depends upon our ability to maintain that trusteeship on the highest possible economic and moral plane."

Halsey, Stuart Group Offer Pa. RR. Equip'ts

Offering of $10,005 000 Pennsylvania RR. 2½% equipment trust certiifcates, series A, maturing annually April 1, 1951 to 1965, inclusive, was made yesterday (Sept. 13) by Halsey, Stuart & Co. Inc. and associates. The certificates, issued under the Philadelphia Plan, are priced to yield from 1.60% to 2.75%, according to maturity, and are being offered subject to approval of the Interstate Commerce Commission.

These certificates constitute the second and final installment of an issue of $20,115,000 trust certificates, series Z. The aggregate principal amount of these certificates will be used to provide for new standard-gauge railroad equipment estimated to cost not less than $25,143,750.

With Blair, Rollins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Paul T. Hemann has joined the staff of Blair, Rollins & Co., Inc., 135 South La Salle Street.

E. E. Mathews Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Donald E. Pitman has been added to the staff of Edward E. Mathews Co., 53 State Street.

Joins Conrad, Bruce Staff

(Special to THE FINANCIAL CHRONICLE)

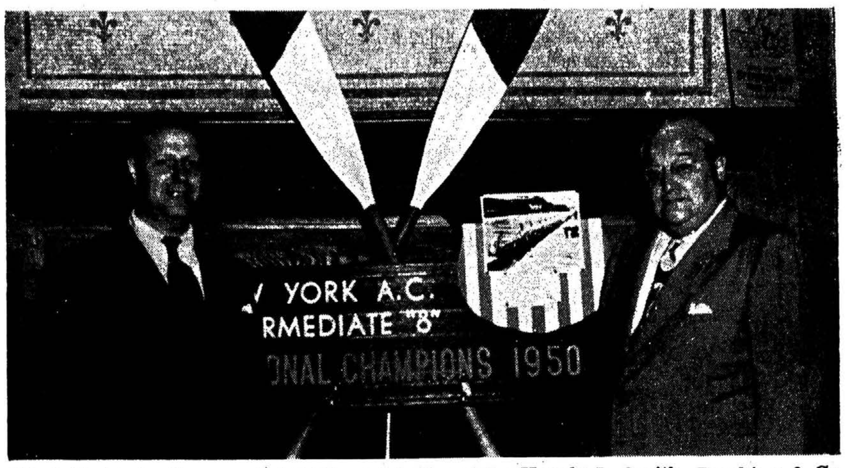
SAN FRANCISCO, Calif.—James P. Alles has rejoined the staff of Conrad, Bruce & Co., Russ Building. He was recently with Harris, Upham & Co.

Paul Tissot Opens

NEW HYDE PARK, N. Y.—Paul A. Tissot is engaging in a securities business from offices at 1728 New Hyde Park Road.

Security Traders Association of New York

Tom Feeley, *Billings & Freedman;* John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane,* President of the Security Traders Association of New York; Giles Montanye, *H. M. Byllesby and Company, Incorporated*

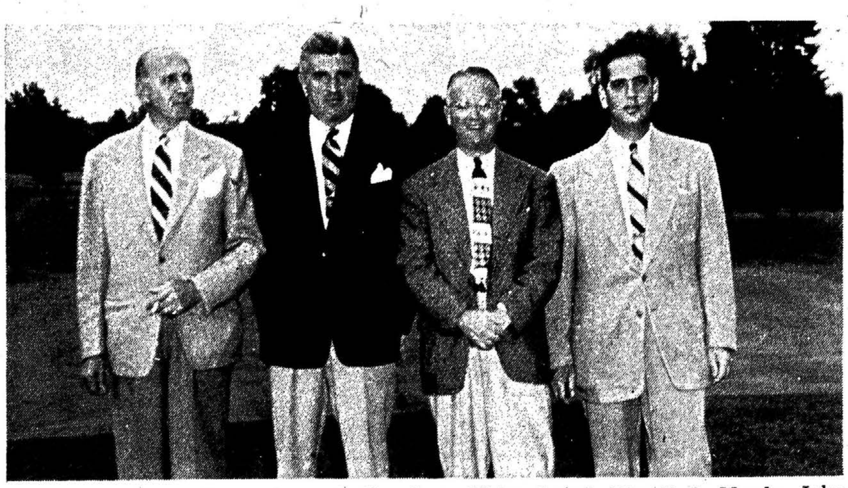


Edwin L. Beck, *Commercial & Financial Chronicle;* Harold B. Smith, *Pershing & Co.*

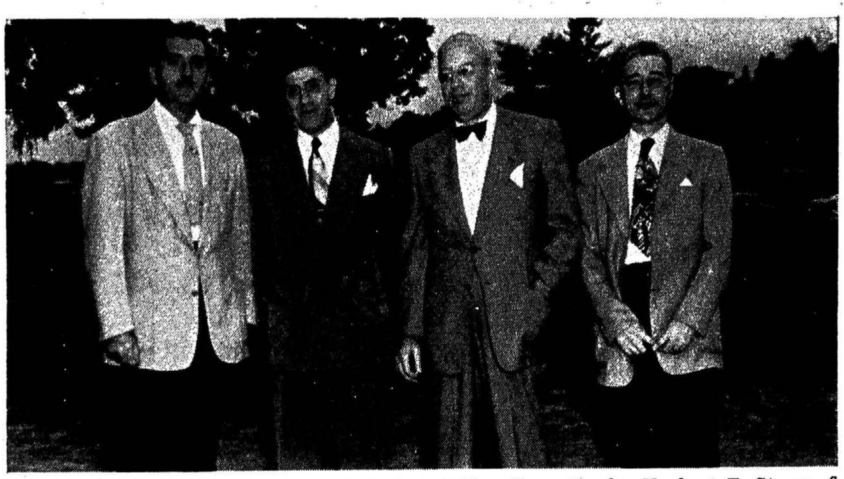
Pete Brochu, *Allen & Company;* Harry A. Michels, *Allen & Company;* Jack Bloom, *Public National Bank & Trust Co.*

James V. Torpie, *Torpie & Saltzman;* Chas. O'Brien Murphy, *Merrill Lynch, Pierce, Fenner & Beane,* Chairman of the Entertainment Committee

Jerry Burchard, *Charles King & Co.;* Herb Hipkins, *Charles King & Co.;* Ed Gutberlet, *Paine, Webber, Jackson & Curtis*



Stan Roggenburg, *Roggenburg & Co.;* Lou Gibbs, *Laird, Bissell & Meeds;* John French, *A. C. Allyn & Co.;* Gus Levy, *Goldman, Sachs & Co.*



D. Raymond Kenney, *D. Raymond Kenney & Co.;* Gene Brady, *Herbert E. Stearn & Co.;* Charles D. Ogden, *Ogden, Wechsler & Co.;* Bob Franklin, *M. S. Wien & Co.*

Hal Murphy, *Commercial and Financial Chronicle;* Harry L. Arnold, *Paine, Webber, Jackson & Curtis;* John McLaughlin, *McLaughlin, Reuss & Co.*

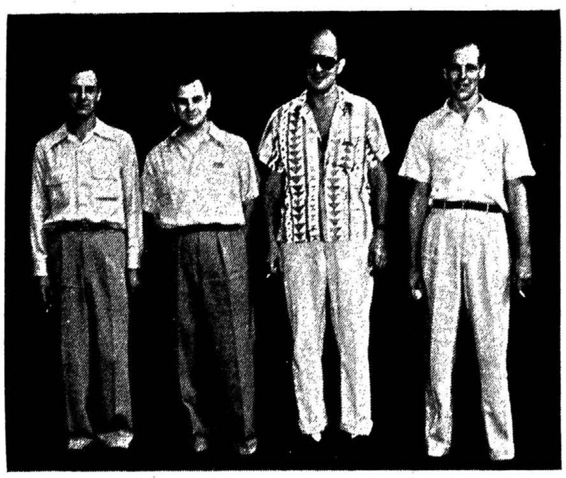
Lou Walker, *National Quotation Bureau, Inc.;* J. S. Alberti, *Walston, Hoffman & Goodwin,* New York City; Edward W. Russell, *Edelmann & Capper;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Joseph H. Lederer, *Philips & Co.*

Annual Outing September 8th, 1950

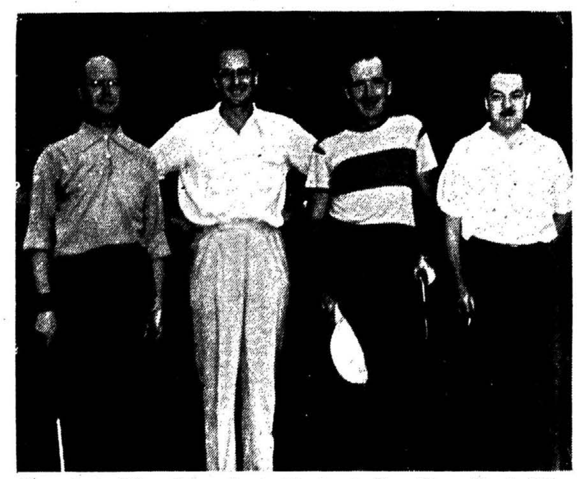
Tom Love, *George E. Snyder & Co.*, Philadelphia; Michael J. Heaney, *Michael J. Heaney & Co.*; James F. FitzGerald, *W. L. Canady & Co., Inc.*; John M. Hudson, *Thayer, Baker & Co.*, Philadelphia

Pete Brown, *Boettcher and Company*, New York City; Everett F. Wendler, Connie Sheridan, and Robert E. Eble, all of *Mitchell & Company*

William T. Meyers, *Gordon Graves & Co.*; Raymond Forbes, *Merrill Lynch, Pierce, Fenner & Beane*; Desmond McCarthy, *Union Securities Corporation*



Reg Knapp, *Wertheim & Co.*; Eddie Christian, *Janney & Co.*, Philadelphia; Fos Webster, *Hardy & Co.*; Jim McFarland, *H. M. Byllesby and Company, Incorporated*, Philadelphia



Joseph A. Monahan, *J. A. Hogle & Co.*, New York City; Louis P. Singer, *Troster, Currie & Summers*; Larry Wren, *Allen & Company*; John D. Hines, *Dean Witter & Co.*, New York City

Al Greiner, *Dobbs & Co.*; Ely Batkin, *Batkin & Co.*; Lou Adler, *Goldman, Sachs & Co.*

Walter F. Tellier, *Tellier & Co.*; Peter J. McDermott, *Peter P. McDermott & Co.*; Jeff Mendell, *Peter P. McDermott & Co.*

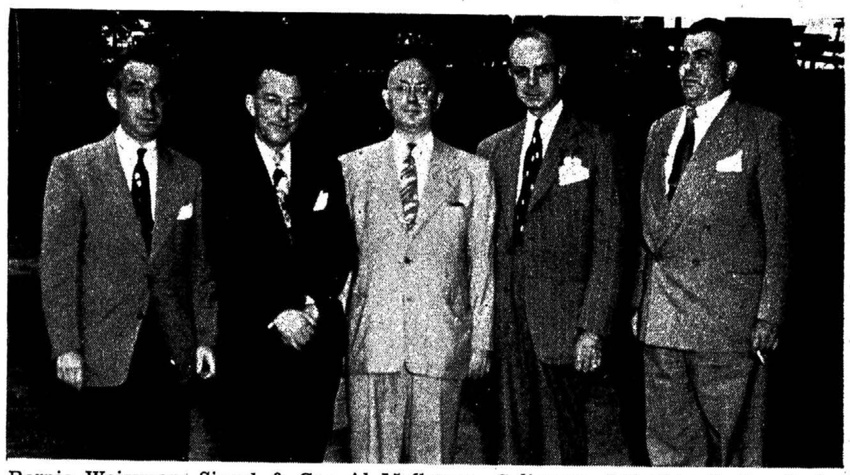
Howard P. Frey, *Howard P. Frey & Co.*; Joseph Janareli, *Joseph Janareli & Co.*; Bill Wittich, *Grimm & Co.*

Ted Plumridge, *J. Arthur Warner & Co., Incorporated*; Tom Krug, *Bioren & Co.*, Philadelphia; Ned Phillips, *Samuel K. Phillips & Co.*, Philadelphia; Addie Donnelly, *Reynolds & Co.*, Philadelphia; Mark Stuart, *Cowen & Co.*

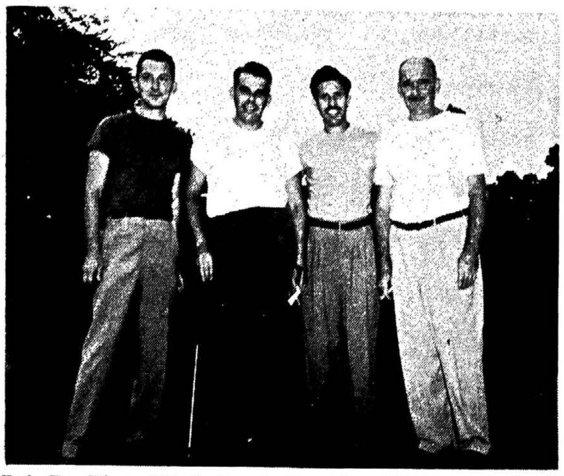
Ken Howard, *J. A. Hogle & Co.*, New York City; Stan Dawson-Smith, *Bonner & Gregory*; Carl Swenson, *G. H. Walker & Co.*; Walter O'Hara, *Thomson & McKinnon*

At New York Athletic Club

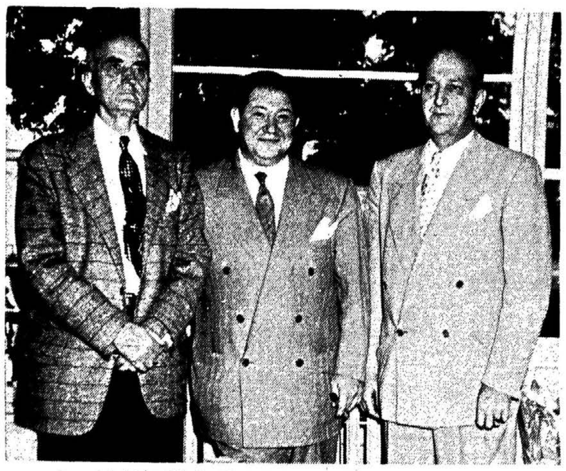
Gerard F. Hulsebosch, *Herzog & Co., Inc.;* Arnold J. Wechsler, *Ogden, Wechsler & Co.;* R. Sims Reeves; Ted Wechsler, *Hay, Fales & Co.;* John Fitzgerald, *W. C. Pitfield & Co., Inc.;* Stanley C. Eaton, *Bendix, Luitweiler & Co.*



Bernie Weissman, *Siegel & Co.;* Al McGowan, *Seligman, Lubetkin & Co.;* Irving Ittleman, *Frank Ginberg & Co.;* S. F. Moss, *National Quotation Bureau, Inc.;* Alfred F. Tisch, *Fitzgerald & Company, Inc.*



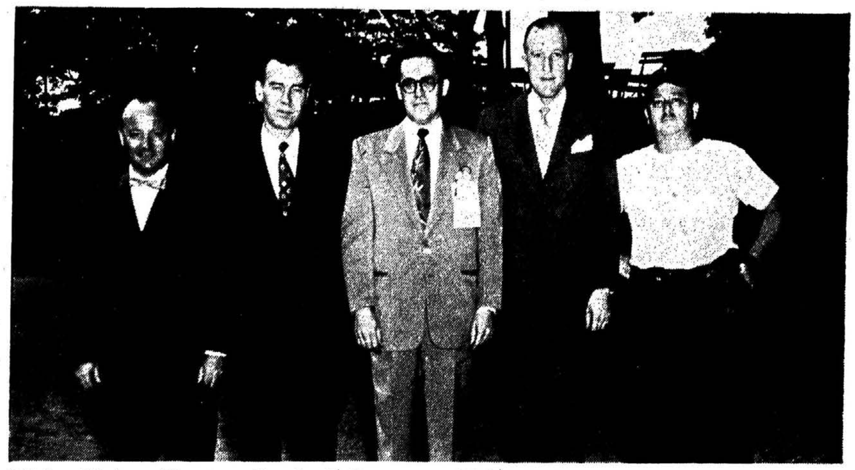
Bob De Fine, *Wertheim & Co.;* Stan Shaw, *Josephthal & Co.;* Hank Serlen, *Josephthal & Co.;* Jack Hunt, *Stroud & Company, Incorporated,* Philadelphia



David R. Mitchell, *Blair F. Claybaugh & Co.;* Abe Strauss, *Morris Cohon & Co.;* "Hoy" Meyer, *Gruntal & Co.*

Samuel E. Magid, *Hill, Thompson & Co., Inc.;* Dick Roberts, *R. C. Roberts & Co.;* Bill Boggs, *Hill, Thompson & Co., Inc.*

Bob Lienhard, *Troster, Currie & Summers;* Walt Filkins, *Troster, Currie & Summers;* Irving J. Silverherz, *Hay, Fales & Co.;* Bert Pike, *Troster, Currie & Summers;* Ben Gold, *Siegel & Co.;* W. J. Candee, *Butler, Moser & Co.*

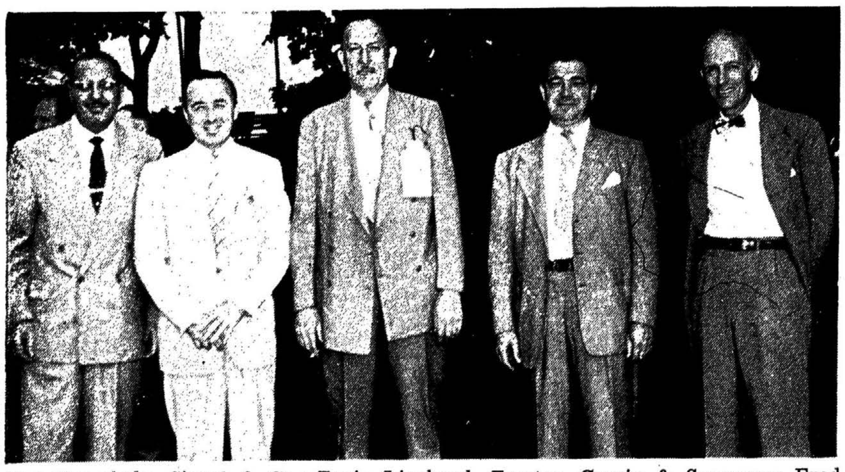


Micky Pinkus, *Troster, Currie & Summers;* Dick Montanye, *Laurence M. Marks & Co.;* Crandon Leahy, *National Quotation Bureau,* Boston; Bill Weiffenbach, *Theodore Young & Co.;* Theodore R. Young, *Theodore Young & Co.*

Harry D. Casper, *John J. O'Kane, Jr. & Co.,* Chairman of the Sports Committee; "Duke" Hunter, *Hunter & Co.;* Tom Greenberg, *C. E. Unterberg & Co.;* W. D. O'Connor, *Fitzgerald & Co.;* Dan Hannafin, *Joseph McManus & Co.*

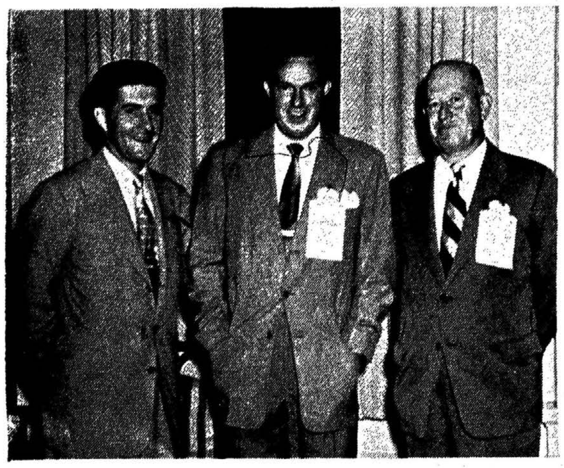
Harry MacCallum, Jr., *MacCallum & Co.,* Mount Vernon, N. Y.; John C. Calef, *Dominion Securities Corporation;* Tom Hickey, *J. W. Sparks & Co.;* Henry G. Kuipers, *Griffin, Kuipers & Co.;* Tom Canova, guest

Over 250 In Attendance

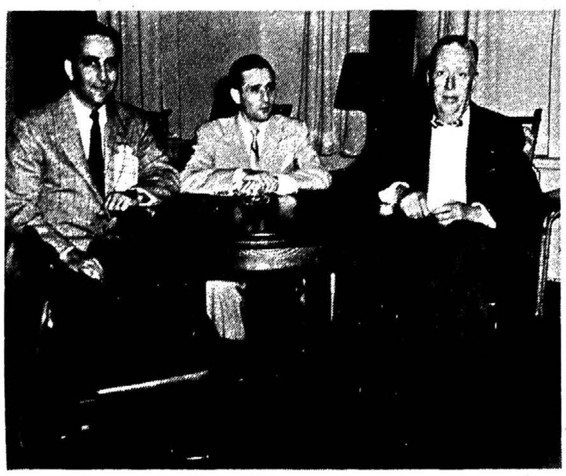


Nat Krumholz, *Siegel & Co.;* Ernie Lienhard, *Troster, Currie & Summers;* Fred Vogell, *Vogell & Co., Inc.;* Harvey Renton, Jr., *J. G. White & Company, Inc.;* Skip Clemence, *Vogell & Co., Inc.*

Charles King, *Charles King & Co.;* Robert H. King, *Charles King & Co.;* George Searight, *Eisele & King, Libaire, Stout & Co.;* Arthur Burian, *Daniel F. Rice & Company*

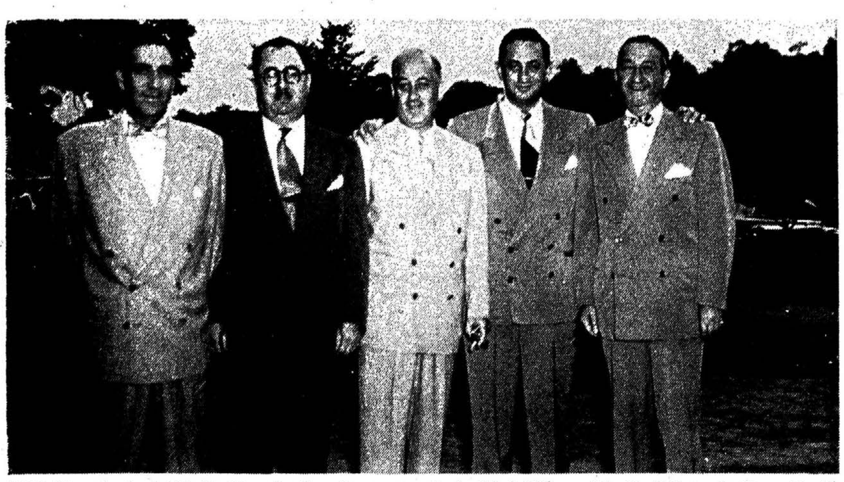


Gene M. Cohen, *Gruntal & Co.;* Ed Whiting, *Carl M. Loeb, Rhoades & Co.;* Lester Gannon, *Batkin & Co.*

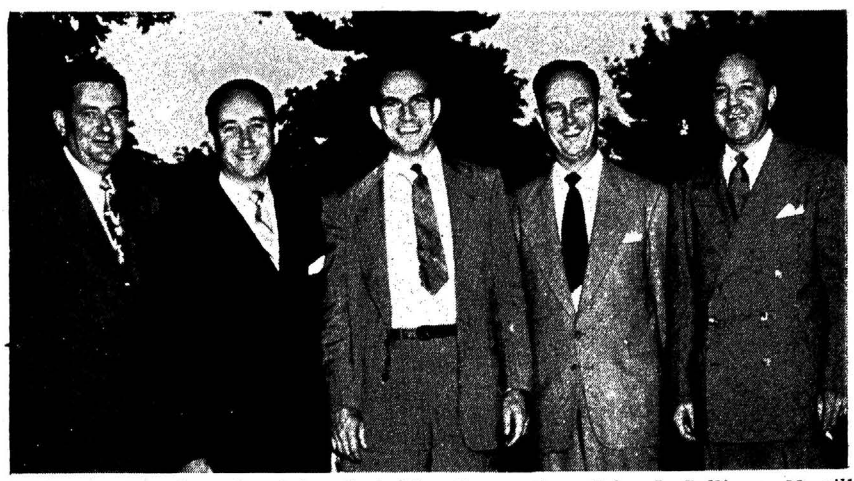


Sid Siegel, *Siegel & Co.;* Gerald F. X. Kane, *Frank C. Moore & Co.;* John Dunn, *E. F. Hutton & Company*

Hans Ben, *New York Hanseatic Corporation;* Bob Herzog, *Herzog & Co., Inc.;* Otto H. Steindecker, *New York Hanseatic Corporation*



Bill Frankel, *J. F. Reilly & Co., Incorporated;* Mel Wien, *M. S. Wien & Co.;* H. K. Greenfield, *Greenfield & Co., Inc.;* Barney Nieman, *Carl Marks & Co., Inc.;* Gene Stark, *Merrill Lynch, Pierce, Fenner & Beane*



Walter F. Saunders, *Dominion Securities Corporation;* John J. Sullivan, *Merrill Lynch, Pierce, Fenner & Beane;* Seth Fitchet, *Merrill Lynch, Pierce, Fenner & Beane;* James McCluskey, *Merrill Lynch, Pierce, Fenner & Beane;* Al Powell, *Alfred L. Powell Company*

Ben Van Keegan, *Frank C. Masterson & Co.;* Joe Eagan, *Frank C. Masterson & Co.;* Jim Cunningham, *R. H. Johnson & Co.;* Frank Mulligan, *Joseph McManus & Co.*

John Graham, *Brainard, Judd & Co.,* Hartford, Conn.; Henry Oetjen, *McGinnis & Company;* Jim O'Donnell, *McGinnis & Company;* Graham Walker, *Joseph McManus & Co.*

Continued from page 8

Truman Outlines Controls

the way to distribute the cost of defense fairly.

This means heavier taxes for everybody. It will mean a hard fight against those unpatriotic people who will try, by every possible means, to make exorbitant profits out of the emergency and escape their fair share of the load.

But we can, and will, win that fight.

No one should be permitted to profiteer at the expense of others because of our defense needs. Nobody should get rich out of this emergency.

Wants Excess Profits Tax

Congress is now considering my request to increase corporation and individual income taxes by about $5 billion a year. This is only the first installment. I believe the Congress should enact further tax legislation as soon as possible. Among other things, this should include a just and fair excess profits tax, which will recapture excess profits made since the start of the Communist aggression in Korea.

I hope that every one of you will get behind this plan of "pay as we go" for the defense program. I hope you will give your full support to your representatives in Congress in enacting legislation to pay for this defense effort out of current income.

Our third problem is to carry out the defense program without letting inflation weaken and endanger our free economy.

Everybody must understand just why we have this problem and why it is so important to solve it.

The defense program means that more men and women will be at work, at good pay. At the same time, the supply of civilian goods will not keep pace with the growth in civilian incomes. In short, people will have more money to spend, and there will be relatively fewer things for them to buy. This inevitably means higher prices, unless we do something about it. Higher prices would lead to higher wages which in turn would lead to still higher prices. Then we would be started on the deadly spiral of inflation.

Must Avoid Inflation

Everybody would lose if we let inflation go unchecked. Workers would be hurt. The extra dollars in Saturday's pay check would be taken away by the higher prices for Monday's groceries.

The wives and children of our fighting men would be hurt even more. They would suffer far worse than our workers, because many of them are dependent on fixed family allowances.

Everybody living on a pension, on retirement benefits, or a fixed income of any kind would be hurt in the same way.

Millions of individuals would be caught between spiraling prices and lagging incomes.

The Government — and that means all of us—also would be hurt because the cost of our defense program would skyrocket.

We must not let these things happen.

The new Defense Production Act provides the Government with certain power to stabilize prices and wages. But the fight against inflation is not just the Government's fight. It cannot be won just by issuing government regulations.

It is your fight, the fight of all of us, and it can be won only if all of us fight it together.

I want to talk with you, first of all, about what we must do as loyal, intelligent and responsible citizens, quite apart from any government regulations.

For the consumer, the guiding principle must be: Buy only what you really need, and cannot do without.

Every American housewife has a most important responsibility. She must not buy more than she needs. She must put off buying whenever she can. If she does this, there will be enough of the essentials—in fact, enough of almost everything—to go around. If the housewife insists on buying more than she needs, there will not be enough to go around, and prices will go up.

For example, there was a rise of about 2.5% in retail food prices between June 15 and July 15. Most of this rise was due to panic buying and profiteering. We are finding out now that there was no reason for panic. The ample supplies of sugar, for instance, show how foolish it was for some people to hoard sugar last June and July. We have plenty of food.

As foolish panic buying has subsided, retail food prices have declined more than 1.5% from their high levels of last July.

I am glad to see that people have stopped most of the scare buying that started right after the outbreak of Communist aggression in Korea. A lot of credit should go to those people throughout the country who have organized movements against hoarding and panic buying.

To take one example, housewives in Portland, Me., signed and carried out an anti-hoarding pledge. This was a real public service. It was a patriotic act, and I hope that other groups elsewhere are doing the same kind of thing to hold prices on an even keel.

For business men, the guiding principles must be: Do not pile up inventories; hold your prices down.

There is obviously no excuse for price increases where costs have not risen—and in many industries costs have not risen since the outbreak of fighting in Korea. Where costs have risen, there is no excuse for price increases which go beyond the amount of the rise in cost. Individual price adjustments may have to be made here and there to correct inequities, but there is no need for general price increases. In fact, many businesses are enjoying large enough margins of profit so that they do not need to raise their prices even though they have incurred higher costs.

In cases where price increases have already been made without being justified by higher costs, business men should reduce these prices immediately. I have been told about companies that have increased the prices of all their products—all the way across the board—without corresponding increases in costs. That is just plain profiteering, and should not be tolerated.

If business men will conscientiously review their prices, we shall see fewer price increases in the days and weeks to come, and a good many price reductions.

For wage earners, the guiding principle must be: Do not ask for wage increases beyond what is needed to meet the rise in the cost of living.

More Jobs in Offing

Our defense effort means that there will be an increasing number of jobs. If wage-earners on that account ask for higher and higher wages they will be driving prices up all along the line. For the time being, therefore, wage increases should not be sought beyond what is necessary to keep wages in line with the cost of living. Existing inequities in wage rates, of course, can and should be corrected, with due consideration for recognized inter-industry relationships.

There is another guiding principle that applies to all of us—consumers, wage earners, farmers and business men. It is this: We should save as much as we can out of current income. Every dollar of saving now will serve several purposes. It will help hold prices down. It will help every family provide for the future. And it will also help provide investment funds needed to expand production.

The principles I have outlined will not be easy to maintain. They will require patriotism and self-restraint. But we are all in this situation together. We must be prepared to accept some reductions in our standards of living. I am sure that we will be willing to make sacrifices here at home, if we think of the much greater sacrifices being made by our sons and brothers and husbands who are fighting at the front.

If we adhere faithfully to the principles of self-restraint I have outlined, we can lessen the need for controls. But controls will still be necessary in some cases where voluntary individual action is not enough or where the honest majority must be protected from a few chiselers. In those cases, the Government will not hesitate to use its powers.

Credit Controls Needed Now

Government controls are needed right now to cut the volume of easy credit buying. Many of us would like to buy new household appliances, new automobiles or new houses on easy terms—and pay for them out of future income.

But at a time like the present easy credit buying is a dangerous inflationary threat. It will drive prices up. Furthermore, it will use up materials that we need for defense.

To prevent this, the Government is issuing an order requiring people to make higher down payments than usual, and to pay off the balance faster, when they buy such things as automobiles or refrigerators. The Government is also tightening up on easy credit for houses, especially higher-priced houses, and this, too, will save materials for defense.

As for prices and wages, the Government is not putting on mandatory ceilings at this time. But we will impose ceilings vigorously and promptly when the situation calls for them.

So that we may be ready to impose price ceilings when they are needed, I have today issued an order under the Defense Production Act requiring business men to preserve the records of their prices and costs during the base period of May 24 to June 24, 1950. This means that information will be available to set ceilings at fair levels, and to identify the sellers who have taken advantage of the present emergency.

Economic Stabilization Agency Established

I have also issued an order establishing an Economic Stabilization Agency, to be headed by a Stabilization Administrator. This Administrator will guide our voluntary efforts to hold down inflation. It will also be his task to find out where and when price and wage controls are needed.

The Administrator will have under him a Director of Price Stabilization, who will help him determine what should be done to hold prices in line. He will also have under him a Wage Stabilization Board composed of representatives of labor, management and the public. This board will help determine wage policies.

The stabilization agency will go to work first on present danger spots. The agency will consult with management and labor and will attempt to work out the necessary safeguards without compulsion. However, if these efforts fail, price ceilings and wage restrictions will have to follow.

The law which Congress has passed will enable us to get ahead with the defense production job. It will be faithfully administered. There are two matters, however, which give me particular concern.

We cannot yet be sure that the new law permits effective use of selective controls. As a result we might have to resort to general controls before they are really necessary. This may prove to be a serious defect in the law which will require correction.

Secondly, we do not have authority for adequate rent control. What we gain in holding down other cost-of-living prices must not be lost by failure to hold down the cost of shelter. The existing rent law is inadequate to meet the present situation and should be improved. Meanwhile, state and local governments should take the necesary steps to keep present rent controls in effect.

We will undoubtedly need further legislation as we go along later. Right now, there is work enough and responsibility enough for all of us.

Our goals are plain.

We must produce the goods that are needed.

We should pay for our defense as we go.

We must hold the cost of living steady, and keep down the cost of defense items.

All these things we can do if we work together, and share the sacrifices that must be made. We can and must submerge petty differences in the common task of preserving freedom in the world.

The enormous resources and vitality of our free society have been proved. In World War II, we astonished the world and astonished ourselves by our vast production. Since then, our rate of growth has exceeded our expectations.

Today, spurred by the world-wide menace of Communist imperialism, we can surpass every previous record. I am certain that the American people, working together, can build the strength needed to establish peace in the world.

Every American must ask himself what he can do to help keep this nation strong and free. We should ask God to give us the faith and the courage we need. We should ask Him for that help which has preserved our Nation in the past, and which is our great reliance in the years to come.

Railroad Securities

Atchison, Topeka & Santa Fe Ry.

Atchison, Topeka & Santa Fe common has again been attracting considerable investment buying interest. By the end of last week it had still not penetrated its old 1950 top but it was not very far from this goal and it is one of the stocks that has been selling consistently above the peak of the 1946 bulge. Probably one of the reasons for the recent expansion in buying interest is the approaching September meeting of the Board of Directors. It is pretty well taken for granted that at least the $2 extra of recent years will be repeated at this time. A number of analysts are of the opinion that the extra may be larger this year, or that the regular $6 rate me be increased. Also, there are still some who hope for an announcement of a split of the stock.

The possibility of a split of the stock has been discussed in financial quarters for quite a long time. There would be considerable logic in such a step, in helping to broaden the market for the shares, and there is adequate precedent. Nevertheless, those close to the company are not too optimistic over the likelihood that it will be done at this time. Disregarding the question of a split, which would admittedly be very bullish marketwise, the shares are still considered by railroad analysts and by various types of institutions as being among the most attractive in the rail group.

Santa Fe is generally recognized as one the soundest, if not actually the soundest, of the railroad equities. In its entire history, going back some 55 years, the company has never in any year failed to report net income after all fixed and contingent charges. Since the start of the present century it has failed to pay dividends on the common in only three years, once in 1933 and again in 1938 and 1939. The present $6 rate has been in force since 1942 and in each of the past two years the year-end extra of $2 has been paid. Dividend distributions since 1942 have amounted to only about a third of the earnings on the stock.

The management has not been content to rest on its enviable long term record. It has gone ahead consistently improving the basic investment status of the property. Although the debt was never really burdensome it has been cut, exclusive of equipment obligations, by more than a third in the past 10 years. Only two non-callable issues, both 4% and both maturing in 1995, remain outstanding. In the past couple of years the management has even been buying some of these in the open market for retirement. At the same time, fixed and contingent charges have been cut by nearly 40%. Finally, net working capital has been built up to above $110 million, or more than half the total outstanding debt, including equipments.

Vast improvements have been made to the property. Gross expenditures for additions and betterments to the property and equipment have amounted to well over $400 million in the past 10 years. This has been on top of liberal maintenance outlays. Practically all of this work was done out of retained earnings—very little of even the equipment was financed. Equipment obligations were outstanding in the amount of only $14,410,736 at the end of last year and they are considerably lower now. One of the most important parts of the comprehensive property program was the installation of a large fleet of diesel locomotives which have materially improved the basic operating status of the property.

Last year the company reported earnings of $18.06 a share, without any dividend income from the wholly-owned Western Improvement Company. Gross has fallen off slightly this year but costs, particularly transportation expenses, have been kept under strict control. As a result, earnings for the seven months through July amounted to $11.27 a share, up more than $2.00 a share from a year earlier. For the full year the company should earn at least $20.00, even on the basis of higher taxes. Profits of Western Improvement should be the equivalent of $3.00 to $4.00 a share of Santa Fe common although that company will probably again not pay any dividend to the parent.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Grant Keehn has been elected Executive Vice-President of the **First National Bank of the City of New York**, according to an announcement made Sept. 12 by Alexander C. Nagle, President, following a meeting of the board of directors. Mr. Keehn became associated with the First National Bank as a Vice-President in 1945 on his release as a Colonel from the United States Army. He was graduated from Hamilton College in 1921 and the Harvard Graduate School of Business Administration in 1923. He is a Director of the Great Northern Railway Co. and G. D. Searle & Co. and serves as a Trustee of Hamilton College and a Director and Treasurer of the American Heart Association.

Grant Keehn

* * *

A new nation-wide private wire system which will connect 188 banks in 54 important cities of the United States was announced on Sept. 12. Planned and sponsored by a group of **New York** and **Chicago banks** in cooperation with banks throughout the country, the system will be known as **"The Bank Wire"** and will be, it is said, the largest and most modern communications system of its kind in the world. Engineered and developed by the Western Union Telegraph Company, "The Bank Wire" will open on Nov. 1 with connections to 142 banks in 36 cities. The remaining 46 banks in 18 cities will be cut into the system on Dec. 4.

The project, according to the bankers, was planned to expedite banking transactions throughout the country and thereby provide new and improved services which will be beneficial both to the banks and their customers. In revealing details on the new wire, a spokesman for the banks said that the 54 cities to be connected have aggregate bank resources exceeding $106 billion. The system will not be restricted to these 54 cities, it was explained, but wherever warranted, expansion and extension will take place as equipment is obtainable. The new system, it is announced, will provide direct, fast and confidential communications between any banks on the system. It is added that the equipment to be provided by Western Union is the most modern and efficient communications equipment that has been developed for such a purpose. It is also stated that in order to insure the confidential nature of communications on the wire, arrangements have been made with Western Union to operate and maintain the switching centers entirely with Western Union employees. It is further indicated that regardless of the number of banks in the system, each will receive its own messages without having access to the messages of the others.

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Harvey D. Gibson, prominent not only in the New York banking field, but who also achieved international prominence in Red Cross and other activities, died in Boston on Sept. 11, after a brief illness. Mr. Gibson, who was 68 years of age, was born at North Conway, N. H. At his death he was President of the **Manufacturers Trust Company of New York**, a position he had held since 1931; besides holding the presidency he had also, from 1931 up to 1947, been Chairman of the Board of the trust company. Starting as an office boy for the American Express Co. in Boston, in 1902, Mr. Gibson, who graduated from Bowdoin College in 1902, was later Assistant Manager in the Financial Department of the American Express Co. from 1906 to 1910, following which he was, from 1910-1912, Vice-President and General Manager of Raymond & Whitcomb Co. Becoming Assistant to the President of the Liberty National Bank, New York, in 1912, he became Vice-President of the Liberty National in 1913 and served as President of the Liberty National Bank from 1916 to 1921. During the next ten years, 1921-1931, he was President of the New York Trust Company.

Mr. Gibson served in various capacities, here and abroad, in American Red Cross activities, these including a member of the President's War Council and War Finance Commission, Commissioner for France and Europe, Commissioner to Great Britain and Western Europe, etc. He had also served as Treasurer of the Helen Keller Endowment Fund. He had been Vice-President of the Chamber of Commerce of the State of New York, and a member of the Clearing House Committee of the New York Clearing House Association. Decorations conferred on Mr. Gibson included: Legion Officer of the Legion of Honor (France), 1919; Commander, Order of the Crown (Belgium), 1919; Medal for Merit (USA), 1945; Commander, Order of St. John and Jerusalem (British); Knight, Order of Vasa (Sweden), 1922; and Knight, Order of the Crown (Rumania), 1939. Mr. Gibson was a director of numerous corporations.

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The Chase National Bank of New York has inaugurated a television spot campaign over New York stations. Three one-minute evening spots each week will feature Chase's various banking services. The spot campaign is being placed by Hewitt, Ogilvy, Benson & Mather, Inc., advertising agency. Two of the spots are on WJZ-TV and CBS-TV on Wednesday evenings and the third on CBS-TV on Friday evenings. A fourth spot on WABD is scheduled for Saturday evenings, beginning in October. The spot campaign began in mid-September. The commercials are recorded on film taken in the Chase Bank's head office at 18 Pine Street, New York. Norman Brokenshire, veteran radio personality, is the announcer.

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Of interest to organizations and charitable causes in the Greater New York area is the announcement by Arthur S. Kleeman, President of **Colonial Trust Company of New York**, that **all** holders of personal checking accounts in that banking institution may now benefit their favorite cause through the unique Colonial Fund Raising Plan. Under the plan, one cent out of each ten cents in revenue (10%) which the bank realizes from the processing of checks drawn on personal checking accounts, is donated by the bank to any worthy group specified by the depositor. Prior to the current announcement by Mr. Kleeman, only the holders of accounts opened since July 1 of this year were permitted to designate beneficiaries.

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William V. Schwarting, President of the **Liberty Savings & Loan Association, of Brooklyn, N. Y.**, announces that Percy T. Stapleton was elected a director of the association. Mr. Stapleton is the Assistant Vice-President of the Lafayette National Bank of Brooklyn.

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The **Ampere Bank & Trust Co. of East Orange, N. J.**, became the **Fidelity Union Trust Co. of Newark, N. J.**, on Aug. 31, announcement of which was made by Horace K. Corbin, President of the Fidelity Union, according to the Newark "Evening News." In our issue of July 30 (page 260) it was indicated that control of the Ampere Bank & Trust Co. had been acquired by "interests close to Fidelity Union Trust," and eventually, it was said, it was expected that the bank would become the Ampere Branch of the Fidelity. From the "Evening News" of Aug. 31, we quote as follows:

"Active officers of the East Orange institution have been elected officers of Fidelity Union, with the exception of Frank C. Ferguson, Ampere Bank President, who has withdrawn and is no longer associated with the bank. Ampere Bank personnel have been taken into the pension system of the Fidelity Union.

"Acquisition of the East Orange bank increases Fidelity Union's deposits about $8,000,000. Fidelity Union now has 10 Newark offices, three in East Orange and one in Irvington."

* * *

The election of Henry E. Rueth, Assistant Vice President of the **Community Trust Co. of Bloomfield, N. J.**, to the office of Secretary, and Charles Zalenski to Treasurer, was announced by the directors of the institution on Sept. 1, it is learned from the Newark "Evening News" of Sept. 2. Mr. Zalenski formerly held the post of Secretary and his new position of Treasurer was formerly occupied by Frank Shay, who recently was named bank President, said the advices in the "Evening News," which stated that "new offices, those of the Assistant Treasurer and Assistant Secretary, were created and Reed P. Everett and Robert Van Iderstine, respectively, were named to fill them."

* * *

John Reilley, formerly Assistant Vice-President of **The Pennsylvania Company for Banking and Trusts of Philadelphia**, has been named Vice-President in charge of the Time Sales Division of the bank, according to an announcement made Sept. 12 by the board of directors. He succeeds the late John W. Hyland, who died on Aug. 15. Other promotions in the Time Sales Division are Joseph A. Cronin, to Assistant Vice-President, and Chester L. Cobb to Assistant Secretary.

* * *

Announcement is made of the consolidation of the **Old National Bank in Evansville, Ind.**, (common capital stock of $600,000) and the **North Side Bank of Evansville** (common capital stock of $200,000), effective as of the opening of business Aug. 28. The Sept. 5 Bulletin of the Office of the Comptroller of the Currency states that the consolidation was effected under the charter and title of the "Old National Bank in Evansville." It is added that the initial capital stock of the consolidated bank will be $1 million, divided into 100,000 shares of common stock of the par value of $10 each. The initial surplus will be $1,200,000, with initial undivided profits and reserves of not less than $800,000.

* * *

John W. Kearns and Gaylord A. Freeman, Jr., were elected Vice Presidents of the **First National Bank of Chicago**, at a meeting of the bank's directors on Sept. 8, it was announced by Homer J. Livingston, President, according to the Chicago "Daily Tribune." Mr. Kearns, who is the bank's Counsel, will bear the designation as Vice-President and Counsel. He has been with the bank since 1939. Mr. Freeman has been with the First National since 1934.

* * *

Announcement is made of the approval by the State Comptroller of Florida, of a new bank to be opened in **Hollywood, Fla.**, on or about Nov. 1. The bank will be known as the **Bank of Hollywood.** The officers of the corporation are announced as follows: Robert Pentland, Jr., Chairman of the Board; Ben Tobin, President; Richard S. Wright, First Vice-President; John A. Elbon, Vice-President, and William A. Setchel, Cashier. Notice of approval of a charter for the bank was made on July 5, by C. M. Gay, Comptroller of the State of Florida. On July 3, word was received from Washington that the bank had been approved by the Federal Deposit Insurance Corp.; all deposits up to $5,000 will be insured by the FDIC. The capital and surplus of the bank, according to the provisions of the approval charter is $400,000—$320,000 being designated as capital, $50,000 surplus and $30,000 undivided profits. Mr. Tobin is owner of the Hollywood Beach Hotel and the Hollenden Hotel, Cleveland; Mr. Wright is Vice-President and General Manager of the Hollywood Beach Hotel Company; Mr. Elbon was formerly Vice-President of the Atlantic National Bank, West Palm Beach, and Mr. Setchel was formerly Vice-President of the Florida Bank & Trust Co., West Palm Beach. A temporary business office for the Hollywood bank will be opened on Sept. 15 in the Slater Building, Hollywood.

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A charter was issued Aug. 22 for the **First National Bank of Jefferson, at Jefferson, Tex.**, with a capital of $75,000. The bank will succeed the Rogers National Bank of Jefferson, according to advices in the Aug. 28 Bulletin of the Office of the Comptroller of the Currency.

* * *

The **Oakland, Calif.**, office of **Crocker First National Bank** has moved to temporary quarters in the Jules Building, 360 14th St., Oakland, opening there on Sept. 11. The move to temporary quarters is the first step in the bank's program which contemplates the wrecking of the bank's present building at 13th & Franklin Sts., and the immediate construction of a modern building, expected to be completed in 1952. The new building includes the site of the present Crocker Bank Building, together with additional property immediately adjoining. Plans for the new building propose a two-story and basement structure; the bank will occupy the main floor and basement of the new structure.

Continued from first page

As We See It

means higher prices, unless we do something about it. Higher prices would lead to higher wages, which in turn would lead to still higher prices. Then we would be started on the deadly spiral of inflation."

Effects of Inflation

The normal and, indeed, the inevitable effects of inflation, at least in their more superficial aspects, are an old story, but it is perhaps as well to have the President once more point them out. His homespun way of putting the matter may bring vital truth home to certain groups that are very apt to oppose steps necessary to prevent inflation. At any rate, here is the Chief Executive's account:

"Everybody would lose if we let inflation go unchecked. Workers would be hurt. The extra dollars in Saturday's pay check would be taken away by the higher prices for Monday's groceries.

"The wives and children of our fighting men would be hurt even more. They would suffer far worse than our workers, because many of them are dependent on fixed family allowances.

"Everybody living on a pension, on retirement benefits, or a fixed income of any kind would be hurt in the same way.

"Millions of individuals would be caught between spiraling prices and lagging incomes.

"The Government—and that means all of us—also would be hurt because the cost of our defense program would skyrocket."

So much for some of the generalizations of the President. Now turn to the somewhat more specific (where they are specific) remedies or policies proposed. First of all, let it be noted that the President is apparently at one point determined that we shall all share equally in the sacrifices which he says are unavoidable if we are to rearm as he thinks we must. No one would question the soundness of such a position, but at the same time the President makes it emphatically clear that he favors wage increases to match any rise in the cost of living. In short, the wage earner must be protected against any increase in his ordinary living costs.

What Sacrifice?

Any sacrifice on his part would, therefore, have to take some other form. Possibly, he would in any event be obliged to reduce his customary plane of living somewhat as a result of lack of sufficient volume of goods available. In this case, he would in the normal course of events accumulate cash or other types of liquid assets (such as savings bonds) to be used by him, so he hopes, at some later date—and in all probability give rise to delayed inflation. Of course, it would doubtless be possible to permit the wage earner to force his rates of pay up, and then tax the increase away from him, but if the President has anything of the sort in mind he has given no indication of it. The plain implication of what he has said is that he does not expect the working man to share in the general sacrifices which must be made—at least so far as wage and price relationships would result in such sacrifice.

The President has a good deal to say about the scare buying of July, and about those who took advantage of it to raise prices. We have a good deal of sympathy for his stand. Yet he might at least have had as much to say about the unions which have been feverishly demanding —and getting—increases in pay much greater than the rise in the cost of living, and this on top of all the costly "fringe benefits" (to say nothing of money increases) they were able to wring from employers last year when the cost of living was declining. The President is evidently much more concerned about what higher prices do to wage earners and to wages than he is in what higher wages do to prices.

And what are the President's ideas about taxation to make this a "pay-as-we-go" program? It is probable that the Chief Executive has not fully developed his thinking on this subject. It may be that his advisers have not as yet made their full reports on the matter. It must be admitted, however, from any and all information available, there is slight cause to hope that the President or any of those by whom he is surrounded are ready to do what is necessary in the form of taxation to take inflation out of a $30 billion a year rearmament program. The President's idea about an excess profits tax seems to us almost childish—that is if he really means what he seems to say.

Excess Profits and Inflation

He wants to "recapture excess profits made since the start of the Communist aggression in Korea." If he is suggesting that he wants to recapture profits in excess of those being made late in June of this year, it is hardly likely that the tax will yield a great deal of income. If he is prepared to come forward with some other interpretation of the words "excess profits" he does not seem to be dealing quite frankly with the public. But after all, an excess profits tax is hardly one with which to fight inflation, least of all inflation in the prices of consumer goods. As everyone knows an excess profits tax tends to encourage higher wages and many other types of costs which increase the flow of income into the hands of the great rank and file who, after all, buy consumer goods which are threatened by inflation. What purchasing power they take out of the hands of dividend recipients would not bulk large against the excess income of individuals. Obviously, taxes to reduce excess demand for consumer goods must fall upon those who buy consumer goods. No such suggestion has even been hinted at in Washington.

A great deal more space than is here available would be required to present all of the vital weaknesses of official thinking on these subjects. What has been said will have to suffice for the present. It is enough to start men to thinking realistically—so we hope.

Steiner, Rouse Increases Space Up Town

Steiner, Rouse & Co., members New York Stock Exchange, announce that they have signed a five-year lease for a new uptown office to serve the firm's customers in the rapidly expanding 57th Street area. The new office, located at 575 Madison Avenue, will be on the ground floor, off the lobby and street, and will be ready for occupancy in December when the new building now under construction at this address is completed.

Howard E. Myers, managing partner, said that the additional facilities at the new office will better enable the firm to handle the increasing demands for its service in the midtown area. The firm's other uptown offices are located at 157 East 86th Street and 1440 Broadway.

Lewis Dick Adds

PHILADELPHIA, Pa. — Lewis C. Dick Co., members Philadelphia-Baltimore Stock Exchange, announces that Thomas A. Scott and Karl S. Larch have become associated with them in their main office at 1420 Walnut Street, and Peter N. Svenningsen has joined their Frankford office at 4700 Frankford Avenue.

With Wertheim Co.

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Thomas Wright Hare has become associated with the firm.

With G. A. Saxton Co.

G. A. Saxton & Co., Inc., 70 Pine Street, New York City, announce that Edward J. Cunningham is now associated with them as sales representative.

Customers Brokers Get New Slate

Nicholas Novak

Alfred Elsesser

Marshall Dunn

The Nominating Committee of the Association of Customers' Brokers has announced a slate of officers and members of the Executive Committee to be voted on at a meeting to be held at Miller's Restaurant, 144 Fulton Street, New York, Sept. 27.

The nominees are as follows:

President: Nicholas Novak, Drysdale & Co.

Vice-President: Alfred Elsesser, Kidder, Peabody & Co.

Treasurer: Walton Ferguson, J. Lawrence & Co.

Secretary: Marshall Dunn, Wood, Struthers & Co.

Executive Committee

Four-Year Term: Milton Leeds, Pershing & Co.; Harry Horn, Eastman Dillon & Co.; William Cogswell, Fahnestock & Co.; Joseph Doctor, Laidlaw & Co.

Two-Year Term: John Tilney, Wood, Walker & Co.; Greg Lawrence, Francis I. duPont & Co.

One-Year Term: William Specht, Hay, Fales & Co.

Members of the Nominating Committee who selected the list of candidates are: Albert F. Frank, Ladenburg, Thalmann & Co., Chairman; Mrs. Evelyn Brandt-Valverde, Gruntal & Co., Secretary; Joseph Cabble, Abraham & Co.; Gerald Groesbeck, Merrill Lynch, Pierce, Fenner & Beane; Paul Morton, Peter P. McDermott & Co.; A. E. Rhinehart, Eastman, Dillon & Co.; Anthony Smith, G. H. Walker & Co.; John Tilney, Wood, Walker & Co.; Joseph Alberti, Walston, Hoffman, Goodwin & Co.

With Stephenson, Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Gordon E. Louvau has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

With French & Crawford

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—E. Dillard Lynch has been added to the staff of French & Crawford, Inc., 22 Marietta Street Building.

With Goffe & Carkener, Inc.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Wade P. Owens is with Goffe & Carkner, Inc., Board of Trade Building, members of the Midwest Stock Exchange.

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Shoe Production in Changing Times

all abnormal, for the same chains in July of last year reported decreases varying from 8% to 20% compared with July, 1948.

Turning from the current situation, let us look ahead and see what is likely to be in store for the shoe industry in the event that the tempo of the military program is stepped up, as it almost certainly will be.

I was in Washington last week. I have talked with all the government officials, both military and civilian, that I know of who are at all concerned with shoes, and I have not found a single one who expects either price control or rationing of shoes at any time within the near future.

War Will Bring Controls

Controls will come, if we get into a real war, undoubtedly. Everyone anticipates this. Rationing might be necessary, but there is little use in trying to prejudge this question. It all depends on circumstances, and what alternatives are open. Many thoughtful students of the problem feel, however, that in an emergency a multiplicity of controls will permit more flexibility than if reliance is placed on price control alone.

A subsidy on meat at the packer level, for example, gives packers a financial interest in compliance with both price and rationing regulations. This is far more effective than the threat of putting people who don't comply in jail. A subsidy on shoes would serve a similar purpose, but the experience of the last war indicates it wasn't needed.

For the time being, all controls will be administered through the old line agencies, with those which the shoe industry is concerned with principally, being centered in the Commerce Department. Fuel will be handled by Interior, food by Agriculture and credit by the Federal Reserve Board.

The Commerce Department will issue priority regulations, and will probably put out some kind of an inventory control order, but it is not at all certain as yet that they will even cover hides, leathers or shoes. The principal hot spots, of course, are the metals, some chemicals, and construction goods.

When and if controls over prices and wages become necessary, a new independent agency will be established which will absorb and consolidate the control machinery now being set up in the old-time agencies. The National Security Resources Board, which was established in 1947 as a planning agency, was expected at one time to turn into an operating agency in the event of an all-out war. It now appears that its activities will be confined to planning for a military emergency, and perhaps to resolving conflicts between operating agencies.

The administration of the controls needed for the rearmament effort and the Korean War will be divorced from planning for an all-out emergency. This would be bad, except for the fact that inside the old agencies organizations are being set up paralleling the WPB. We know this will work because it worked before, under conditions essentially similar to those of today. If a real emergency develops, it is likely that by that time the little WPB's will be operating very much as the WPB did in the last war, because the seriousness of the problems to be dealt with will have a determining influence over the techniques used. When you are telling people to do what they want to do anyway, voluntary techniques will often suffice. They have their limitations, however, as people in the old line agencies are already beginning to find out. If you ask a manufacturer to deliver steel to a war contractor voluntarily instead of delivering it to a private purchaser who had contracted for it, the manufacturer is vulnerable to a damage suit. If the government *orders* the manufacturer to deliver the steel to the war contractor, the manufacturer is safe. Similarly, the limitations of a simple priorities system will quickly show up if the going gets at all rough. Take the case of leather, for example. There are so many types and grades that as soon as military requirements become at all heavy, a control agency cannot let tanners make what they want to make and trust to a priority system to channel it to military ends. What good would upholstery leather be for army shoes? Copper and sugar and countless other things are all fairly uniform and it is unnecessary to specify what kind of copper or sugar a manufacturer can make. All that is necessary to tell him is that he must deliver it all to the people with the highest priorities. In any event, the point that I think we should not lose sight of is this: If we drift into an all-out war gradually, by the time we recognize the emergency the control agencies set up under the new law will probably be operating through force of necessity in a manner which should make it fairly easy to assimilate them into a new central control organization.

It seems likely that the N.S.R.B., under Mr. W. Stuart Symington, who was appointed about two months before the outbreak of the Korean War, will have a reasonably active but not a controlling role in planning the control strategy to be used in the event of a real war. When the agency was first set up in 1947 it started out to plan controls for use in an emergency, but it got diverted from this after its first Chairman, Mr. Arthur M. Hill, resigned and Mr. John Steelman was made acting Chairman and continued to serve until the appointment of Mr. Symington. The fact that President Truman kept Mr. Steelman in so long as acting Chairman, after the Senate refused to confirm former Senator Mon C. Wallgren, to the post, strongly indicates that Mr. Truman wants all policy decisions concerning emergency controls centered in the White House. Mr. Steelman and Mr. Symington work closely together and N.S.R.B. in all probability will be used to arbitrate disputes between the old line agencies which have been assigned control responsibilities as well as to plan for an all-out emergency.

Cashier's Association to Hold Annual Outing

The Cashier's Association of Wall Street Inc., New York, will hold its annual outing on Saturday, Sept. 16, 1950, at Reinharts' Picnic Grounds in Staten Island. Festivities will commence at 12 noon, and reservations may be made through Fred Reiter, of Dominick & Dominick.

Dansker Bros. Appoints

David F. Tracy has been appointed general sales manager of the retail sales department of Dansker Brothers & Co., Inc., 511 Fifth Avenue, New York City.

Continued from first page

The Business Outlook

year is good as measured by dollars. The Korean War and whatever will come after it will undoubtedly have its influences on consumer buying. Unfortunate news may bring more waves of scare buying. Consumer reactions this fall are not easily predictable. Some merchants say that the consumer urge to buy and to store, while somewhat checked, is still strong and that the declines in sales in the goods in which scare buying was most prominent have been due to the exhaustion of dealers' supplies, rather than to the complete satisfaction of the demand.

Whatever the facts may be concerning the waves of consumer demand to come, the fact that the American economy is operating almost at peak capacity and the fact that the government will buy heavily for military purposes will keep employment at a high level and at high wages, and consumer demand will be at its peak. Total dollar sales for 1950 will most certainly exceed those for 1948, the previous high record.

In spite of the favorable outlook for retail dollar sales, the national outlook, which affects retailing as well as all other branches of our economy, is seriously clouded by two important factors, the war and the threat of further inflation. Let us consider each briefly.

II. The War Outlook

During World War II, after Hitler and Stalin broke off their pact and began to fight among themselves, this country gave to Soviet Russia a great deal of help. The United States and the western allies made it possible for Russia to conquer and to hold most of the countries of eastern Europe that had been independent before the war. The western allies withdrew their troops in eastern Germany so as to permit Russia to take eastern Germany and most of Berlin. We contributed nearly $11 billion worth of lend-lease in war aid to Russia. Later, this country's leadership, or the lack of it, made it possible for the communists to secure control of China. Our reward for our generosity was the cold war that began in 1945 and the hot war that began in Korea on June 25, 1950.

The Korean War has proved to be much more difficult and expensive than anticipated. It was at first described merely as a "police action." We, as a people, have come to see that the United States was not merely taken by suprise, but that most of its policies affecting Asia were wrong. We were badly prepared for what we have been called upon to do.

The South Koreans, whose population equals the population of North Korea, have been no match at all for the North Korean, Russian-trained and Russian-equipped, armies. In spite of the $350,000,000 that had been appropriated by this government for the aid of South Korea before the war began, it turns out that very little of this appropriation actually found its way to or was expended for aid for South Korea before June 25, 1950. When the South Koreans were attacked this country came to the conclusion that it must take its stand against further communist expansion. There is probably very general agreement that it could do no less. The criticism, if any, should be for the lack of knowledge and lack of preparation of this country for this whole business. Up to date the United States has had a difficult time of it. It has, in fact, taken an awful beating from the North Korean communists.

Early in July the United Nations took cognizance of the Korean war and passed a resolution disapproving of North Korean action. Normally such an action would be followed by military steps. In response to the invitation sent to 41 nations to participate, 18 have not yet even responded. The aid from those who have responded has been understandably small. Great Britain has landed 1,500 trained men in Korea from its own slender forces in Hong Kong. Canada, our nearest neighbor, has taken steps to send 8,000 men. France is sending a ship, a single ship. Sweden is sending a field hospital unit consisting of doctors, nurses and trained orderlies. The Philippines and Indo-China, both of which have trouble at home, have offered to send military help. The aid from other nations has been largely token. The burden of this war, while carried on under the name of the United Nations, will fall, must fall, on the United States.

The present outlook is that the Korean War may last for several months to come. The United States will, we hope and pray, probably win. But it has not yet even established the initiative. It may be several weeks before an aggressive drive may be made against the communist forces. If and when the drive is started we do not yet know whether it will proceed northward beyond the 38th parallel, the artificial boundary line between north and south Korea. Even if the North Koreans are driven back of this line we don't know whether this will end the war or settle anything.

There is a very serious question as to what will happen next. The North Koreans are apparently obtaining supplies from communist China and possibly Soviet Russia. The communist armies are said to have the aid of Russian-trained officers. There have been rumors from the Nationalist Chinese that at least four communist Chinese armies, totaling 270,000 men, have been stationed directly north of Korea. Our State Department has, however, denied having any evidence of Chinese military activity. We do know, however, that the communist Chinese government is trying to build up a case against the United States for air assaults on Manchurian towns, even though we are crowded down to the very southeastern tip of Korea.

It is a possibility, if not a probability, that the United States and the United Nations may before long be finding themselves actively opposed not only by North Koreans, but also by communist Chinese. There are several other places where international trouble may break out, places that would involve this nation, including Formosa, Iran, Germany, Indo-China, the Philippines and other points. Soviet Russia, it is believed by many, is holding its own forces and resources intact while stimulating its satellites, as in North Korea, to do the fighting, to keep the United States occupied so that it may be weakened for the final show-down that can not be many years off.

In view of these circumstances, the United States, a peace-loving nation, a nation that would like nothing else so much as the opportunity to settle down and work out its own problems, must make extensive military preparations for years to come. We don't know what the future will bring, but it would be foolhardy in not making preparations for the worst. Indeed, full-scale armament may discourage the attacks upon us that might otherwise be made.

III. The Dangers of More Inflation

You are all familiar with what has happened to the value of the dollar during the last 10 years. The 1939 dollar, for example, as measured in general retail prices, is now worth 58 cents. In the purchase of foods, it is worth less than 50 cents. In buying housing construction, it is worth 46 cents. In the employment of labor, it is worth 43 cents. In the acquisition of raw materials, which are themselves largely labor, it is worth only 42 cents. The trend in the value of the dollar is still downward. The serious question that confronts us is, what will our dollars be worth a year from now? Five years from now? What, if anything, ought we to do about it?

We ought to be more wary of inflation than we are. Its effects can be exceedingly dangerous and destructive. History is full of examples of nations wrecked and destroyed by inflation. In its early stages its effects seem pleasant and stimulating. It attaches itself to a national economy in much the same way as a habit-forming drug overcomes an individual. After its course has been established it is difficult to overcome. It can be more insidious and fully as destructive as the attacks of a powerful enemy. It can be the means by which a powerful nation may become weak and so may be easily defeated from without. Playing with inflation, as we have done in this country and as we are still doing, is as dangerous as playing with the atomic bomb.

The nature and causes of inflation are very simple and easy to understand. Whenever the supply of money in the hands of the purchasing public outruns the production of goods that the public wants, then prices go up and the value of the dollar goes down. Any change in the balance between money and goods produces a change in prices. Inflation, dangerous inflation, takes place whenever the imbalance between the supply of money, on the one hand, and the supply of goods, on the other, tends to run on and on and is not corrected. That is the situation that has existed in this country for the past 12 years. That is the situation that exists in this country at the present time. I would be saying less than I believe if I did not add that, in my opinion, this is a situation that threatens the future of our nation.

Here are some of the ways in which inflation occurs. Whenever there are shortages of wanted goods, prices go up. If the shortages can not be corrected, the prices continue to go up, even though the market may be narrowed.

Whenever the amount of money in circulation is increased, as for example, by the issue of government paper money at a rate faster than the government can redeem such money, the value of that paper money tends to go down, prices to go up, and inflation sets in.

Whenever the amount of money is increased by undue expansions of credit, which amounts to the same thing as increasing the amount of money, prices go up and the value of the dollar goes down.

Changes in the interest rate tend to make money cheap or dear. A decline in the interest rate cheapens money, makes more of it available and so increases prices and reduces the value of the dollar.

Government subsidies of whatever kind increase the supply of money, tend to raise prices and cause the value of the dollar to go down.

Government purchases made under cost-plus systems are inevitably followed by a slackening of efficiency, rising costs, higher prices and less value per dollar.

Finally, any increases in the costs of production, if not accompanied by similar increases in the rates of productivity, inevitably tend to raise prices and to produce inflation. When costs of production go up prices must also go up, or the producers go out of business.

The present dangers of inflation are not due so much to shortages of goods, to the over-issues of government money, or to over-extensions of credit, as to increases in the costs of production unaccompanied by parallel increases in productivity.

Your costs of operation consist of the costs of your goods and supplies, of the rents, interests, wages and salaries that you have to pay. But the goods and supplies that you buy are also made up of rents, interest, profits and salaries. In the over-all economy we may say that costs of production consist essentially and simply of rents, interest, profits, wages and salaries. The most important factor in the costs of production is wages and salaries. This item makes up more than 75% of the total national income. If you include with salaries and wages the incomes of individual proprietors and professional workers, for these incomes are essentially wages and salaries of self-employed people, the percentage amounts to 90%. The remaining 10% of the national income is made up of rents, interest and profits. Any overall general change in wages and salaries makes a very substantial difference in the total expenses for production.

Let us review what has happened in wage and price trends since 1939. The present inflationary movement in this country had its roots in earlier years, but its effects became apparent about 1939. Let us take the figures as presented by the U. S. Bureau of Labor Statistics. The average hourly factory wage in 1939 was 63.3 cents per hour. By April 1942 when OPA price controls went into effect, the average factory wage had increased to 81.9 cents per hour. This was an increase of 29% as compared to an increase in the cost of living for the same period of time of 16%.

By October 1942, six months after price controls had been instituted, wage controls of a sort went into effect, but during the six months from April to October the average factory wage had moved up from 81.9 cents to 95.7 cents. This was an increase of 51% over 1939. It was an increase of 17% in the six months from April to October 1942 while the OPA controlled retail prices. During this six-months' period, while factory wage rates went up 17%, the cost of living increased less than 3%.

By 1945 when World War II ended, the factory wage rate had increased to $1.11. This was an increase of 75% over the wage rate of 1939, an increase of 35% over April 1942 when price controls went into effect, and an increase of 16% from October 1942 when wage controls were supposed to have gone into effect. In the meantime retail prices, making up the cost of living, had increased 28% since 1939 and less than 10% since April 1942.

What has happened to factory wage rates is only representative of what has happened to other wage rates. Farm wage rates, for example, in 1939 averaged $1.56 per day. In 1949 they averaged over $6 per day. Retail store employees in 1939 averaged 53.6 cents per hour. In 1949 they averaged $1.14 per hour, an increase of 112% as compared with an increase of 115% for factory workers. In general, wage rates throughout the entire country have more than doubled during the past ten years.

One's first reaction to this may be that those who work for wages have done very well for themselves. As retailers we may say that with increased wage earnings retail sales have gone up, and, on the surface, the country has apparently enjoyed a wonderful prosperity.

Before we congratulate ourselves upon these trends, let us look below their surfaces. Were the wage increases obtained because of increases in productiveness, or were they the results of the combined pressures of unions and the government, without relation to productivity? By and large, have the wage earners of the country earned these increases, or have they secured them at the expense of everybody else and, indeed, also at the expense of their own families? Have the wage increases brought greater production and lower prices, or have they, instead, been followed by higher and higher prices? From the figures that I have just given you, it will be seen that the wage increases have not merely preceded, but have also exceeded increases in retail prices and cost of living at every stage from 1939 down to the present time.

Let us take a look at what these wage increases have done to the production and to the prices of goods and services in this country. Increases in productivity, which have for many years been due almost entirely to new inventions, to mechanical improvements and to better management and operating efficiency, have always come rather slowly. The unit of production is the amount of goods or services produced per man-hour of labor. In the 30 years preceding 1939 there were increases in man-hour productivity averaging about 2% a year, or about 20% for every ten years. There were years in which the rates were higher and there were other years in which there was little or no progress. During the ten years that have just passed, there have been some gains in over-all man-hour productivity. There are some industries in which the increases in productivity have been excellent. There have been others, because of the upsets due to the war, the changes made necessary in equipment, as well as in man-power, in which there has actually been a loss in man-hour productivity. For the last 10 years it appears that there has been considerably less than the average of 2% a year, or less than 20% for the entire 20-year period. Thus, during the past ten years, while wage rates more than doubled, the man-hour productivity increased less than 20%. The sharp increases in wages that have taken place and are still taking place are, therefore, far in advance of the increases in man-hour productivity. They have had little or nothing to do with the rates of man-hour productivity. They have inevitably had to be paid for in higher prices by the American consuming public. These higher prices, due to unearned wage increases, have fallen particularly hard on half or more of the people in this country who have had no such increases, including all those living on more or less fixed incomes, such as pensions, annuities and interest on invested money. These increased prices have fallen heavily on public and institutional employees, on white collar workers and on small business and professional men whose total incomes have in many instances actually declined because of the price increases and higher costs of the necessities of life. Even wage and salary earners who have gained most from the wage increases during the past ten years have lost at least 50% of their wage gains through the higher prices that they have had to pay. They should not forget that these losses were due to wage increases unrelated to productivity and, therefore, followed by higher prices. Such wage earners are destined to lose more and more of their unearned gains until productivity catches up with wage rates.

There are many industries in which increases in man-hour productivity are difficult, if not impossible. Increases in wages in such industries just can't be accompanied by increases in productivity. When you increase these wage rates you simply increase the costs. That's all. What additional productivity can you expect from now on from increasing the wages of railway and other public utility workers? What additional productivity can you hope for from increases in the wages of railway express and postal workers? How much additional service can you get from increasing the wages of elevator operators, taxi drivers, street car operators, policemen, or firemen? For that matter, how much increase in productivity can you get from general increases in the salaries of retail salespeople? There are, of course, differences in efficiency in all such lines of work, but general increases covering all of these occupations can secure for you no increases in productivity whatsoever. Such wage increases must be considered as pure increases in the costs of production which must eventually be covered by the prices of the goods and services to the consuming public.

The relation of wage increases, unaccompanied by increases in productivity, to inflation are very clear. Wages and salaries make up from 75% to 90% of the total costs of production in this country. Any general increases in wages and salaries, unless accompanied by proportionate increases in man-hour productivity, can be covered in only one way and that is by higher prices. Higher prices mean inflation.

The effect of wage increases unaccompanied by increases in productivity are precisely the same as the effects would be from the issue by the government of unsecured printing press money. The effects may not be so speedy. The inflation from unearned wage increases may, perhaps, be described as creeping rather than run-away, but the principle is the same.

In the wage increases that have taken place since 1939, which have run far ahead of man-hour productivity, you have a clear, simple, understandable explanation of why your dollars of today are only worth half as much as they were in 1939. This should also be sufficient to show us that if wage rates continue to go up faster than increases in man-hour productivity the value of the dollar will continue to go down more and more. It is as simple as that. If these processes are continued they will end in the total destruction of everything in this country bearing the dollar sign.

It may be questioned whether the effects of wage increases made within a single company or even within a single industry have such general effects as have been suggested here. It may be granted that a wage increase running beyond man-hour productivity in a small concern may have relatively little effect, but when a wage increase of from 5 cents to 30 cents per hour is granted in the automobile industry the effects of such increases must be much like heaving a brick into the middle of a pond. The waves spread in all directions and for long distances. The wage rates granted by General Motors, Chrysler's, Ford and their subsidiaries, will shortly become the standard wage rates that must be paid not only throughout the auto industry, but also in all heavy goods industries, as well, and beyond. Even the retail trades will have to meet these wage increases, particularly in the communities in which these industries are located, within a few months. What will you get in return for these wage increases? Will you be able to pass on such increases in your costs of operation in higher prices to the public? Don't forget the possibility of a roll-back in prices to May 24-June 24 levels if the President decides to institute price controls this fall or winter.

But the wage rate increases granted by individual industries, while highly stimulating to allied industries and within the communities in which they occur, have but minor effects compared with increases in minimum wage rates fixed by law. The minimum wage rate is the lowest rate paid to the least desirable, least employable, least efficient, marginal workers who can be employed. The minimum wage rate establishes the foundation, or base, of the wage structure for the entire country. All other wage rates are measured more or less directly from the minimum wage rate in terms of the value of the employee to his employer.

There are 26 States and the District of Columbia in which there are minimum wage laws. There are minimum wage regulations in effect in 24 States and the District of Columbia. In addition to these laws, there are also minimum wage regulations under the Federal Wage and Hour Law of 1938, amended in 1949; and under the Walsh-Healey Act of 1936.

The Federal Wage and Hour Law of 1938 started with a minimum wage for interstate industries of 25 cents per hour, that was raised by successive steps up to 40 cents per hour by 1945. In 1949 this law was amended so as to increase the minimum wage to 75 cents per hour.

The Walsh-Healey Act of 1936 gives the Secretary of Labor the power to fix the minimum wage in all plants, or concerns having contracts with the government amounting to $10,000 or more. The present Secretary of Labor has set some minimum wage rates as high as $1.23 per hour in the steel industry; $1.08 in the vitreous china industry; $1.05 per hour in the auto industry, and so on. Secretary Tobin has amply shown both by words and deeds that when it comes to doing anything for labor he just doesn't believe in doing anything by halves. In a period such as this, when thousands of concerns will be working on government orders, the influence of Tobin's minimum wage orders will be very extensive.

The States that have minimum wage regulations have established considerable variations in minimum wage rates. The most recent was an order fixing 75 cents per hour for the mercantile occupations in the State of Connecticut, presumably under pressure from Governor Chester Bowles of OPA fame.

All of the State minimum wage authorities are under constant pressure not only from the unions, but also from the U. S. Department of Labor to raise their minimum wage rates up to at least 75 cents.

A minimum wage fixed by law and applicable all over a State or the entire country is a tremendously effective means of raising all wage rates. When the minimum wage rate was 40 cents an hour, for example, an employee worth twice as much as a marginal worker was entitled to 80 cents an hour and got it. When the minimum wage went to 75 cents an hour, the employee who was worth twice as much as the marginal worker became entitled to $1.50 an hour and will get it if he hasn't already had it. Many of the wage increases during recent months and others yet to come, stem from the establishment of the minimum wage rate of 75 cents per hour last Jan. 25, 1950.

There has been and there will be a strong effort in Congress to increase the minimum wage rate from 75 cents to $1 an hour. Is there any question about what this will do, if adopted, to current wage rates for employees who are up above the marginal classification of workers? Are these recent wage rate increases accompanied by increases in productivity, or even by promises of increases in productivity? The answer is no. Is there any question about what will happen to the costs of production and inevitably, later on, to prices when these wage increases become effective?

All economists, I believe, agree that we are facing more inflation, but some sugar-coat their statements by forecasting that there will be only moderate inflation. What is a moderate inflation? Was the 40% decline in the dollar from the 50% decline in the value of the dollar from 1939 to 1950 a moderate inflation? Will another similar decline during the next few years be a moderate inflation? Does the sugar-coating help you or any other American having fixed incomes or possessing anything bearing the sign of the dollar to feel any better when the value of the dollar is dissipated?

Whether the inflation is moderate or abrupt, what is to become of all the insurance, pension and community funds and the gigantic social security system that have been established in this country? Can these funds be increased as fast as the inflation progresses? Congress passed a law a few days ago granting 77% increases in social security insurance payments to people who have retired. That sounds fine on the one hand and expensive on the other, but do we realize that even with this 77% increase the purchasing power of the payments of these people who are living on them is less than it was at the lower rate back in 1939?

The internal outlook in this country is faced by a major problem of further inflation. It is a serious problem. It is fully as dangerous to our future as any external enemies that we now have. If we are to escape the wreckage of our economy, we must somehow learn that this inflation is a dangerous thing and that every concession made to it, such as increases in wages and salaries, unaccompanied by similar increases in man-hour productivity, and minimum wage fixing at artificially high levels by law, are sure means of weakening our economy and in a very true sense providing aid and comfort to the enemies of our country.

The inflationary trend in our land can be stopped, but only by heroic efforts to patriotic people who will oppose every possible step towards further inflation, who will themselves stop creating fictitious money by permitting costs of production to rise faster than rates of productivity, and who will oppose every effort to rig our economy by political means for further inflation.

Conclusion

In conclusion, I would like to suggest a program for which I am prepared to make my stand and which, I trust, will merit your favorable consideration.

(1) Part of the responsibility for this program is individual. What will occur will depend upon what you and I do about it. Let us oppose increase in cost of merchandise and of operation with every power that we can command. Those who ask for higher prices, or higher wage rates, unless they offer higher values or greater productivity, are not entitled to easy acceptance of their demands. I am convinced that consumers will adopt a similar attitude towards your prices.

(2) A reasonable tightening of credit to prevent wild consumer spending should be supported by people within the credit business as well as by all others.

(3) Part of this program is political. It depends upon what our Federal, State and local governments do about it. But what government does in this country depends upon what you and I and others as citizens want done. The foundation of sound government and sound policies begin with its citizens. Let us insist that the government cut its spending for all civilian purposes to the bone. It is inevitable that we must build up our military defenses, but this is no time for expanding expensive governmental activities such as valley authorities, socialized medicine, or making work for many thousands of government employees who ought to get out now and go into some useful service either in defense or civilian industries.

(4) Let us not object to fair and widely distributed increases in tax rates that will help this government to pay its way as it goes. We know that much of what was spent to build up our debt was waste, but it is our government. Its debts are ours. The government will run into more deficits. But we must never forget that our fundamental need is for a balanced Federal budget to be achieved as soon as possible. The debts of the government thereafter should be paid in honest, not inflated, dollars.

(5) Let us wake up to the dangers of minimum wage regulation fixed by law. It is an insidious but fundamentally major cause of inflation. Any further extension of such regulation should be opposed both at Federal and State levels, at least until man-hour productivity has caught up with wage payments and until costs of production begin to decline and prices again go down to normal levels.

(6) The people of this country need to return to their original faith in the dignity and responsibility of every individual for carrying his own load, for producing as much as he can, and for keeping at it as long as he can. There is much work to be done. Short hours, frequent holidays, strikes, early retirement and other forms of loafing have never added anything to the economic structure of this country, nor do they add anything to the self respect and enjoyment of life of the individual. Our national philosophy should be to secure greater production, fair wages and prices related to normal values of productivity and a higher standard of living, not for just a few, but for all.

(7) We also have a responsibility as citizens. That responsibility is to determine clearly what the issues of this country are, what candidates for office may be depended upon to carry out sound political policies, and then vote for them. We must vote. We must see that the members of our families who are eligible to vote will do so. We must give our employees time off to vote, we must urge our friends and acquaintances to vote. Business has lost a great deal of ground by the fact that those who believe in our present economy have failed to vote. Elections usually bring out less than half of the eligible voting population. If we don't vote we must accept inflation and other measures equally evil that will weaken and eventually destroy our economy.

This is not a talk of pessimism. It is simply a call to much needed action. We have lost ground. We may lose more. But when business gets going it can recover the ground it has lost. It can win. We must first make up our minds about it. We will find that there are other millions of people, both in business and the ranks of labor, even organized labor, who are doing the same thing. Many of them are mad enough about present conditions and their current trends to take off their coats and to fight. The mathematical probabilities are on the side of what is right for our country, for ourselves and for our families. I don't believe that the majority of the citizens of this country are going to take this trend towards more and more inflation lying down. I don't think that those who are swinging their axes and hatchets at the integrity of our American economic system at the present time are going to get away with it. It is the solid citizenry of this country, its business people, its tradesmen, its professional people and its workers who know that they can't get something that is worth anything for nothing, who will stop it. I am proud to be associated with you, even if in a very humble way, in this worthwhile movement.

Richard Roberts Forms Own Investment Firm

Richard C. Roberts and Robert R. Krulisch are forming the partnership of R. C. Roberts & Co., with offices at 32 Broadway, N. Y. City, to act as brokers and dealers in over-the-counter securities. Mr. Roberts was formerly with Stuyvesant F. Morris & Co., Mr. Krulisch with J. F. Reilly & Co., Inc.

Richard C. Roberts

Albert Kravitz Co. Formed in Washington

WASHINGTON, D. C. — Albert V. Kravitz has formed Albert Kravitz Co. with offices at 1319 F Street Northwest to engage in a securities business. Mr. Kravitz was formerly Manager of the Utilities Department of John C. Kahn Company and prior thereto was with L. D. Sherman & Co. and Mackenzie & Co., Inc.

J. A. Francoeur to Open in East

MOUNTAIN LAKES, N. J.—J. Alfred Francoeur is engaging in a securities business from offices at 49 Briarcliff Road. Mr. Francoeur for many years was active in the investment business in Chicago. He was recently with David A. Noyes & Co. and Brailsford & Co., and in the past was head of J. A. Francoeur & Co.

Chicago Bond Club Field Day Held

CHICAGO, Ill. — The Annual Field Day of the Municipal Bond Club of Chicago was held at the Knollwood Country Club on September 8. Committee Chairmen were Francis R. Schanck, Jr., Bacon, Whipple & Co.; Walter C. Cleave, Blyth & Co., Inc.; Warren S. Yates, C. F. Childs & Co.; O. H. Heighway, Hornblower & Weeks; William S. Morrison, Jr., Harris Trust & Savings Bank; Thomas L. Kevin, Glore, Forgan & Co.; Paul Hackbert, Shields & Co.; C. J. Robertson, Sills, Fairman & Harris, Inc.; Walter A. Hintz, McDougal & Condon, Inc.; George J. Bielby, F. S. Moseley & Co.; James S. Barcus, Barcus, Kindred & Co.; and Ross A. Gustafson, Northern Trust Co.

Hamp Jones Co. and O. B. Walton & Co. Formed in Jackson, Miss.

JACKSON, Miss.—O. B. Walton and Hamp Jones announce the dissolution by mutual consent of Walton-Hamp Jones Company on Sept. 1 and the formation of Hamp Jones Company, with offices in the Deposit Guaranty Building, and O. B. Walton and Company, with offices in the Tower Bldg.

Jere A. Sexton

Jere A. Sexton, senior partner in Sexton & Smith, New York City, and a member of the New York Curb Exchange since 1923, died at his home at the age of 59 after a long illness.

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Factors Influencing Government Bond Market

in this first step, the assets of the banking system have been increased by $1 million government securities, and the deposits of the banking system have been increased by $1 million in the form of government deposits.

At present it is necessary for the bank to carry a reserve with the Federal Reserve System of approximately 20% against deposits. If it had no excess reserves on hand the bank might take $200,000 of these or other government securities to the Federal Reserve Bank and borrow against them to supply the 20% reserves required against the $1 million increase in deposits. Or it may sell the securities to the Federal Reserve System through the open market (we will assume that the Federal Reserve System is ready and willing to purchase securities in order to facilitate the borrowing operations of the Treasury), crediting the proceeds to its reserve account in the Federal Reserve Bank. Thus we find it has been possible for the bank to purchase securities from the Treasury without using any funds which it might already have had on hand, as long as the Federal Reserve System is ready to buy enough of these securities to provide the bank with the new reserves required against the increase in deposits which occurs. And it is significant to see that not only is an expansion in the money supply in the form of deposit money brought about, but also this process is a self-perpetuating one, so that huge amounts of securities may be sold by the government to the commercial banks.

It was this process which brought about the tremendous expansion of deposits and government securities outstanding during the war. The only limit to this procedure is that the amount of securities absorbed by the Federal Reserve Banks may bring about so great an expansion of Federal Reserve currency and credit outstanding that the required relationship between Federal Reserve Gold Reserves and liabilities is impaired. Even this limit could be removed by the enactment of legislation by Congress changing the gold requirement to a lower figure, as was done at the time of the currency crisis in the 1930s.

This expansion of the money supply which occurs in connection with the issuance of Treasury debt will stay in the banking system until the time comes when the Treasury is able to reduce its debt outstanding. The deposits of the Treasury are soon spent and transferred to the credit of private depositors, so that the increase in the money supply is a semi-permanent one until the government is able to operate with a surplus and have funds available for debt reduction. The postwar record has not been reassuring in this respect. Surpluses have been shown in only two years, and Congress was quick to put through a cut in taxes when it appeared that a surplus might be shown. Unfortunately, such factors may be governed by political considerations rather than economic ones.

An offering of securities to the commercial banks tends to hold down or reduce the prices of short-term securities, in which commercial banks make most of their investments, by adding to the available supply. If long-term bonds are offered it tends to affect the prices and yields of longer-term securities, and the absence of a supply of short-term issues may even stimulate the short-term market to the point where higher prices and lower yields in this section of the market may result. This makes it clear that the Treasury has a considerable degree of control over the behavior of the government market through varying the types and amount of securities which are offered.

Thus, the outlook for the budget is always given a great deal of attention by those concerned with the government market. A prospective deficit means that securities will have to be sold to finance it. It immediately becomes important as to whether these are likely to be securities suitable for commercial bank investment, or whether they will be designed for other classes of investors. Thus, the Treasury has stated that it wishes, under present conditions of credit expansion and active business, to finance the current deficit of about $3-$5 billion a year, by offering securities as far as possible to others than commercial banks. This minimizes the expansion of deposits and the expansion of the money supply which acts as an inflationary force. On the other hand the Treasury is limited in this objective by the ability of such investors to purchase securities. This is determined by the amount of funds accumulating in their hands for investment.

The great importance of the Federal budget to all elements in our economy can be understood readily when one considers the effect of the financing of the war. From the middle of 1941 to June 30, 1945, the gross Federal debt increased from $49 billion to $259 billion. An important part of this debt was financed through the banks and this development caused alterations of great magnitude in our banking, monetary, and price structure. Changes in several areas will illustrate the significance of this development. From the end of 1941 to the close of 1945, deposits of all commercial banks increased by $73 billion, and their holdings of government securities increased from $22 billion to $91 billion. Insurance company holdings of governments increased by $16 billion, and at the end of the period government securities constituted over 60% of their total assets. The government holdings of savings banks increased by nearly $6 billion.

These great changes were reflections of an expansion in the monetary structure of the country which worked its way into every nook and corner of our economy, as is illustrated by the increased government securities of insurance companies and savings banks referred to above. These institutions are holders of the liquid savings which people accumulated out of the expanded wage and salary payments during the war period. With this great expansion in the monetary structure of our nation, it is not surprising that a rise in wholesale prices of a little over 100% has occurred since 1939.

Thus we see that a Treasury deficit which is financed through the banks exerts an influence throughout the economy. Although the war period represented an exaggeration of this influence to an extreme degree, it serves as a clear illustration of the process at work under such conditions. Although postwar pressures cannot be expected to be as great as those during the war period, we see the same influence at work to a lesser degree under present conditions. It is for this reason that it is important that we understand these relationships and give them full consideration in measuring the trend and outlook for the investment markets.

In view of the fact that the Treasury is now concerned with financing a substantial deficit, and, in addition, has large amounts of maturing issues to refund at frequent intervals, it has repeated opportunities to choose its financing media and to exert its influence thereby. As a matter of fact, we should recognize that during the years to come the Treasury will be faced with enormously difficult problems in debt management — problems which will tax the skill of the Treasury to the utmost.

Treasury Investment Accounts as Market Factor

Another influence upon the government market may be exerted by the Treasury when it makes purchases or sales of securities in the open market for investment accounts under its control. Holdings of marketable issues by these corporations and agencies amount to over $5 billion. When the Treasury elects to sell such securities, it can have a pronounced effect upon the prices of marketable issues. Such selling also tends to tighten up the money market, with repercussions upon all classes of securities. Of course a reverse effect is produced when the Treasury buys securities for the investment and trust accounts. In the past these operations have been employed upon an extensive scale chiefly when such purchases or sales were necessary to help preserve an orderly market for government securities.

It should also be understood that the Treasury policy of maintaining relatively low interest rates has been of great importance to the economy and to the investment market. This policy was adopted at the beginning of the war period, and has been continued with slight modifications, through the postwar period as well. Thus a 2½% rate on long-term governments has become almost a by-word as the fundamental long-term yield rate for the highest grade obligation. There have been many statements emanating from Washington which would lead to the conclusion that it is highly unlikely that a rate much in excess of this figure was to be looked for for a long period to come.

A factor contributing to this desire on the part of the Treasury is the very great amount of securities outstanding affording yields of from 2.50% to 3% which may be turned in for payment by the holder at any time. With over $57 billion Savings bonds alone in the hands of investors, a very large proportion of which is in the hands of individuals, it is not surprising that the Treasury desires to maintain government credit on such a basis that these investors will feel no urge to present their bonds for payment. Regardless of the fact that a major price decline in marketable government securities would have important, and perhaps dangerous effects upon the institutions which hold these securities in such large amounts, it is clear that this huge volume of what constitutes demand obligations against the Treasury makes it unlikely that the Treasury would want to see prices for government securities go down and yields to rise to a degree which might influence holders of savings bonds to cash in their securities.

Federal Reserve Policy

Another very important factor is the policy of the Federal Reserve System. It is necessary to know whether this policy is neutral, or whether it is aimed at either credit restriction or credit expansion. A policy of credit restriction would be adopted when the Federal Reserve System believes that business is at so high a level, and credit is expanding at such a rate, that some restraining influence is needed. One of the major means of putting such a policy into effect is the sale in the open market of government securities from its portfolio. We have seen such a policy in operation since the end of 1949, with marked effect upon government securities, and the commencement of an effect upon the corporate markets. With the concurrence of the Treasury the Federal Reserve System has permitted the short-term interest rate to advance from a one-year 1⅛% basis almost to a one-year 1¼% rate. The whole short-term market has been affected. As a result of this development, rates are slightly higher on short-term corporate obligations, and municipalities are obliged to give higher yields on their short-term bonds.

The effect of open market operations by the Federal Reserve is both simple and direct. If the Federal Reserve Banks sell securities to the commercial banks the reserves of the latter are directly reduced by the amount required to pay for the securities. Conversely, when the Federal Reserve Banks buy securities in the open market the funds paid add to the reserve positions of the member banks.

This situation explains the effectiveness of the policies of the Federal Reserve System when the government market requires support. Not only does buying by the System take out of the market the bonds which are offered, but the banking system is provided with a corresponding amount of free funds. If the procedure is continued to any extent such a large supply of funds accumulates that the banks are likely to wish to invest them, and the pressure to put the funds to work will provide the buying power needed to stabilize the market.

These open-market operations represent a powerful weapon with which the Federal Reserve System is able to influence the money market and the government bond market for short periods or over the longer term. The war and postwar periods have given the authorities many opportunities to exert these influences, and the technique has been developed far beyond anything employed in earlier periods. Also, the market has become well acquainted with the effectiveness of these operations and is sensitive to them. To the extent that fluctuations in interest rates occur or are anticipated, the government market is very sensitive to these changes and is influenced by them. It is interesting to observe how closely the psychology of the market is geared to the outlook of interest rates and how quickly slight indications of a change in trend are taken into account. It is this sensitiveness of the market which has made it possible for the Federal Reserve System to exercise a considerable degree of control over the credit situation through the purchase and sale of relatively small amounts of government securities in the open market. The fact that the authorities are understood to be taking action is sufficient to bring about a relatively large response in the market to relatively small operations on the part of the System. This fact has been referred to by officials of the Federal Reserve System as greatly facilitating the credit operations of the Open Market Committee.

A step accompanying the increase in short-term rates referred to above has been continuing sales of long-term ineligible government obligations by the Federal Reserve Open Market Committee which has many billions of such securities in its portfolio. These sales have been in sufficient volume to bring about a continuous decline in long-term government issues, so that the longest 2½s callable in 1967 are now about 2⅞ points lower than at the end of 1949. As this trend has continued, even though it is the result of the monetary policy of the authorities rather than a preponderance of selling on the part of investors, it has had an increasing effect on the psychology of the corporate market and some effect upon the price of corporate securities. The decline in prices of high-grade corporate bonds has been much less than that in long-term governments, however, so that the additional yield available from high-grade corporate issues above that from long-term governments is now less than at any time during the last three years. This makes for uncertainty in the corporate market, as institutions and others are faced with the question as to whether purchases of corporates are attractive with so little additional yield available above that of long-term government bonds.

The Reserve System has at hand two other powerful devices for control of the money supply, the authority to change the percentage of deposits required to be held in reserves and the flexibility of the rediscount rate which influences the ease or difficulty of member bank borrowing or avoidance of reserve deficiency penalties. These weapons are not sufficiently selective in application for the delicate day-to-day functioning of money control through the open market and are generally invoked only to counteract some basic and continuing trend such as a steady favorable trade balance and its resulting inflow of gold or a protracted period of speculative activity. Nevertheless, while lacking in qualitative efficiency, their quantitative effects may be more or less accurately computed and are generally of considerable magnitude.

It should be pointed out that the stability of the market for corporate bonds of all types has been greatly influenced by the operations of the monetary authorities designed to keep an orderly and relatively stable market for government securities. With interest rates for government issues showing only slight fluctuations yields of high-grade corporates and municipalities have reflected this circumstance and have shown relatively small fluctuations.

Government Bonds and Business Capital Expenditures

The trend of business and of capital expenditures by business, have a strong influence upon the market for government securities. In 1947 and 1948, when insurance companies, savings banks and other institutional investors found a large supply of corporate securities available (due to financing operations to secure the funds for business expansion), at yields more attractive than those from government securities, a movement occurred out of government securities into other higher yielding investments. This development took place on such a large scale at that time that orderly markets for government securities were threatened and it was necessary for the Federal Reserve to purchase many billions of long-term government bonds in supporting the prices of government securities at or above par.

The desirability of this support policy has been widely discussed from many points of view, but it was significant that the Treasury and the Federal Reserve elected to take this step, and to buy this large amount of government securities rather than to permit disorderly markets, and perhaps considerably higher yields. Now that more normal conditions have prevailed for a considerable period, and with less urgent marketing of corporate obligations in evidence, this pressure upon government securities has not been in evidence for many months. The market for the longest-term 2½s moved upward several points above the support level in response to institutional buying during the last half of 1949 and it has only been pushed part way back by the selling of the Federal Reserve System already referred to, to supplement its credit restrictive policies.

It is important to recognize the fact that government bond holdings of many of the investment institutions, such as life insurance companies, savings banks, etc., represent a residual investment medium. That is, they are inclined to regard government portfolios as a source of funds if alternative investments become available at a rate sufficiently attractive to warrant an exchange out of governments into such investments. Likewise, if an insufficient supply of investments such as corporate bonds and mortgages is available to take care of accumulating funds plus funds available as a result of maturities, they are likely to invest the balance in government securities.

Under these conditions the amount of corporate and municipal bonds and mortgages available to life insurance companies and others is of major importance in considering the position of the government market. As long as an ample supply of such investments is available life insurance companies, savings banks, etc., are likely to be a neutral factor in the market or net sellers on balance. This situation is illustrated by events in 1948 and 1949. In 1948, the life insurance companies increased holdings of mortgages by about $2.4 billion, municipal obligations by about $400 million, corporate and other securities by about $5.8 billion, but holdings of government securities were reduced by about $1.4 billion. Similarly in 1949, while assets increased by about $3.3 billion holdings of government securities decreased by about $1.4 billion. During this period a large supply of corporate and municipal bonds and mortgages became available at yields which were attractive in comparison with yields on governments. Figures are available for only the early part of 1950. During this period, while holdings of mortgages and bonds increased by about $1.4 billion, holdings of government securities decreased $32 million. This indicated that during this period the net operations of the life insurance companies in the government market were only slightly on the selling side.

Another influence in the government market which has become of increasing importance is the volume of funds controlled by trust and pension funds. When pensions are funded it is necessary to acquire a large volume of investment reserves to take care of the claims of older employees, against which payments have not been made in past years. Pension funds are growing and will continue to grow. A large part of these funds is invested in high-grade obligations of which some considerable part is represented by government securities. In the normal course of events pension funds accumulate and are invested, while payments to the beneficiaries are made out of interest on investments and part of annual payments to the pension trust fund. Thus these funds are ordinarily buyers of government securities but not sellers except for exchanges between issues, or into other types of issues.

Miscellaneous Factors

There are many other factors which enter more or less directly, and more or less importantly into the background of the government market. These would include:

(1) **The volume of building.** The rate of activity in building determines to a large degree the supply of mortgages which is available. Obviously, this has been exceptionally large during recent years because of the increase in prices and value of real estate during the prewar period, and the great boom in building which has reached record-breaking levels in 1950. The underestimate of the volume of mortgages available during 1950 was the chief error made in forecasting capital requirements for the year.

(2) **The trend in commercial loans.** Commercial banks are inclined to buy government bonds when a downtrend in loans releases funds for investment. By doing so they endeavor to maintain earnings which would otherwise suffer a severe shrinkage. In view of the fact that the yield on governments is well below that obtainable from loans, banks are ordinarily glad to reduce holdings of governments and increase commercial and other loans when the opportunity offers. It is usually the short-term section of the government market which is most affected by these purchases and sales.

(3) **The trend of commodity prices is important.** If an inflationary trend in prices is under way, corporations must increase their working capital through issues of new securities or borrowing from the banks. A prolonged trend of this type is likely to bring higher interest rates and a downward trend in government bond prices, unless offset by open market operations, etc., by the Federal Reserve System.

(4) **Loans to dealers and others on government securities.** There is a considerable flow back and forth between loans to dealers on government securities as collateral and the holdings of such securities by dealers. These fluctuations often operate as a stabilizing factor in the market. If money is tight dealers may purchase a substantial amount of bills, certificates and other short-term securities from the banks and carry them against loans until a lessening of the strain permits the banks to repurchase the securities. An alternative to this procedure is the absorption of these securities by the Federal Reserve System, which tends to make money easy, or the resale of the securities by the System in the open market which tends to absorb funds and tighten the money market.

(5) **Foreign lending and spending.** It is obvious that, if the government undertakes active lending and spending abroad the funds are likely to be secured eventually through sales of securities. Under conditions which have prevailed in recent years a considerable part of the cash deficit has been incurred from the financing of our large foreign-aid program under ECA, etc.

(6) **Individual investments in government securities are an important influence.** Continuing purchase of series E savings bonds by individuals have provided the Treasury with a substantial amount of funds in the postwar period. Net sales amounted to about $1 billion in 1948 and $1.9 billion in 1949, these amounts representing the net increases in holdings of savings bonds after redemptions. The Treasury has been anxious to keep these investments at a high level, and has conducted campaigns in recent times designed to promote the purchase of savings bonds, particularly through payroll and bank account deduction plans.

Having discussed in some detail various factors which have an influence upon the market for government securities, we shall give some consideration to the machinery and characteristics of the government market.

It is to be expected that the large amount of marketable government securities outstanding results in a relatively large volume of transactions. This superior marketability and market activity is one of the major advantages offered by government securities. Whereas transactions of $100,000 are relatively large in corporate securities, transactions of $1 to $5 million are common in the government market, and it is not unusual for single transactions of $25 million or more to take place, particularly in short-term securities. With such a high degree of marketability combined with a degree of safety which is unobtainable in any other type of investment, it is not surprising that commercial banks are such heavy investors in government securities.

The number and variety of classes of investors who own marketable governments makes for market activity. Transactions in government securities may result from a great many circumstances. A review of some may serve to illustrate this point. A bank may have an opportunity to make a loan and need to sell government securities to provide funds withdrawn by the borrower. Withdrawals of deposits by customers may necessitate sales. The bank may feel that interest rates are likely to rise and wish to protect itself by selling securities or shifting into short-term issues which would be less affected. It may receive a volume of time deposits and feel able to shift part of its shorter-term holdings into longer-term governments with a better return. The bank may find that it has more funds on hand than will be required over the next few days and buy Treasury bills for a temporary investment. An individual may have maturing Series E savings bonds and decide to purchase marketable bonds as a reinvestment. An insurance company may receive funds from maturities and buy short-term governments as a temporary investment, or long-term issues for semi-permanent holding. Another insurance company may anticipate making a mortgage loan and liquidate some long-term governments to provide the funds required. A savings bank may receive more funds than can be used for mortgage loans, etc., and may purchase government securities. Pension funds are constantly in receipt of funds for investment and long-term government securities provide an attractive investment. These are merely illustrative of the great multiplicity of factors which bring about purchases or sales of government securities.

Over-the-Counter Market for Government Bonds

Although the various marketable government issues are listed on the N. Y. Stock Exchange, and closing quotations are posted each day, only a very small volume of transactions in government securities take place on the Exchange. The great majority occurs in the over-the-counter market at net prices. This market for governments is largely conducted by a relatively small number of firms which specialize in this field. A number of these firms are classed as recognized dealers by the Federal Reserve System, and certain classes of transactions are conducted by the System through these recognized dealers.

Government dealers ordinarily make net markets and buy and sell into and out of their positions. These firms exchange quotations with each other by telephone so that the markets quoted by all are in close relationship. A large number of other stock exchange and investment firms also have orders in government securities which they execute through these government dealers, looking to them for a market in which they may execute the orders they have received. These brokers and dealers do not assume any market risk in connection with these transactions and make a commission or service charge for handling the order.

The government dealers quote bid and offered prices, paying the bid price for the securities they purchase, and obtaining the offered price for those which they sell. The spread between the bid and offered side represents the gross margin of profit upon which they must depend to operate profitably. The competition which exists, coupled with the relatively large volume which occurs, has resulted in a narrowing of the spread between the bid and offered price to a degree which is exceptional in the investment field. Most markets on the shorter-term bonds are quoted with a spread of only 1/32 between the bid and offered price. This represents a differential of only about $313 per million dollars par value between the price an investor would pay when he purchases the securities, or would receive if he is a seller. It is frequently the case that transactions take place at a spread of only half this amount or even less. In order to provide for such narrow spreads, the quotations on government securities are usually made in 32nds. It is customary for prices to be quoted as "plus," rather than in 64ths. Thus a dealer might quote an issue at 101-15+/32 bid, offered at 101-16+/32, the plus representing an additional 64th. This would make the actual offered side 101-33/64.

It is obvious that it would be impossible to carry on business in government securities at a gross profit of only $156 to $313 per million dollars par value unless transactions occurred in relatively large amounts. $100,000 is a normal trading unit for government securities, except for short-term issues such as bills, certificates and various short notes and bonds in which $1 million is the common unit involved.

In view of the active competition existing it is necessary for the government dealers to be very actively in contact with their customers and others who may be the source of purchases or sales. The larger firms have extensive wire systems, with offices in major financial centers, and usually extending to the west coast. In these various offices the salesmen and traders are in constant telephone communication with commercial banks, insurance companies, savings banks, corporations, and other important sources of government business. Markets are quoted to these customers, and in the event of an order the customer may be given a firm bid or offering on the wire. In the event that the market is relatively inactive or the size of the transaction is relatively large, the customer may give the dealer an order to purchase or sell the securities at a definite price, or with discretionary limits.

An insurance company which might have a block of $25 million long-term bonds to sell, would be likely to handle such a transaction on an order basis, giving the dealer an opportunity to handle the order carefully in a way which would provide the most advantageous price. The dealer would seek buyers of the security among his customers, perhaps make exchange suggestions which might seem advantageous to customers, and keep closely in touch with other dealers who might have buy orders for this particular issue. With such handling, a substantial order would ordinarily be executed promptly, sometimes the same day if active institutional interest existed in the issue, or possibly over a period of a few days if more time and effort proved necessary.

When the market is reasonably active, and when the transaction is of ordinary size, dealers are usually able to make an immediate net bid for securities offered for sale and take them into position. The dealer may have an opportunity to sell out the securities to another customer or another dealer at some such price spread as that already referred to. If he is unable to sell out the same issue, he may have an opportunity to sell a similar amount of some other issue of nearby maturity. This would make little or no change in the net position of the dealer, although he would now be long one security and short another. It would then be the objective to find opportunities to complete the transactions by buying from another customer or dealer the security which he has sold "short," and selling the security of which he is "long." Close and constant contact with other dealers assists in "trading out" such positions, and a large volume of such transactions is constantly taking place among dealers in connection with such activity.

It is necessary for dealers to exercise careful control over their trading positions. If a heavy position is carried during a downward trend in the market, losses would be incurred which could wipe out trading profits accumulated during a considerable period. Dealers try to keep closely in touch with the money market and other factors which would be of help in determining the policy regarding the position. A dealer endeavors to avoid substantial losses during downtrends, and to make profits by enlarging the portfolio during periods of rising prices.

Another source of income to dealers is from the interest profit on securities in position. Dealers are normally large borrowers from the banks to finance the securities in the portfolio, and the rate on such loans is ordinarily low enough to provide an interest profit on securities with a coupon rate from 2 to 2½%. On the other hand, the coupon rate or yield on short-term government securities such as bills and certificates is 1¼% or less. In carrying such securities a dealer is likely to sustain an interest loss, so that it is desirable to keep the position low relative to the volume of purchases and sales.

A recognized dealer who executes a transaction with the Reserve System (the open-market operations of the System are conducted through the facilities of the New York bank) is generally permitted by the System to make a fixed profit or "commission" equal to $156 per million on bonds and lesser amounts in the case of bills or other short-term issues. All open-market transactions of the System account and Treasury trust accounts are made through the recognized dealers.

The recognized dealers together with a few other dealer firms report to the Reserve bank each morning, showing their gross long and short positions and previous day's volume in each of several categories, and in addition advise the bank regularly during the day of the nature and trend of business observed. Due to the contractual nature of the status of recognition the Reserve System exercises an extremely high degree of control over the market and the dealers.

Transactions in government securities differ from those in corporate issues in that settlement is made on the next full business day. Settlement is usually required in collected funds, or may be made in Federal funds which represent balances to the credit of the bank in the Federal Reserve banks. Such funds are frequently in demand by banks who

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Factors Influencing Government Bond Market

need an immediate credit at the Federal Reserve banks in order to avoid a deficiency in reserve funds.

The absence of any credit risk factor in government securities makes for close adjustment of the various issues to each other as to price, yield, and maturity with a relatively smooth progression of yield from a low range on short-term securities to a maximum on the longest outstanding issue. The active trading which takes place tends to hold the various issues at such a steady price or yield spread, that any departure from this normal spread is quickly observed. If the price spread is one which normally keeps within a narrow range, a departure of as little as 2-4/32nds from the usual limits may bring arbitrage transactions into play. Such transactions involve a sale of one issue and purchase of another, with the expectation of a reversal back to the original security when an opportunity occurs at a more favorable price spread. Thus, if issue A ordinarily sells 1-16/32nds point above issue B, the bank may sell issue A and purchase issue B if the price spread widens out to 1-20/32nds points. If, at a later day, the price spread narrows to 1-14/32nds points the bank might reverse the transaction by selling issue B and repurchasing issue A. Having made the original transaction at a price "take-out" of 1-20/32nds and reversed at a price "pay-up" of 1-14/32nds, the bank would now be back in the original security at a profit of 6/32nds. Such transactions are constantly taking place and are very effective in maintaining the stability of the government market.

Segments of Government Bond Market

The government market is more or less divided into several segments due to taxable status or the bank eligibility status of the outstanding issues. A group of 10 long-term issues which were issued during the war are not eligible for commercial bank holding until certain later dates commencing in 1952. The market in these securities is largely dominated by the purchase and sales of non-commercial bank institutions such as insurance companies, savings banks, etc. These securities provide a yield substantially higher than that of eligible securities because of the fact that banks are unable to purchase them.

The market for eligible securities, particularly those of shorter term maturity, is largely dominated by the commercial banks. They are very large holders of such issues, and the various reasons for making changes in the portfolio holdings, some of which have been discussed previously, produce a relatively high volume of activity in this section of the market. Banks are constantly adjusting their cash position through the purchase and sale of Treasury bills and certificates of indebtedness which may be bought or sold readily in large volume at narrow price spreads.

The Federal Reserve System is active in this market to maintain the yield level in line with that which has been set as a matter of Treasury and Federal Reserve policy. It is frequently necessary for the Federal Reserve System to absorb large amounts of Treasury bills and other short-term government securities which are sold by the banks in order to maintain their required reserves, and meet their short-term obligations. For instance, at a time when there is a large flow of money into circulation, the banks may have to sell a corresponding amount of short-term securities to the Federal Reserve to obtain the needed funds. U. S. Treasury operations frequently bring about large shifts in the reserve positions of the commercial banks, necessitating correspondingly large purchases or sales of government securities. Under present conditions it is the policy of the Federal Reserve System to purchase or supply these securities in order to avoid undesirably large fluctuations in short-term interest rates.

There are many other phases of the market in government securities which might be considered, but the limitation of time makes it necessary to confine the discussion of some of the more important characteristics which have been touched on more or less briefly. The brief space allotted to some of these items may have been insufficient to make clear the point or principle involved. I hope that in the question period which follows we may be able to clear up any of these difficulties, and to take up other points which may be of interest.

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Food and Food Processing Industry Securities

and the meal. Over a period of time they devised means of using every one of those. A large amount of feed is now produced from the hulls after the by-product oil is pressed out.

The latest development which perhaps is the romance in the industry, if you will, is the use of steep water, the water in which the corn was first soaked. Formerly it had been thrown away. Now it contributes to the production of penicillin. It is a feed for the mold that produces the penicillin. If it hadn't been for steep water, the development of pencillin in volume would have taken a much longer time.

They are also making a substance called inositol which is one of the Vitamin B complexes, and possesses other potentialities. Proteins, including amino acid, about which you have heard much recently, are also obtained from steep water. Some of the products have real promise. One is glucuronic acid merchandised as Glucurone. It is showing real promise in the treatment of arthritis, and it is an inexpensive treatment. That is the romance in this industry. That is the possible future growth in the industry. That is also the explanation of why these companies are spending large amounts for research laboratories and research work.

The Main Markets

Now, what are the main markets? Taking the main product, starch, for example, of the total output, as you can see, [indicating chart] about two-thirds goes into industrial purchases and one-third into food. Substantially all of the syrup and most of the refined sugar go into food products. Crude sugar and dextrine, which is a form of starch, are used for industrial purposes.

Starch is used by baking powder manufacturers, confectioners, bakers, brewers and in the home for baking and laundry work; starch also has a large use in the textile and paper industries, and in the production of adhesives.

Syrup is used primarily for table syrups and by confectioners. Sugar is used primarily in the baking industry, by canners, and in beverages, ice cream, and other food items.

Those are the fields that determine the demand for the chief corn products, and therefore basically, as you can see, the demand is dependent on the level of consumer incomes. However, much of the industry's output goes to industrial users and much of the rest to commercial users; many of large size. When changes in the economic picture take place, these large users cut down or build up inventories, and for brief periods therefore this industry can be more cyclical than, let's say, the chewing gum companies or others serving the retail consumer more directly. This is a significant investment factor.

During the war there was a substantial expansion in demand for this industry's products. Starch production went from 1.0 billion pounds to 1.5 billion. Syrup doubled from 1.0 to nearly 2.0 billion pounds, mostly because people bought more, canned more of everything, and there was a big demand as a substitute sweetener for scarce sugar. Sugar also went up substantially. Most of the industry's output goes into bulk goods for large users, industrial and otherwise, but a fairly important part goes into packages, and that is much more stable in demand.

Competitive Situation

What is the competitive situation? In the first place, within the industry there is keen competition but not cut-throat competition. The reason is that there are only 11 producers and it is a very costly industry to enter. It is very much unlike, let's say, the beverage industry, where you can set up a bottling company in a garage if you wish. It costs several million dollars to put in a corn refining plant. The Corn Products Refining Company just finished a large plant in Corpus Christi, Texas, which is the first plant built in 27 years. It cost $23 million dollars, so within the industry that is an important competitive factor.

The real competition in the industry's starch division is between corn starch on the one hand and tapioca on the other. Tapioca, which normally comes in from Java, was cut off during the war, but in the late prewar period tapioca imports at one time reached a level of 14% of the total corn ground by the corn refiners. That is, had there been no such imports, the industry's total volume might have been up to 14% above actual, just to fill the displaced tapioca demand.

In dextrose and syrup, the competition is with cane and beet sugar.

These competitive factors relate primarily to price. In other words, if the price of corn is so high that the price of dextrose and the price of syrup equal or exceed the competitive price of cane or beet sugars, sales of corn products decline. All prices then have to be adjusted downward regardless of corn cost, and margins are decreased. The same is true of tapioca and starch.

Therefore, since corn cost is about 70% of the sales dollar in the industry, the level of corn prices relative to the level of sugar and tapioca prices, when tapioca is available, is perhaps the most important single investment factor in this industry.

Fortunately, impending distortions in the price picture of corn versus sugar are frequently evident some time before the full adverse effects show up, so that if you know how these factors work you can frequently take effective investment action in time. Let me illustrate, because this is very important. In the spring of 1947 there were heavy rains in the Midwest, so much so that the farmers could not get out to plant corn. The corn crop did not get in until a month late. What did that mean? Well, it meant that corn would mature so late in the fall that it would be more vulnerable to early frosts than usual. The danger, therefore, was that the corn crop was going to be short. In the beginning of June, 1947, you could be reasonably sure that the price of corn was going to go up substantially, and that there was a real question as to whether or not the corn refiners were going to be able to make reasonable profits, not for one month or three months ahead, but for almost a year and a half; in other words, until the crop of 1948, one year later, was harvested in November and December.

By knowing the workings of the industry, therefore, in June of 1947 you could plot approximately what was going to happen. You could decide then and there whether you wanted to take action, whether you wanted to sell these securities. You could repurchase them subsequently because, knowing the workings of the industry, you would be aware that there is a reasonably definite time limit to the adverse effect on margins and earnings

Incidentally, in calculating profit margins in the corn refining industry, let me point out a technical factor which seems important. In most of the industries you have studied, I suppose you have been told or you know, one of the things to watch is the percentage relationship of operating profits or costs to sales; in other words, the profit margin or the cost ratio. In the corn refining industry, I believe this technique is misleading and should not be used. The price of corn in the last 10 years has varied from 50 cents to almost $3 a bushel. Therefore, if you use percentage ratios of cost or gross margin, you get percentages that fluctuate all over the map and don't tell the story.

Measuring Margin of Profit

The way to measure the margin in the corn refining industry is to divide the operating profit by the number of bushels ground. In other words, you use a profit spread of some cents per bushel ground. I neglected to mention that the number of bushels ground by the industry and by the individual companies is the common denominator of volume throughout the industry. These indices of volume and profit spread are helpful in following trends in the corn refining industry. Substantial variations develop from time to time. The difficulty with these indices is that they generally are not available until after a period is over and the adverse or favorable conditions of that period known.

There is a way of following profit spread conditions approximately as they occur, however. Let's take dextrose because that is one of the products on which profit spreads tend to fluctuate widely at times. I again neglected to tell you that dextrose is priced in relation to the competitive price of sugar almost regardless of corn cost. All other products are priced relative to the cost of corn to the refiners, but even here normal profit spreads are sometimes reduced or increased depending on the competitive prices of cane sugar and tapioca.

In October, 1949, the price of dextrose in New York was $6.70 per hundred pounds. The corn refiners, like the sugar companies, give a 2% discount for cash [writing figures on board] and that would amount to 13 cents. On the other hand, as contrasted with the price in New York, the price in Detroit might be $6.90, which would be New York's price plus freight, and Chicago might have another price.

On the average the freight collected is about 25 cents. Therefore, the proceeds from the sale of the average bag of dextrose was $6.70 less 13¢ plus 25¢=$6.82. Now, what was the basic cost? First, at that time corn was selling at $1.15 a bushel, and you get about 30 pounds from a bushel so you multiply $1.15 by 3.33 which comes to $3.83 as the gross corn cost of a 100 lb. pound bag of dextrose.

These companies, as I have told you, get a certain amount of by-products, and under their accounting methods they credit the full revenue from these against corn costs. By rule of thumb, you get back about 40% of the gross corn cost from sale of by-products, in this case $1.53. Therefore, your net corn cost is $2.30, and your gross margin or gross spread is $4.52.

If you want to convert into bushels you divided by 3.33 and you get an average margin of a little over a dollar per bushel of corn ground and connected to dextrose.

Just to show you the mechanics of this 40% rule of thumb: Among the by-products you get 1.7 pounds of oil per bushel of corn, and at the time the market price was about 10 cents a pound, so you will have a by-product credit of 17 cents a bushel times 3.33 equals 57¢ per 100 pounds of dextrose produced. Similarly, 16 pounds of feed by-products per bushel of corn, with feed selling at $38 a ton produces a feed by-product credit of about $1.00 per 100 pounds of dextrose. The total oil and feed by-product credit is thus about $1.57 per 100 pounds of dextrose, closely coinciding with the $1.53 by-product credit obtained above from the 40% rule-of-thumb.

Just to show you this dextrose spread can vary, in October, 1949, there was a good corn crop and the price was down to $1.15, producing a gross spread of $4.52 per 100 pounds of dextrose but in the next year corn was $2.35, and the gross spread on dextrose dropped to $1.82 per 100 pounds. It varies all over and it is something that you must watch. You can do exactly the same sort of thing for starch and syrup. The "Journal of Commerce" every Wednesday publishes the New York price of all the basic corn products in bulk. The only difference on these products is that you do not take the freight credit.

This does not take into account the effect on net operating margins of fluctuations in volume. This business is a high-volume business. Therefore, if volume is high, this $4.52 means a lot higher net operating profit than if volume is low under the same gross spread.

In addition to statistical analysis such as the above. I think it is vital in any investment security work that an analyst periodically interview managements of the companies in which he is interested. It is usually the most effective way of learning what is going on currently, and of anticipating what is going to happen. Otherwise, it is all over the dam before you know what has happened.

I should like to give you a few points about the Corn Products Refining Company, again to illustrate some major accounting and other factors pertaining both to this company and to the others.

Analyzing Statistical Data

I think you all have copies of the 1949 Annual Report of the Corn Products Refining Co. Will you please turn to the balance sheet page? Now, this is an accounting point which is common to several processing companies, and I am sure, to other industries too. If you will look down the asset side under "Investments" you will see under "Stocks of Subsidiary and Affiliated Companies, Not Consolidated, At Cost or Less," that domestic subsidiaries are carried at nearly $5 million and foreign carried at about $13 million.

The Corn Products Refining Company operates all over the world. It has plants through Latin America. There are important plants in the British Isles, Holland, Belgium, France, Italy, and Germany. Germany was one of the biggest plants in the prewar period. They had the misfortune of having the Russian and American Armies meet at the river on which the plant was located. Unfortunately it was on the wrong side of the river, and the Russians completely dismantled and removed it. However, they have re-established two German plants since the war.

The company's detailed balance sheets as you see them represent nothing but the domestic business (except for the bulk figures covering investment in subsidiaries) and not all of that. They have important domestic subsidiaries that are not consolidated. All of these represent dollar currency, and as I shall show you shortly, the company's earnings reports include nothing but the dollars earned in their domestic corn refining operations plus whatever dividends they have taken out of their foreign and domestic affiliates.

In other words, unlike many companies that report fully consolidated balance sheets, the Corn Products Refining Company's earnings reports represent dollars in the till usable for reinvestment or dividend payments, and the reported earnings are not the complete picture.

Now, if you will look under "Other Income" on the next page, you will see the items "Dividends received from Domestic Companies" and "Dividends Received from Foreign Companies." If you will turn one more page to "Footnotes," — and by the way, you should always read the footnotes in an annual report; they are generally an important part—you will notice the company estimates that its equity in earnings of domestic subsidiary and affiliated companies amounted to approximately $1,211,000 during 1949, and that dividends received from these subsidiaries totaled approximately $413,000. The difference between those figures represents additional earnings that are just as much the stockholders' earnings as though they were taken out in dividends and they are just as good as the earnings reported by the company. Similarly the company's equity in 1949 earnings of foreign subsidiaries and affiliates is estimated at $3,765,000 from which dividends of $1,657,000 were received. Now, if I may turn from that for a moment to another important accounting factor, I will try to tie in the two to show you how we adjust earnings to see what is going on.

By the way, it is a good rule of thumb never to accept reported earnings without challenging them. They may not be comparable to those reported by another company. Unless you can put them on a comparable basis, you cannot draw sound price to earnings ratio comparisons.

Method of Inventory Accounting

I am going to cover a very difficult point here. It has a bearing on a lot of companies. That is the method of inventory accounting used. I am not too familiar with how much you have gone into it, but there are several methods by which a company determines its inventory figures.

One is called the first-in, first-out basis, in which the first item that goes into an inventory comes out first for inclusion in the income account cost of goods sold.

Another method is the one that has come into vogue during the last 10 years. That is the last-in, first-out whereby the latest purchase goes into the cost of the product first.

Corn Products has a method that is entirely its own. I am going to explain it to you because it illustrates ideally what problems an investment analyst runs into, and how he must study these things.

Corn Products basically uses the first-in, first-out system, but they also have a "normal stock" which amounts to 5½ million bushels of corn, or equivalent. They always carry reserve against this normal stock to bring its basic corn cost down to the lowest levels that they had experienced in late prewar years. In other words, they carry this stock at a net cost around 50 cents a bushel.

What does that mean to reported earnings? I am not going through all the details, but if corn costs rise they have to set up extra reserves out of earnings to build up the total inventory reserve so that the normal stock is still carried at 50 cents net per bushel. In other words, if the price is $2.50 they carry a reserve equal to $2 a bushel. If the price goes to $3, they have to add another 50 cents, which comes out of earnings.

That means that when the price of corn is going up, they are penalizing earnings by the increase in the price of corn to the extent of the normal stock. They are reducing it by that amount when the price goes down. They take out of that reserve the difference between the new cost and the old, and throw it back into earnings.

This method of inventory accounting is not allowed by the government for tax purposes. Therefore, when the price of corn goes up, they are not only penalizing their earnings by the increase in the price of corn, times the 5½ million bushels of normal stock, but they also pay the tax on the amount charged out.

When the price goes down, their earnings are benefited by taking the decline out of these inventory reserves back into earnings, tax-free since the tax has already been paid on the reserve.

One further point: when the price of corn goes up, the theory behind this accounting is that they make an inventory profit on their normal stock. They take that inventory profit out of the earnings and throw it into a reserve. Since the government doesn't recognize that, they must pay a tax on that profit even though it is not shown in the reported earnings.

Conversely, when the price of corn goes down, they experience an inventory loss, but they compensate for that by taking it out of reserves and throwing it back into the earnings. Again, the government doesn't recognize that, and they give the company a tax credit for the inventory loss that doesn't show up in earnings.

Now, what does that mean? If you will look at the company's quarterly income account figures, you will see that the effect of corn price changes shows up much more so than it does normally.

In 1947, you remember I told you, we had a short corn crop and the price of corn went skyrocketing. If you calculate their taxes as a percentage of net before taxes, bearing in mind that the normal rate was 38%, you would find that quarterly rate ran, 46%, 45%, 46½%, and then went down to 36% in the fourth quarter. For the whole year it was 44%.

If you didn't know this inventory accounting method you would wonder why, and you would think something was wrong, with earnings understated, which is just the answer by comparison with results under the straight first-in, first-out method. They are are understated by the amount of these reserves taken out and thrown into the inventory.

What happened in 1948? Well, the price of corn declined. When this took place you would expect to see the effect of the resulting inventory loss and the tax credit. However, they were offset in reported earnings by the amounts taken out of reserves and thrown back into earnings. In 1948 the corresponding quarterly income tax ratios were 37%, 20%, 12%, and then back up to 32%. It was 27% for the year.

This illustrates some of the problems you get into as an investment analyst, which you must study and understand. Now I am just going to show you a few of the adjustments we make to reported earnings for the purpose of becoming what they would have been under accounting methods more generally used. These adjustments relate to first, the inventory reserves and, secondly, the undistributed earnings in unconsolidated subsidiaries.

Let's take the company's earnings of 1945, 1946, 1947, 1948, and 1949. They were reported in per share figures as $2.73, $4.71, $6.06, $4.41, and $4.87. What are the adjustments? To adjust for inventory reserve changes, they were for the respective years +5¢, +36¢, +$2.16, —$1.99, and +28¢. The undistributed earnings were +64¢, +36¢, +93¢, +$1.20, and +$1.15. So that the adjusted earnings were $3.42, $5.43, $9.15, $3.62, and $5.74.

This inventory reserve is just one of the methods numerous companies have been using to iron out the peaks and valleys of reported earnings. As the result of the depression experience, they felt that investors were scared by such sharp fluctuations. An analyst should dig below the surface and figure what the earnings are under the more normal methods of inventory accounting, if proper comparisons are to be made with other companies.

Just one other closing word to show you some of the points you should examine in connection with the many new plants and additions of recent years. I shall pick at random the Corpus Christi plant of the Corn Products Refining Company in this connection.

During the war, in Texas, production of milo maize was greatly expanded for export and domestic animal feed purposes; much of this demand was destined to end when the war was over. Thus, Texas had an adequate and uncompetitive source of raw material for a new corn refining plant. Milo maize is a short corn about three feet high and its use is more limited than that of regular corn. You can plant and harvest it at a low cost. It is grown right in the backyard of the company's new plant. It is harvested, mechanically and taken right into the plant. Moreover the plant is located on an estuary where ships can take the finished products right from the front door. When labor costs are high, these are vital cost saving factors.

This plant has everything in the way of the latest type of equipment and machinery, and it uses natural gas in place of coal, at substantially lower cost than in the company's Argo plant at Chicago which heretofore has been the ideal in economy in the industry.

From the standpoint of markets, the new taxes plant is well located to serve by water the East Coast confectionery industry and the West Coast canners with dextrose, and the company's British plant with starch, not to mention the growing Southwest market where there are no nearby competitive corn refining plants.

If tapioca comes back from Java and comes in at a price which is competitively too cheap, the Texas plant can use it rather than milo maize as a raw material for producing starch and dextrose, thereby capitalizing on the competitive tapioca factor rather than suffering from it.

These are the strategic factors that an investment analyst should know. If we spend $23 million for a new plant and we are not getting such benefits as these, then you should question management as to why such expenditures are justified.

I have tried to illustrate these numerous points in order to indicate the factors you should look for if you are going to be an investment analyst.

Continued from page 5

Observations . . .

alone, holding that Communist ideology breeds on want—an excuse given also by individuals as Lee Pressman in alibi-ing his having joined a Communist cell because of our Depression of the 1930s. We see that France, despite a great rise in living standards resulting from three years of Marshall Aid, is faced with stronger domestic Communist opposition than previously.

That Item of Cost

Now surely is the time to give an extra careful look at the cost element of this as well as all other projects—a time when even spender Truman professes to realize that the danger of wholesale inflation is one of our greatest enemies. We must by this time know that the initially specified cost of all subsidy programs is merely a faltering first step of "the camel getting his head in the tent." Hardly had the President made known his proposal for Point IV on a $45-million key, before the Public Affairs Institute through Messrs. James Warburg and Dewey Anderson was out demanding the program's expenditure of *$5 to $6 billion* (not million) during each of the next 50 years; Senator Brien McMahon was winning wide acclaim for his demand for expending $50 billion during 10 years in a "stupendous" new program of international "investment"; and Benjamin Javits asks, not to be outdone, for Point Four-ish outpouring of $20 billion per year over the next half-century, in a book entitled *"Peace by [sic] Investment."* All these spending-proponents seemingly overlook the fact that the inflationary aftermath of such outpourings would result in the descent of the dollar to the Chinese level, with ruin to the recipients as well as to our own citizenry.

Point IV and Our Own Business

Another factor to be considered realistically by our investors is whether the industrialization of other countries actually would, as is frequently represented, help our foreign trade. The contrary conclusion is evidenced in a study by Professor G. D. A. MacDougall, showing that England's severe 1913-1937 decline in exports was actually caused by the halving of her trade to the newly industrialized and industrializing countries of the world.*

The Guaranty No Investor Boon

In its *guaranty* provisions Point IV is perhaps of greatest direct interest to the investment community. On the one hand these guaranty, or so-called "insurance" provisions, which are an integral part of the legislation which has been passed by the House and is being promulgated in the Senate, might deem to be helpful to the investor in transferring losses (which aggregated $15 billion after World War I) from his back to the taxpayers. On the other hand, however, he must realize that investment is thereby being socialized here and abroad; that the sound practises of the World Bank, which has already extended $1 billion of loans on a sound businesslike basis, will be undermined; and that the uninsured already outstanding private investments will be discriminated against.

Moreover, the American investor will come to be thought of as an agent of American imperialism through the above-cited peculiarly contradictory and jumbled aims of the Point IV program as it is being projected.

Far from being a boon to the investor, it should be realistically seen as a liability.

*Cited in "Foreign Policy Reports"—"THE UNITED STATES AND POINT IV PROBLEMS," by Howard C. Gary, Sept. 15, 1950.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The difficulty of figuring the effect of news on the market was amply demonstrated at the start of the week when the stocks of the companies that depend a great deal on time payments, suddenly went down on the news that credit restrictions would go into effect.

* * *

It wasn't exactly a secret that limitations on such credits were part of the general mobilization plan. Newspapers wrote about it; commentators discussed it. In fact, if it was a secret, it was the worst kept secret in recent times. Still when the order came down, via a Presidential speech, the market took one look at it and ran away.

* * *

The point of all this is to reiterate that buying stocks (or selling them) in anticipation of news is one of the most futile things to engage in.

* * *

My considered opinion is that the automobile and television stocks were already in a selling range for some weeks. The news merely brought the indications to a climax. If that reasoning is correct then the break in these issues should represent an opportunity to buy rather than a signal to sell. The next few days should tell the story.

* * *

Generally speaking a war market means bigger and better earnings to major producing companies as against the consumer outfits. Everybody knows that during a war the major effort is towards the production of war goods and a minimum of civilian goods. The ideal is to find companies that produce for both. Among the latter, as explained last week, are the oils and sugars. To these may be added the steels and chemicals.

* * *

This doesn't mean that such stocks will be invulnerable to the vicissitudes of news. On the contrary, the higher their advance the greater their decline. But that is a part of stock market behaviorism. When the pendulum swings too far in one direction it will swing back just as far, or almost as far, in the opposite direction.

* * *

According to the Dow theory we are still in a secondary reaction of a primary upward trend. The rise to a new high last week in the rails confirmed the latter; the failure of the industrials to duplicate the action of the rails indicated the presence of the former. Theoretically there will be no full confirmation of the bull market until the industrials go to a new high which means another eight points or so before it is seen. But waiting for a full confirmation is like waiting for the train to start rolling before jumping aboard.

* * *

J. A. S., Baltimore: "Buying on weakness . . ." means weakness in the individual stock. Obviously you can't buy the market. But weakness in a stock not accompanied by general weakness is open to suspicion.

Stocks for short sales must obviously come from the stock market listing. Short sales, unless engaged in by a professional, are dangerous.

[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.]

With R. H. Johnson & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Boleslaw J. Tobias is with R. H. Johnson & Co., 70 State Street.

With Francis I. duPont

(Special to The Financial Chronicle)

CHICAGO, Ill. — Clarence A. Reihmer has become associated with Francis I. duPont & Co., 208 South La Salle Street. He was formerly with Norris & Kenly and Shields & Co.

With Pledger & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Samuel Pedolsky has joined the staff of Pledger & Co., Inc., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

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Korea and Taxes

from $16 billion in 1930 to $88 billion in 1950. As a matter of fact, Mr. Truman and his advisors wanted to shove it up still more.

The theorists who keep telling us that national income is going to grow and grow and grow to the point where it can be tapped painlessly for all frills no matter how great, must forget these 19 years and that a good many businesses have gone broke on this theory.

Yet our Federal government seems to think that its credit is unlimited, that it can borrow a little more this year and a little more next, and that some year perhaps its income will be big enough to start paying back, although its policy has been one of **virtually no restraint** in the things which it has wanted to buy for the people.

We are not yet in an all-out war. Unless the national emergency gets worse, it is manageable in size and we can pay the cost as we go by making and keeping three simple resolutions.

These are **not** the President's three "guiding principles" which are framed to apply to others, and not to himself.

A Resolve For Next Three Years

We resolve:

For the next three years, we the people of the United States, will make it amply clear to our government that, except for expenditures in connection with our rearmament and defense,

(1) the government is not to buy for us anything new we don't clearly need and can't pay for as we go.

(2) It will stop buying some of the old things which would be nice to have perhaps, but which we can do without, and

(3) it will not spend more of its revenue on those domestic civilian expenditures not having to do with defense than it did during World War II.

What does this mean? Well, for one thing, it will mean cutting non-defense spending from the present proposed budget of $12.5 billion to a level which would probably be in the neighborhood of not over $6.5 billion. But actually the question might be asked very seriously whether it mightn't be cut further to the $5 billion level which seemed to serve our needs in 1945.

There is no question in my mind but that this is an entirely workable and practical program.

It does require two things: First, the people of the United States have to want it done. They have to realize that every penny they get from the government —in cash, in public works, or any kind of so-called social service, either comes out of their own pockets in taxes of one kind or another, or is added to a public debt that sooner or later they will have to pay off or forgive. Second, when the people make up their minds that they are going to cut out these non-defense frills, they have to tell their government that they mean it.

Where Spending Can Be Reduced

Now, as I have said, there is not the slightest doubt in my mind that these expenditures could be reduced. Let me give you some examples:

Take that element in the Federal government known as "Housing and Community Development." In all of the growth of this country, from the time that it was first conceived as a republic, up to the start of World War II, and afterward during 1945 and 1946, the people individually or collectively built their own houses and developed their own communities. Aid from the government was small or absent. In the 1950 budget our government provides for $1,329,000,000 of public money to be spent for housing and community development. I am not going to argue whether all or what part of this should be stopped at a time when we are spending more than we can take in. I only point out that before the war the amount in the Federal budget carried under the heading "Aids to Private Housing" was $14,000,000, whereas today the amount under exactly the same heading is $1,027,000,000.

Over the years the Federal government has always recognized the responsibility for the development of our natural resources and the people have always been glad to pay reasonable taxes to see these resources properly developed and preserved. In 1939 the budget included $228 million for this purpose. In 1950 the budget for the same purpose is $1,845,-000,000. In all fairness I must point out that $673 million of this is for the development of atomic energy. But on the other hand, under the subheading, and I quote, "Conservation and Development of Water and Land Resources Not Primarily Agricultural," the expenditure in 1939 was $178 million, in 1950 it was $964 million.

There is another heading in the Federal budget entitled "Transportation and Communication," under which the Federal government carries out its obligations to the people with respect to aid in highway development, air fields, and navigational aids for both air and waterways. In 1939, somehow or other, the government managed to keep its people satisfied with an expenditure of $498 million. But for 1950 the Congress has been assured that no less than $1,894,000,000 will be needed to meet the urgent needs of the people.

Here then, are three areas alone in which budgets today are anywhere from a billion to over a billion and a half dollars greater than they were in 1939.

No one can tell me that in time of urgent need such as we are now facing, that these sums cannot be very substantially reduced, if there is a will to do it.

There are other areas, not so large, from which $50 to $100 million could be trimmed. Some people in government seem to think the sums too small to worry about in a $40 billion budget.

I, for one, have never been able to get my thinking adjusted to the point where $50 million or $5 million is small change.

But to get back a minute to the box car figures, I didn't touch on Agriculture at all. Agriculture has always been a large part of the government's total expenditures. Before the war Agriculture and Agricultural Resources were budgeted at about $1,200,000,000. In 1950 the Agricultural Department says it needs over $2,600,-000,000. Most of this increase is in the form of loan investment programs to aid agriculture, which, for my money, never needed less help.

I wonder if you won't agree with me that if the government wanted to cut these domestic civilian expenditures down to the war-time level, or even below, it could do it.

Of course, as I've said before, the government has to be told by the people it represents that this is what they want, and they've got to tell it so in the only way that government understands—by word of mouth, by letter, but most of all, through the ballot box.

Business Must Stop Seeking Federal Subsidiaries

Restraint has to start with the people. Businessmen have not been without fault in this spending spree in which our government finds itself. Businessmen must stop seeking Federal subsidies of one kind or another for their businesses. Businessmen must stop seeking non-essential Federal contracts. Chambers of Commerce must cease urging on the government unneeded expansion of Federal activities in order to create payrolls in their localities.

State and local governments must stop letting the Federal government do for them things they can do better for themselves.

The best figures I have been able to get tell me that in 1939 the total of Federal grants in aid were $521 million. The current budget, if it's not modified, would send $3 billion on its way back to the states in the form of one or another kind of Federal assistance.

Under war conditions such as we now face we probably can't afford many of the things these grants will pay for. But if they are bought, the states can collect the money direct from their own people at a lower cost than by routing it through Washington and back on its way to where they will use it.

I suspect that there has never been a more expensive money-raising and handling agency than our present Federal government, a point of view which would seem to be borne out by the recent Hoover Commission Report.

We must provide generously for our defense, but by the same token we must be intolerant of non-essential expenditures. Each dollar frittered away is just another contribution to Czar Joseph's cause.

We are about to have an interim tax measure. The tax structure under which we shall live, probably for many years to come, is to be set up by the next Congress. It will help to shape the lives of all of us far into the future. It could well shape our form of government. It should be the best tax measure which can be devised to meet the problems facing us.

An Adequate Tax Plan Called For

Your discussions here should crystallize many ideas with respect to the content of that measure. I believe there are some eight or nine important tax committees or associations throughout the country, each of which has made important studies and contributions in its field. One of the most constructive things that could be done would be for all of these associations to form an inter-association board of strategy which would represent the views of all the members and place these views before the Secretary of the Treasury and the Committees of Congress who will be charged with the preparation of the tax measure. Anything as important as this, anything as far reaching as this, anything which will touch the lives of all of us, should be prepared only after the most exhaustive study. The testimony to be presented should be thoroughly digested, thoroughly organized, and put before the government and the public in such a way that by sheer weight of logic it will be accepted and translated into the law of the land. Next year's tax bill should put us on a pay-as-you-go basis, and the money should be raised with the burden fairly distributed over all activities and all people. Because this is everyone's country, the cost of keeping it so is everyone's burden.

But most important is the amount of the taxes. The foreign policy of Russia has not changed in over 300 years, from Ivan, to Peter, to Catherine, to Alexander, to Nicholas, to Alexander, to Nicholas, to Joseph, it has been basically the same. It has been a continuous and insistent policy of expansion. To force — plain brute force—was added espionage and restriction of freedom of speech in the 19th Century as a means to Russia's ends. In the 20th Century they added Communism as an insidious inside worker in the lands they coveted. Czar Joseph is no different than Czar Ivan. He is just smarter and he has used more tools to further his ends. Times have not changed since Kipling wrote, when we were younger, "There is no truce with Adam-zad, the Bear that looks like a Man." Czar Joseph knows bad taxes, improperly placed and used, will kill us off with a lot less trouble than bullets. Red-ink spending, in time, means a red government here in the U. S. A.

With Loewi & Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Linus T. Roehm has become associated with Loewi & Co., 225 East Mason Street, members of the Midwest Stock Exchange. He was formerly associated with Dayton & Gernon and Carter H. Harrison & Co.

W. E. Hutton Co. Adds

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Robert E. Kenyon has become associated with them as a registered representative. Mr. Keynon was formerly with Bache & Co.

Two With Mathews

(Special to The Financial Chronicle)

BOSTON, Mass.—Richard F. McNamara and Leonard H. Morse are with Edward E. Mathews Co., 53 State Street.

Joins Paine, Webber

(Special to The Financial Chronicle)

BOSTON, Mass.—Charles N. Donnelly is now with Paine, Webber, Jackson & Curtis, 24 Federal Street. He was formerly with Bond & Goodwin, Inc.

Joins Lyman Phillips

(Special to The Financial Chronicle)

BOSTON, Mass.—Thomas J. Lennon has become associated with Lyman Phillips & Company, 201 Devonshire Street. He was formerly with E. W. Mundo & Co.

Joins Butterfield Co.

(Special to The Financial Chronicle)

JACKSON, Mich.—James W. Haischer is with H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building.

With E. E. Henkle Co.

(Special to The Financial Chronicle)

LINCOLN, Neb.—Howard Apland has become affiliated with E. E. Henkle Investment Company, Federal Securities Building.

With Waddell-Reed

(Special to The Financial Chronicle)

O'NEILL, Neb.—Esther C. Harris is connected with Waddell & Reed, Inc., Kansas City.

American Secs. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Amy C. Fahlgren has joined the staff of American Securities Corp., 111 West Monroe Street.

J. G. Cahn

Joel G. Cahn, retired stock broker and a former member of the New York Stock Exchange, was killed when his car crashed into a tree on the Taconic State Parkway.

Continued from page 5

The State of Trade and Industry

industry is expected to continue extending this record of sustained operation, although the strain becomes greater with each passing week.

Most steel companies are now sold out for the rest of the year on nearly all products. They have closed their books to all but defense orders. Some companies have enough orders on their books to operate at capacity for the next six months. Some are holding first quarter 1951 open to clean up fourth quarter carryovers. They indicate these carryovers will take most of the first quarter output.

Some big consumers would like to extend conversion deals through the entire year 1951, but the converters are shying away from any commitments beyond the first half of the year, concludes "The Iron Age."

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 99.6% of capacity for the week beginning Sept. 11, 1950, compared to 98% a week ago, or a rise of 1.6 points.

This week's operating rate is equivalent to 1,921,000 tons of steel ingots and castings for the entire industry, compared to 1,890,100 tons a week ago. A month ago, based on new capacity, the rate was 100.1% and production amounted to 1,930,600 tons; a year ago, based on the smaller capacity then prevailing, it stood at 86.6% and 1,596,500 tons.

Electric Output Falls in Holiday Week

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 9, was estimated at 6,028,527,000 kwh., according to the Edison Electric Institute.

The Labor Day holiday resulting in the closing of plants and businesses caused electric kilowatt consumption to decline the past week.

It was 430,859,000 kwh. lower than the figure reported for the previous week, 770,437,000 kwh., or 14.7% above the total output for the week ended Sept. 10, 1949, and 862,401,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise Moderately in Latest Week

Loadings of revenue freight for the week ended Sept. 2, 1950, totaled 852,321 cars, according to the Association of American Railroads, an increase of 13,892 cars, or 1.7% above the preceding week.

The week's total represented an increase of 148,387 cars, or 21.1% above the corresponding week in 1949, but a decrease of 42,810 cars, or 4.8%, under the comparable period of 1948.

Auto Output Turns Downward in Labor Day Week

According to "Ward's Automotive Reports" the past week, combined motor vehicle production in the United States and Canada of 150,342 units, compared with the previous week's total of 188,072 (revised) units and 123,806 units a year ago.

Ward's added that shortages of basic materials such as steel, virtually all nonferrous metal, and even of screws, nuts and bolts continue to hinder production.

Total output for the current week was made up of 121,375 cars and 21,520 trucks built in the United States and a total of 5,443 cars and 2,004 trucks built in Canada.

Business Failures Hold at Low Level

Commercial and industrial failures totaled 145 in the holiday-shortened week ended Sept. 7 and changed only slightly from the 143 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were somewhat less numerous than a year ago when 148 occurred, they remained well above the 1948 total of 83 in that year's comparable week. In comparison with prewar levels, failures continued to be low; they fell 31% below the 209 which were reported in the similar week of 1939.

Casualties involving liabilities of $5,000 or more rose slightly to 113 from 109 and exceeded the 111 of this size a year ago. On the other hand, small failures, those having liabilities under $5,000, dipped to 32 from 34 and were less numerous than last year when 37 businesses failed in this liability group.

All industry and trade groups except manufacturing had mild increases in mortality. Contrary to this general uptrend, manufacturing failures declined. More casualties occurred than in 1949 in both trade and service lines, but failures in manufacturing and construction dipped below last year's level.

Five geographic regions reported an increase in failures. In contrast to these upswings, the Middle Atlantic States along with the West North Central, South Atlantic, and Pacific States, had fewer casualties than in the similar week of last year. Mild increases from 1949 appeared in four areas, while casualties in the Mountain States remained unchanged.

Food Price Index Eases in Holiday Week

There was a moderate drop of four cents in the wholesale food price index last week, according to Dun & Bradstreet, Inc. The index as of Sept. 5 stood at $6.65 compared with the two-year high of $6.69 a week ago and $5.82 a year ago. This was the first decline in the past twelve weeks.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Marked by Fractional Declines

After reaching a two-year high at the end of August, the Dun & Bradstreet daily wholesale commodity price index dipped fractionally. It remained very close to the recent peak closing at 286.58 on Sept. 5 as compared with 286.38 a week ago and 242.22 at the corresponding time last year.

Moderate price increases in grain futures accompanied a rise in trading during the past week. With the harvesting of wheat now progressing in many of the important producing areas, additional receipts are anticipated.

While there was considerable activity in wheat on the futures market, the demand for cash wheat remained slow as did the cash demand for most grains.

Closing prices for grains generally were steady to slightly higher than in the preceding week.

There was some increase in flour buying reflecting the effort of some mills to protect against rising prices. Buying was not particularly active; bookings were limited largely to immediate or nearby needs with no appreciable buying beyond September.

Trading in coffee remained steady with an expected slight decline toward the end of the week prior to the long holiday week-end. Spot prices continued virtually unchanged. An increase in cocoa prices occurred last week; trading volume was slightly slower than in previous weeks.

Increased production of cocoa in both British West Africa and Nigeria are anticipated this year. While the demand for refined sugar did not reflect unusually heavy buying, it was sustained by the seasonal orders of the canning industry.

Hog prices fell sharply from the high level of the previous week. There was a moderate increase in receipts and further increases are expected in view of the unusually large spring pig crop. There was moderate activity in sheep and lambs with prices remaining fairly steady.

Cattle receipts this week were among the largest recorded so far this year; prices were steady to slightly below last week's levels with the demand generally down somewhat.

Spot cotton prices moved up at the close of the week after fluctuating irregularly within a narrow range. Buying generally was more active than in the preceding week. There was some expectation that the first estimate of the season's cotton crop at 10.3 million bales would be high in view of the unfavorable reports of weevil damage and adverse weather. A further increase in cotton consumption as a result of additional military orders could cause a sharp reduction in carryover stocks.

Trading in the Boston wool market continued to be limited the past week reflecting the scarcity of offerings of most types. Prices rose appreciably following the opening of the Australian auctions where prices were reported to be from 35% to 50% above last June's closing.

Trade Volume Declines Moderately in Holiday Week

Humid weather combined with the Labor Day week-end brought retail spending in the period ended on Wednesday of last week to a point moderately below the fairly high level of recent weeks. The aggregate dollar volume, however, was slightly above that for the corresponding week in 1949, Dun & Bradstreet, Inc., reveals in its current summary of trade.

While apparel buying generally dipped last week, vigorous promotions were reflected in markedly increased demand for some items; this was particularly true of furs and footwear. Other, less successful, promotions featured wool jersey blouses and flannel suits for women, and haberdashery and worsted suits for men.

Housewives purchased slightly less food the past week than in the previous week; the dollar volume for food was slightly above last year's level, however.

Interest in canned goods receded somewhat, as many shoppers preferred fresh fruit and vegetables. The demand for meat, of both the fresh and frozen varieties, rose slightly in some communities. The sale of frozen fruit juices increased somewhat, while the volume of dairy products purchased was nearly unchanged.

Spending for house-furnishings declined moderately last week, as many consumers balked at upward price adjustments in a number of items.

In some vicinities there was a noticeable decline in the purchasing of vacuum cleaners, washing machines and similar household appliances. The previous level of furniture and floor-covering buying was virtually maintained. Interest in housewares decreased markedly in some localities, while in others it was almost unchanged.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 3% to 7% above a year ago. Regional estimates varied from last year's level by these percentages:

New England +1 to +5; East and Pacific Coast +3 to +7; South 0 to +4; Midwest +4 to +8; Northwest +5 to +9; and Southwest +7 to +11.

With the observance of the Labor Day week-end by many businesses, order volume for the country during the week dipped slightly from its high level of previous weeks. Total dollar volume for wholesale orders continued to be moderately above that for the comparable period a year ago. The number of buyers in attendance at various wholesale centers fell somewhat the past week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 2, 1950, rose 5% from the like period of last year. An increase of 14% (revised) was recorded for the previous week from that of a year ago. For the four weeks ended Sept. 2, 1950, sales showed a rise of 14% from the corresponding period a year ago and for the year to date registered an advance of 4%.

Retail trade in New York last week held active under the stimulus of increased purchases of seasonal apparel and accessories.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Sept. 2, 1950, declined 2% from the like period of last year. In the preceding week a rise of 9% was registered from the similar week of 1949. For the four weeks ended Sept. 2, 1950, an increase of 9% was noted and for the year to date volume showed no change from the like period of last year.

Continued from first page

Our Fiscal Resources For the Emergency

peacetimes when we did not ask them to work so hard nor to produce so much. Heavier taxes mean that the financial incentive to produce — the take-home pay — diminshes. So we must obtain maximum production while we pay less for it. How is that miracle to be accomplished?

The first step in solving any problem is to get the facts; to organize and analyze them; and then to use one's experience and judgment to work out as intelligent an answer as possible. You are perhaps the best group in the country to do the job of marshalling the tax resources of the country, and you are surely going to be asked to do it. Apparently the Revenue Act of 1951 will be the tax charter for the next several years; and that Act is going to be studied out and drafted this fall.

(1) What is the situation we confront? Is it so much like World War II that we should use the same fiscal weapons to fight it? We are not yet involved in an all-out war. The present hostilities are limited in area, and so far we have not committed great armies and naval forces to the battle. Korea is a valuable warning to us to get ready for another war that may break out in some other place, to strengthen our forces with a view thereby to preventing an attack that is more apt to be directed against an unprepared and weak nation than against one that is strong and ready.

We may have to build up and maintain strong military forces for years. Who would be so bold as to assure us with confidence that the menace of war will be ended in 1951, in 1952, in the next five years, in the next decade? Surely we all wish that cold wars and hot wars and all other kinds of wars could be put behind us and that a new and better world would dawn. Prudence counsels, however, that we make our fiscal plans on the basis that this country and perhaps the world may be an armed camp for a number of years to come, and that we may have to pay the costs in very heavy taxes for many years.

Our fiscal planning, then must be long-range. We cannot stop our planning with a tax program just for 1951, 1952, nor for 1953. Since the projected tax program must produce much more revenue than peacetime levies, even after we effect all the economies we can in government and in civilian expenditures, and since we must be particularly careful not to discourage by taxation the incentives to turn out the goods that will win wars for us, it is particularly essential that the revenue program conform to high standards of tax fairness. This is no time for facile solutions of our fiscal problems.

Present Fiscal Situation

The present situation, then, has these fiscal characteristics: (1) The United States must spend much more money in the next few years on the military establishment. (2) The United States may have to continue such expenditures for several years, perhaps indefinitely. (3) We are not yet required to pay for all-out war, but we may yet have to pay for it, possibly after years of heavy military expenditures. (4) There is every reason, therefore, for trimming the fat off of the current Federal budget expenditures, particularly the ordinary civilian expenditures in the budget, to put the budget in the best shape for the possible emergencies of the future. (5) It would be wise not to exhaust our tax ammunition in this the first skirmish. We are probably going to need much more tax revenue later.

(2) No August or September budget revisions have yet appeared. Nevertheless it appears likely that national defense or military expenditures, budgeted in January at $13.5 billion, will run about $19 or $20 billion for the current fiscal year. Expenditures for international affairs and finance may be expected to total about $5 billion, including $1 billion out of an additional appropriation for military aid. The war boom and our foreign purchases should alleviate the situation ERP was designed to cope with. All other expenditures were estimated in January at $24.2 billion. If these latter expenditures could be reduced to the level of fiscal 1948, not a year of abnormal economy, we would spend $18 billion in a full year, a saving of $6.2 billion over the January estimates. In fiscal 1951, we can still reduce such expenditures to $21 billion, and if we did, the result would be a $45 billion budget, as against the $42.4 billion budget proposed in January.

Revenues are bound to increase during the current year above the January estimates because of the extraordinarily high level of business activity, as well as the tax increases made in the 1950 Revenue Bill. The 1950 increases apply to about three-fourths of the fiscal year 1951, so that at least $3 billion of new revenue will be produced if that bill is put in force. The January estimate of total receipts was $37.3 billion. $43 billion seems now a conservative estimate of the actual revenues. Hence the deficit for fiscal 1951 is likely to be $2 billion or less, rather than the originally forecast $5.1 billion. We are not confronted, then, with an immediate fiscal emergency.

In fiscal 1952, military expenditures and foreign military assistance will increase further, perhaps to about $30 billion. The cost of our international finance and recovery program should further decline, however, to perhaps $2 billion. If all other expenditures are held to the 1948 level, $18 billion, we have a total Federal budget of $50 billion. Revenues from taxes now in the books can be expected to produce $47 billion, with the high levels of business activity bound to accompany war preparations. The deficit, then, for fiscal 1952 would be about $3 billion.

Budget Should Be Balanced

We should certainly balance the budget in times of phenomenal business activity, like these. We confront a need for substantial cuts in civilian expenditures and for some additional taxes to enable us to pay as we go, but the amounts immediately involved are not great.

As we go into an armed camp economy, there is every reason for trimming off the fat from current domestic civilian expenditures. If we cut back to the 1948 level expenditures for functions other than national defense and international affairs and finance, we could save over $6 billion from the January, 1950, estimates. That program is really a minimum. We can certainly cut down, for example, on acquisitions of mortgages by the Federal National Mortgage Association. If it sold out some of its holdings, over $1 billion, there could be a flow of money into the Treasury instead of a net outgo. Expenditures of public funds to hold up agricultural prices (budgeted at over $1 billion for 1951) are unnecessary, as our condition changes from surpluses to shortages. Surely we should not undertake new social welfare programs at this time; nor expansions of existing programs, such as rivers and harbors. If we merely hold the line, or better, if we cut back, the budget saves billions of dollars.

Senator Byrd told us, on July 31, that we could cut the budget requests for 1951 by $9 billion or $10 billion, without encroaching at all on military expenditures.* There is one of our greatest fiscal resources — to balance the budget by refusing to spend so prodigally for non-essentials. We have hardly begun to think along these lines, and we have had a singular lack of leadership in sound fiscal management. From every point of view, we will gain greatly as a nation by trimming the budget, particularly non-essential civilian expenditures, down to a figure we can surely pay for.

Should We Have An Excess Profits Tax?

(3) We come now to the question most under discussion in the market place—should we promptly enact an excess profits tax? The question is not really whether we shall have an excess profits tax, but how soon; and what will be the base for determining excessive profits? The argument popularly advanced for it is not so much its revenue productivity, as the necessity of taking the profit out of war.

How does the excess profits tax stand on the record? We have used it in two wars, and repealed it when the wars ended. We have never used it in peacetime. Its name is very appealing, even convincing, to a layman. What could be fairer than to skim off excessive profits, particularly in wartime, and give them to the government?

But what are excessive profits? Presumably the excess over fair profits. And how can the Commissioner determine fair profits in the cases of all the different businesses in the country? More particularly, what hard and fast rule can be enacted into law that will fairly distinguish fair from unfair profits in the case of a railroad, a magazine, a soft-drink, a new business that just started, an old one that has been ticking along for years?

Bear in mind, too, that an excess profits tax will take away income, and under the 1950 law, 45% of corporate income is already earmarked for the Government. Surely the money which the Government has already elected to take for itself cannot be an excess profit. So the question becomes, how much of the remaining 55% of total corporate income should be added to the Government's share? Would it be simpler and better simply to increase further the rate of tax on corporate income?

Our previous experiences with the excess profits tax have not been very happy. The tax has been found to operate so badly that we have hastened to repeal it at the end of the war. In the last law, we used (1) average earnings for a base period and (2) a percentage of permissible earnings on invested capital, as measures of fair return. Both yardsticks had to be used, for one alone did not work fairly, and that added to the complexity and obscurity of the law. We found that in many cases of new businesses, businesses which brought out a new product that began to earn after the base period; businesses which were depressed in the base period—neither foot rule worked fairly. So Congress enacted broad relief provisions. The latest one of these was so broad that the Bureau concluded it could not possibly be applied literally, for the loss of revenue would be too great. To apply it accurately would have required more than mortal skill.

We start, therefore, with the proposition that we have not yet devised a satisfactory way to distinguish excess profits from fair and reasonable profits. Until we do, we must have grave misgivings about using an admittedly imperfect tax to collect a great amount of money. We know that such a tax has damaged promising businesses severely; and, on the other hand, has encouraged wasteful expenditures by established businesses. Nevertheless, experience shows that we are almost certain to have a war profits or excess profits tax in wartime.

The whole problem of excess profits taxation is, then, a major challenge to this group. We are at least familiar with excess profits tax experience and technique. Can we devise a base which will be fair, which will not be impossibly complicated in operation? None of us wants to encourage war profiteers. Can we best stop them by renegotiation or by taxation? If the latter, how should the law be drawn to separate sheep from goats, to permit American business to function as vigorously as it must? The endeavor to devise an excess profits tax that will work demands our best thought during the next few months.

More Tax Revenue Coming

(4) We are all familiar with the tremendous increase in the dollar figures of the gross national product and of personal income in the past decade. The gross national product stood at $91.3 billion in 1939. It was $215 billion in 1945. The current annual rate is $270 billion. Personal income was $72.6 billion in 1939; $172 billion in 1945; it is now running at the rate of $215 billion per year. We are obviously on the crest of a boom, and the war will not abate it.

Federal taxes and receipts have more than gone along with the trend. We had Federal expenditures of $9 billion in 1939. We spent $40 billion in 1949 and $40 billion in 1950. The relation of Federal taxes to gross national product was 5.6% in 1939 and 13.7% in 1950.

Federal budget receipts reached the peak of $45 billion in fiscal 1945. Since that time, consumer prices have increased 32%. Applying that percentage to 1945 budget receipts, $45 billion in 1945 becomes $59 billion in 1950. In other words, $59 billion of Federal revenues would be required to buy today the same amount of consumption goods that $45 billion bought in 1945.

Wholesale prices have increased 48%. A 48% increase in the 1945 budget of $45 billion would give $66 billion.

Total personal income has increased 27% since 1945. Gross national product has increased 26%. An increase of 27% in the 1945 budget total would bring a total of $57 billion. An increase of 26% would total $56 billion.

Budget receipts in fiscal 1950 were $37 billion. The dollar figures for the economy which I have cited range from 26 to 48% higher than for 1945. On the basis of only a 25% rise, total receipts of $56 billion today would be the rough equivalent of the heaviest wartime tax burden. In other words, we have a range of not quite $20 billion between the tax burden we are now bearing and the peak tax burden of World War II.

We were able to pay $45 billion into the Federal Treasury in 1945. By the same token, we could pay at least $56 billion now, if we had to do so. To be sure, $45 billion of Federal budget receipts were realized only in one year, but for the five years 1944-1948, inclusive, Federal receipts were never less than $40 billion. Hence, it seems that we could meet for several years the Federal budget required by a strong mobilization of armed forces, a much larger mobilization than is now contemplated. Indeed, were the United States under actual direct attack, we could doubtless bear more severe Federal tax exactions than we have yet known.

Conclusion

In conclusion, (1) if Congress will control non-essential civilian expenditures, military expenditures now in contemplation can be met without substantial tax increases. (2) Even if this country becomes an armed camp, and military expenditures rise considerably, the budget can still be balanced with no greater taxes than we carried in 1945. On that basis, however, exemptions must be lower and rates must be higher than we confront today. We will need to call on nearly all the taxable capacity of all our income-producing citizens. (3) If World War III comes to pass, the tax screws will have to be tightened still further. It is impossible to forecast how stringent the tax system will have to be; but it will no doubt be far more stringent than any we have yet known, for it must insure our survival as a nation in a life and death world struggle, which we will have to finance. No sacrifice of lives or of fortunes will then be too great.

Like the military, we confront a challenge to our learning and our experience. We have a little while, not long, to solve the first stage of our problem—to balance the budget required for the Korean War. The first requirement is to cut expenditures, especially civilian expenditures, to the essentials; to make sure that the Government is getting full value for every dollar spent; that we are not wasting billions on frills and foolishness. The second requirement is to design the very heavy Federal taxes which we must pay for the rest of our lives; to distribute the tax load among our people and our businesses so fairly that incentives to work hard and to produce mightily will not be unduly discouraged.

It is just possible that we can insure world peace by developing our strength, fiscal, military and productive, now. Our task in the fiscal field is fundamental, for we make productive and military accomplishment possible. Here is the greatest challenge we tax advisers have ever faced.

* Letter to "Wall Street Journal."

With Mann & Gould

(Special to THE FINANCIAL CHRONICLE)

SALEM, Mass.—Harry D. Wilkinson is associated with Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Roderic D. O'Connor is now associated with Francis I. du Pont & Co., 1010 Euclid Avenue. He was formerly with Paine, Webber, Jackson & Curtis, Cleveland, and with Carreau & Co. in New York City.

Two With Gottron, Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Samuel J. Minichiello and William P. Zabel, Jr. have become affiliated with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Franklin Sanders is now with Kidder, Peabody & Co., 115 Devonshire Street.

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. 17	99.6	98.0	100.1	86.6
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 17	1,921,000	1,890,100	1,930,600	1,596,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Sept. 2	5,759,630	5,699,480	5,640,350	4,813,350
Crude runs to stills — daily average (bbls.)	Sept. 2	¶6,109,000	6,197,000	5,944,000	5,233,000
Gasoline output (bbls.)	Sept. 2	20,171,000	20,263,000	19,783,000	17,891,000
Kerosene output (bbls.)	Sept. 2	2,310,000	2,272,000	2,055,000	1,560,000
Gas, oil, and distillate fuel oil output (bbls.)	Sept. 2	7,825,000	7,559,000	7,419,000	6,724,000
Residual fuel oil output (bbls.)	Sept. 2	8,219,000	8,543,000	8,079,000	7,226,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 2	105,563,000	105,793,000	108,895,000	104,834,000
Kerosene (bbls.) at	Sept. 2	25,670,000	24,829,000	23,560,000	25,560,000
Gas, oil, and distillate fuel oil (bbls.) at	Sept. 2	69,179,000	65,841,000	62,235,000	76,430,000
Residual fuel oil (bbls.) at	Sept. 2	41,437,000	41,697,000	41,791,000	67,997,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 2	852,321	*838,429	837,218	703,934
Revenue freight received from connections (number of cars)	Sept. 2	707,459	*692,683	702,259	569,326
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 7	$256,077,000	$342,486,000	$164,018,000	$146,541,000
Private construction	Sept. 7	192,884,000	222,705,000	87,469,000	88,400,000
Public construction	Sept. 7	63,193,000	119,781,000	76,549,000	58,141,000
State and municipal	Sept. 7	59,434,000	97,357,000	67,061,000	48,984,000
Federal	Sept. 7	3,759,000	22,424,000	9,488,000	9,157,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 2	11,020,000	*10,980,000	10,875,000	8,075,000
Pennsylvania anthracite (tons)	Sept. 2	961,000	959,000	962,000	888,000
Beehive coke (tons)	Sept. 2	143,300	*143,800	147,000	10,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Sept. 2	310	*288	296	295
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 9	6,028,527	6,459,386	6,253,141	5,258,090
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Sept. 7	145	143	194	148
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 5	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	Sept. 5	$46.61	$46.61	$46.61	$45.88
Scrap steel (per gross ton)	Sept. 5	$40.58	$40.92	$39.17	$22.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 6	23.500c	22.250c	22.200c	17.325c
Export refinery at	Sept. 6	24.425c	22.425c	22.425c	17.550c
Straits tin (New York) at	Sept. 6	97.500c	99.750c	98.500c	103.000c
Lead (New York) at	Sept. 6	15.000c	14.000c	12.000c	15.125c
Lead (St. Louis) at	Sept. 6	14.800c	13.800c	11.800c	14.925c
Zinc (East St. Louis) at	Sept. 6	15.000c	16.500c	15.000c	10.015c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 12	101.68	102.04	102.03	103.84
Average corporate	Sept. 12	116.02	115.22	116.02	115.04
Aaa	Sept. 12	120.43	120.84	120.84	121.04
Aa	Sept. 12	119.20	119.41	119.41	119.41
A	Sept. 12	115.43	115.63	115.43	114.08
Baa	Sept. 12	109.42	109.24	108.70	106.39
Railroad Group	Sept. 12	112.19	112.00	111.44	109.60
Public Utilities Group	Sept. 12	116.41	116.61	117.00	116.22
Industrials Group	Sept. 12	119.61	120.02	119.61	119.61
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 12	2.37	2.35	2.35	2.23
Average corporate	Sept. 12	2.85	2.84	2.85	2.[illegible]0
Aaa	Sept. 12	2.63	2.61	2.61	2.60
Aa	Sept. 12	2.69	2.68	2.68	2.68
A	Sept. 12	2.88	2.87	2.88	2.95
Baa	Sept. 12	3.20	3.21	3.24	3.37
Railroad Group	Sept. 12	3.05	3.06	3.09	3.19
Public Utilities Group	Sept. 12	2.83	2.82	2.80	2.84
Industrials Group	Sept. 12	2.67	2.65	2.67	2.67
MOODY'S COMMODITY INDEX	Sept. 12	476.2	469.9	449.0	347.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 2	317,217	211,075	334,123	262,601
Production (tons)	Sept. 2	229,360	228,119	219,000	193,515
Percentage of activity	Sept. 2	100	100	98	89
Unfilled orders (tons) at	Sept. 2	729,058	645,496	637,177	365,609
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Sept. 8	134.2	132.2	128.1	129.2
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 26	26,210	24,254	35,956	13,608
Number of shares—Customers' total sales	Aug. 26	787,256	73[illegible],100	1,096,323	386,415
Dollar value	Aug. 26	$34,170,449	$32,232,118	$44,778,927	$14,970,710
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 26	26,575	25,672	31,685	16,197
Customers' short sales	Aug. 26	223	138	256	161
Customers' other sales	Aug. 26	26,352	25,534	31,429	16,036
Number of shares—Customers' total sales	Aug. 26	765,272	729,705	942,885	424,659
Customers' short sales	Aug. 26	8,657	4,855	10,001	6,510
Customers' other sales	Aug. 26	756,615	724,850	932,884	418,149
Dollar value	Aug. 26	$29,381,396	$27,433,501	$34,540,019	$13,991,111
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 26	267,270	223,030	242,830	173,960
Short sales	Aug. 26	------	------	------	------
Other sales	Aug. 26	267,270	223,030	242,830	173,960
Round-lot purchases by dealers—					
Number of shares	Aug. 26	258,960	271,430	424,110	127,720
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Sept. 5	167.5	167.2	165.6	153.3
Farm products	Sept. 5	179.4	179.5	177.5	162.8
Grains	Sept. 5	168.2	167.7	168.6	154.6
Livestock	Sept. 5	239.6	249.4	241.6	208.6
Foods	Sept. 5	177.1	176.5	174.7	161.3
Meats	Sept. 5	260.0	263.8	255.3	226.8
All commodities other than farm and foods	Sept. 5	156.3	*155.4	154.5	145.1
Textile products	Sept. 5	152.4	*149.6	147.9	139.4
Fuel and lighting materials	Sept. 5	134.7	134.5	134.1	129.5
Metals and metal products	Sept. 5	174.5	174.8	173.9	168.0
Building materials	Sept. 5	218.2	*210.1	212.7	187.9
Chemicals and allied products	Sept. 5	125.3	124.0	120.8	119.8

*Revised figure. ¶Includes 519,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (bbls. of 42 gallons each)	175,586,000	173,687,000	159,062,000
Domestic crude oil output (bbls.)	161,332,000	159,441,000	147,098,000
Natural gasoline output (bbls.)	14,237,000	14,229,000	11,953,000
Benzol output (bbls.)	17,000	17,000	11,000
Crude oil imports (bbls.)	14,931,000	13,618,000	12,000,000
Refined products imports (bbls.)	10,203,000	10,135,000	5,927,000
Indicated consumption—domestic and export (bbls.)	190,030,000	197,844,000	173,340,000
Increase—all stocks (bbls.)	10,690,000	‡‡404,000	3,649,000
AMERICAN ZINC INSTITUTE, INC.—Month of August:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	73,399	77,868	73,819
Shipments (tons of 2,000 lbs.)	79,365	*84,116	74,339
Stocks at end of period (tons)	14,451	*20,417	84,888
Unfilled orders at end of period (tons)	76,847	*67,463	41,336
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of August (in millions):			
Total new construction	$2,730	*$2,650	$2,195
Private construction	2,012	*1,970	1,514
Residential building (nonfarm)	1,250	*1,225	782
New dwelling units	1,140	*1,120	689
Additions and alterations	93	90	77
Nonhousekeeping	17	15	16
Nonresidential building (nonfarm)	320	325	271
Industrial	89	83	71
Commercial	114	118	89
Warehouses, office and loft building	35	32	27
Stores, restaurants and garages	79	86	62
Other nonresidential buildings	127	124	111
Religious	37	35	33
Educational	26	24	23
Hospital and institutional	29	30	19
Social and recreational	24	23	24
Remaining types	11	12	12
Farm construction	116	113	140
Public utilities	305	296	313
Railroad	30	29	32
Telephone and telegraph	45	45	43
Other public utilities	230	222	238
All other private	11	11	8
Public construction	718	*680	681
Residential building	27	*24	37
Nonresidential building (other than military or naval facilities)	204	*200	187
Industrial	19	*18	11
Educational	97	95	87
Hospital and institutional	46	45	47
All other nonresidential	42	42	42
Military and naval facilities	11	*11	15
Highways	300	*270	275
Sewer and water	55	54	55
Miscellaneous public service enterprises	19	*19	23
Conservation and development	94	*94	80
All other public	8	8	9
COKE (BUREAU OF MINES)—Month of July:			
Production (net tons)	6,364,054	*6,225,024	4,949,600
Oven coke (net tons)	5,854,975	5,657,494	4,926,300
Beehive coke (net tons)	509,079	*567,530	23,300
Oven coke stocks at end of month (net tons)	815,968	723,671	1,906,400
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Aug. 31:			
Total consumer credit	$20,340	*$19,680	$16,198
Instalment credit	12,608	*12,108	9,335
Sale credit	7,344	*6,995	5,010
Automobile	3,994	*3,790	2,610
Other	3,350	*3,205	2,400
Loan credit	5,264	5,113	4,325
Noninstalment credit	7,7[illegible]2	*7,572	6,863
Charge accounts	3,520	*3,392	3,123
Single payments loans	3,193	*3,147	2,768
Service credit	1,019	*1,033	972
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of August:			
Deliveries (number of cars)	5,203	3,464	7,178
Backlog of orders at end of month (number of cars)	86,156	67,084	28,731
METAL PRICES (E. & M. J. QUOTATIONS)—Average for Month of August:			
Copper (per pound)—			
Electrolytic domestic refinery	22.272c	22.200c	17.325c
Electrolytic export refinery	22.499c	22.425c	17.551c
Lead (per pound)—			
Common, New York	12.926c	11.660c	15.032c
Common, St. Louis	12.726c	11.460c	14.791c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	72.750c	72.750c	71.891c
Silver, London (pence per ounce)	63.500d	63,500d	43.727d
Sterling Exchange (Check)	$2.80000	$2.80000	$4.02522
Zinc (per pound)—East St. Louis	15.052c	15.000c	10.000c
Tin (per pound)—			
New York Straits	102.194c	89.715c	103.000c
§§New York, 99% min.	101.1[illegible]4c	8[illegible].[illegible]15c	102.000c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$78.000	$73.440	$74.556
¶Antimony (per pound) (E. & M. J.)	27.928c	27.780c	41.730c
Antimony (per pound), bulk, Laredo	24.648c	24.500c	38.500c
Antimony (per pound), in cases, Laredo	25.148c	25.000c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$75.189	$72.080	$69.000
†Cadmium (per pound)	$2.15000	$2.15000	$2.00000
‡Cadmium (per pound)	$2.22500	$2.22500	$2.07500
§Cadmium (per pound)	$2.30000	$2.30000	$2.15000
Cobalt, 97%	$1.80000	$1.80000	Not avail.
Aluminum, 99% plus, ingot (per pound)	17.500c	17.500c	17.000c
Magnesium, ingot (per pound)	22.500c	21.940c	20.500c
**Nickel	48.000c	48.000c	40.000c
PORTLAND CEMENT (BUREAU OF MINES)—Month of July:			
Production (bbls.)	20,709,000	20,007,000	18,856,000
Shipment from mills (bbls.)	23,167,000	24,749,000	19,321,000
Stocks (at end of month) (bbls.)	12,840,000	15,302,000	19,313,000
Capacity used	94%	93%	87%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—Month of July:			
Total operating revenues	$771,660,954	$779,182,389	$700,207,526
Total operating expenses	578,610,150	588,763,307	569,270,199
Operating ratio—per cent	74.9[illegible]%	75.5[illegible]%	81.30%
Taxes	$94,034,726	$84,272,231	$66,260,085
Net railway operating income before charges	84,059,998	90,046,721	50,508,420
Net income after charges (est.)	59,000,000	72,000,000	26,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.o.b. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Decrease—all stocks (bbls.).

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.

● Alms Hotel Corp., Cincinnati, Ohio
Aug. 31 (letter of notification)) 23,227⅓ shares of class A common stock (par $1) and 63,227⅓ shares of class B common stock (par $1). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To retire class A and class B bonds.

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. No general public offering planned.

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.

● Appalachian Life Insurance Co.
Sept. 8 (letter of notification) 5,000 shares of common stock (par $5). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To provide capital and surplus for life insurance business. **Office**—1007 Fifth Avenue, Huntington, W. Va.

● Arcturus Electronics, Inc., Newark, N. J.
Sept. 12 (letter of notification) 50,000 shares of 6% convertible preferred stock (par $5) and 100,000 shares of class A stock (par one cent) in units of one preferred and two class A shares. **Price**—$5.20 per unit. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York, N. Y. **Proceeds**—For expansion program, to repay advances and for working capital.

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.

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 200 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 and for working capital.

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.

● California Water Service Co.
Sept. 7 filed 80,000 shares of cumulative convertible preferred stock, series F (par $25). **Underwriters**—To be supplied by amendment—probably Dean Witter & Co.; Blyth & Co., Inc. **Proceeds** — To restore treasury funds used to finance construction and purchase of capital assets and to repay short term bank loans.

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. **Bids**—Will be received at office of Nepsco, at Room 166, Parker House, Tremont and School Streets, Boston, Mass., up to 11 a.m. (EDT) on Sept. 19.

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**—Will be received up to noon (EDT) on Sept. 19 at company's offices, Room 710, 75 Public Square, Cleveland, Ohio. Statement effective Sept. 6.

Columbian Enameling & Stamping Co.
Aug. 3 (letter of notification) 2,385 shares of common stock. **Price**—$25 per share. **Underwriter**—Cohu & Co., New York. **Proceeds**—To selling stockholders.

● Consolidated Engineering Corp., Pasadena, California
Sept. 3 (letter of notification) 200 shares of common stock ((par $1), to be issued upon exercise of option by Armand F. Dufresne. **Price**—$5 per share. **Proceeds**—For working capital.

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.

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.

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.

● Dayton Power & Light Co.
Sept. 13 filed 50,000 shares of common stock (par $7) to be sold to employees. **Price**—To be set each six-month period by subtracting 15% from the average price for the preceding 12 months. **Underwriter**—None. **Proceeds**—For general funds and used, in part, for construction program.

● Delaware Gazette Co., Delaware, O.
Sept. 8 (letter of notification) $140,000 of 5% first mortgage bonds. **Price**—At 101½. **Underwriter**—The Ohio Company, Columbus, Ohio. **Proceeds**—For construction of newspaper building.

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 determinated 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. Langeley & 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, 00 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 (9/25-29)
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.

● Dundee (N. Y.) Tel. & Tel. Co. (9/15)
Sept. 11 (letter of notification) 300 shares of preferred and 160 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—To refund bonds, notes and accounts payable and for construction program.

El Paso Natural Gas Co. (9/19)
Aug. 31 filed 230,000 shares of common stock (par $3) to be offered for subscription by common stockholders of record Sept. 19 at the rate of one share for each 10 shares held with an oversubscription privilege; rights will expire on Oct. 4. **Price**—To be filed by amendment. **Underwriter**—If any, may be White, Weld & Co. and Stone & Webster Securities 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.

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.

● **Federal Television Corp., N. Y. (9/14)**
Sept. 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Underwriter**—John F. McBride, New York. **Proceeds**—For expansion and working capital. **Office**—139 Duane Street, New York, N. Y.

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; Union Securities Corp. **Proceeds**—To repay bank loans and for construction program.

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 25¢ **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 $1.50 preferred stock (no par) and 9,777 shares of common stock (no par), to be offered first to stockholders. **Price**—Of preferred, $25 per share, and common $10 per share. **Underwriter**—F. L. Putnam & Co., Boston, Mass. **Proceeds**—To retire bank loan and for working capital.

● **Holeproof Hosiery Co., Milwaukee, Wis.**
Sept. 7 filed 115,263 shares of common stock (par $5). **Price**—To be filed by amendment. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. **Proceeds**—To a group of 28 selling stockholders.

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.

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.

NEW ISSUE CALENDAR

September 14, 1950
Federal Television Corp.____Common

September 15, 1950
Dundee Telephone & Telegraph Co.____Pfd. & Com.
Key West Propane Gas Corp.____Bonds
Lancaster Processes, Inc.____Preferred
Monarch Radio & Television Corp.____Common

September 18, 1950
Meck (John) Industries, Inc.____Common
Standard Coil Products Co., Inc.____Common

September 19, 1950
Central Maine Power Co. 11 a.m. (EDT)____Common
Cleveland Electric Illuminating Co. noon (EDT)____Bonds
El Paso Natural Gas Co.____Common
New Hampshire Electric Co. 11:30 a.m. (EDT)____Bonds

September 21, 1950
American-Canadian Uranium Co., Ltd.____Common
Safeway Stores, Inc.____Pfd. & Common

September 25, 1950
Diana Stores Corp.____Common

September 26, 1950
Delaware Power & Light Co. 11:30 a.m. (EDT)____Bonds
Winn & Lovett Grocery Co.____Common

September 27, 1950
New Bedford Gas & Edison Light Co.__Notes & Com.

October 3, 1950
Sierra Pacific Power Co. 11 a.m. (EDT)____Debs.
Sierra Pacific Power Co.____Common

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
Southern Co.____Common
United States Plywood Corp.____Preferred

● **James Manufacturing Co., Fort Atkinson, Wis.**
Sept. 6 (letter of notification) 15,973 shares of common stock (par $5) to be offered first to common stockholders on the basis of one share for each 10 shares held. **Price**—$18.75 per share. **Underwriters**—Loewi & Co., Shearson, Hammill & Co. and Bell & Farrell, Inc. **Proceeds**—For working capital.

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.

Key West Propane Gas Corp. (9/15)
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.

● **Lancaster Processes, Inc., N. Y. City (9/15)**
Sept. 7 (letter of notification) 100,000 shares of 6% cumulative (if earned) and convertible preferred stock (par $2.50) to be offered to common stockholders of record Sept. 6, with rights expiring Oct. 15. **Price**—$2.50 per share (payable as to 61,321 shares at rate of one common share [par $2] and 50 cents in cash for each preferred share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—620 Fifth Avenue, New York 20, N. Y.

● **Langendorf United Bakeries, Inc.**
Sept. 1 filed 50,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—First California Co. **Proceeds**—To selling stockholder.

● **Lees (James) & Sons Co.**
Sept. 11 (letter of notification) 4,100 shares of common stock. **Price**—At market (estimated at $24 per share). **Underwriter**—To be sold through Wood, Struthers & Co., New York. **Proceeds**—To selling stockholder.

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.

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.

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.

● **Mercast Corp., New York City**
Sept. 5 (letter of notification) 8,995 shares of common stock (no par) to be offered to stockholders of record Sept. 11, 1950 at rate of one share for each 4⅓ shares held; rights expire Sept. 26. **Price**—$10 per share. **Underwriter**—None, but unsubscribed shares to be purchased by Lansing Foundation, Inc., 65 Broadway, New York. **Proceeds**—For working capital and general corporate purposes. **Office**—295 Madison Avenue, New York 17, New York.

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.

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

● **Mineral King Mining Co., Missoula, Mont.**
Aug. 28 (letter of notification) 500,000 shares of non-assessable common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—For working capital to continue exploration and development. **Office**—1001 E. Broadway, Missoula, Mont.

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 in a proposed new plant to be located east of the Rocky Mountains. **Business**—Manufacturer of gas and electric water and space heaters.

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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.

● **Missoula Pres-To-Logs Co., Missoula, Mont.**
Sept. 5 (letter of notification) 1,250 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To construct plant.

● **Modern Supply Co., Inc., Pittsburgh, Pa.**
Sept. 6 (letter of notification) 1,500 shares of 5% cumulative preferred stock (par $100) and 15,000 shares of common voting stock (no par value—declared value $1) in units of one preferred and ten common shares. **Price**—$110 per unit. **Underwriter**—None. **Purpose**—For general corporate purposes. **Office**—837 W. North Avenue, Pittsburgh 12, Pa.

● **Monarch Radio & Television Corp. (9/15)**
Sept. 8 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—50 cents per share. **Underwriter**—George J. Martin Co., New York. **Purpose**—For expansion and working capital. **Office**—2430 Atlantic Avenue, Brooklyn 7, N. Y.

● **Monterey County Security Co., Salinas, Calif.**
Sept. 7 (letter of notification) 2,000 shares of common stock (no par) to be offered to present stockholders. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To increase capital. **Office**—201 Main Street, Salinas, Calif.

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.

● **Nash-Finch Co., Minneapolis, Minn.**
Sept. 11 (letter of notification) 3,000 shares of common stock. **Price**—At $17 to $20 per share. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds**—To the Finch Investment Co., Minneapolis. **Office**—1750 Hennepin Avenue, Minneapolis, Minn.

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**—Will be received by the company at Temple Street, Cambridge, Mass., up to 11:30 a.m. (EDT) on Sept. 19. Statement effective Sept. 6.

New Orleans Public Service Inc.
Aug. 24 (letter of notification) 7,754 shares of common stock (no par) offered to stockholders (other than Middle South Utilities, Inc., parent) of record Sept. 1, 1950, at rate of 0.168 share for each share held; rights expire Sept. 25. **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 Sept. 6, with rights to expire Sept. 18. **Underwriter**—A. C. Allyn and Co., Inc., New York. **Price**—$10 per share. **Proceeds**—For construction expenditures. Statement effective Sept. 6.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

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

Pacific 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.

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.

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.

● **Pipe Stem Mines, Inc., Silver City, N. M.**
Sept. 8 (letter of notification) 60,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To develop mines. **Address**—Box 348, Silver City, N. M.

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.

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.

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.

● **Russell (F. C.) Co., Cleveland, Ohio**
Sept. 6 (letter of notification) 7,000 shares of common stock (par $1), to be offered to employees of the company. **Underwriter**—None. **Price**—Not in excess of $9.50 per share. **Proceeds**—To reimburse treasury in part for cost of acquisition of said shares.

● **Safeway Stores, Inc. (9/21)**
Sept. 12 (by amendment) filed 110,000 shares of 4% preferred stock (par $100) and 257,064 shares of common stock (par $5), the latter issue to be offered for subscription by common stockholders of record Sept. 21 at the rate of one share for each 10 shares held; rights to expire Oct. 5. **Price**—To be filed by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Together with other funds, will be used to repay $20,000,000 term bank loans.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

● **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 rata 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.; Kidder Peabody & Co. 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 & Gunther, 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.

● **Southern Social Register Foundation, Williamsburg, Va.**
Sept. 5 (letter of notification) 1,000 shares of 6% preferred stock (par $50). **Price** — $250 per unit of five shares. **Underwriter**—None. **Proceeds**—To compile and publish annual social register.

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.

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., 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.

● **Tire Maintenance Corp., New York City**
Sept. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—Walt Clyde, 144 East 24th Street, New York 10, N. Y. **Purpose**—For organizational expense and working capital. **Address**—c/o Guy M. Bagar, 730 Riverside Drive, New York 31, N. Y.

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.

● **Union Investment Co. of Detroit (Mich.)**
Sept. 11 filed 55,865 shares of common stock (par $4), to be offered to common stockholders at the rate of one share for each three shares held. **Price**—To be filed by amendment. **Underwriter**—McDonald-Moore Co., Detroit. **Proceeds**—For general corporate purposes.

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 Bos-

ton 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.
Aug. 2 filed 166,604 shares of common stock (no par) 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**—Union Securities Corp. and Smith, Barney & Co. (jointly). **Price**—$24.25 per share. **Proceeds**—For construction program. 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.

● **Vineyard Shellfish Co., Inc., West Tisbury, Mass.**
Sept. 5 (letter of notification) 5,000 shares of common stock (no par). **Price**—$25 per share. **Underwriter**—None **Proceeds**—For general corporate purposes.

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. (9/26)
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 general corporate purposes, including improvement and expansion of its stores and other facilities and prepayment of a portion of outstanding funded debt.

Prospective Offerings

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.

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.

Equitable Gas Co.
April 8 company said to be planning the sale this year of $2,000,000 of bonds, with another $2,000,000 in 1951 or 1952. The proceeds are to be used for its construction program.

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.

● **Georgia Power Co.**
Sept. 6 it was reported Alabama P. S. Commission has authorized the company to issue a new series of preferred stock, the proceeds of which are to be used to finance the erection of a steam generating station at Gorgas, Ala.

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.

● **Hussman Refrigerator Co.**
Oct. 6 stockholders will vote on creating a new issue of preferred stock. Proceeds will be used to redeem 15,699 outstanding shares of $2.25 cumulative preferred stock, no par value, and for general corporate purposes. Traditional underwriter—W. E. Hutton & Co.

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.

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.

● **Kaiser Steel Corp., Fontana, Calif.**
Sept. 6 it was reported that company was planning a $100,000,000 financing program, which may include $60,000,000 of bonds (which probably will be placed privately with an insurance company) and $40,000,000 of equity financing which is expected to be in units of preferred and common stock, a registration statement for which is expected to be filed with the SEC before Oct. 6. **Proceeds**—$92,000,000 will be used to pay off an RFC loan, and the remaining $8,000,000 added to working capital. **Underwriter**—The First Boston Corp. is reported to be heading the underwriting group.

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.

● **Louisiana Power & Light Co.**
Sept. 12 it was said that the company is expected to be in the market for nearly $10,000,000 of bonds around mid-November. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); Blyth & Co., Inc.; Harriman, Ripley & Co., Inc.; Shields & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—For construction program.

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 pre-emptive 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 program 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

Continued on page 42

Continued from page 41

$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 shortly.

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.**
Aug. 23 it was reported that company is considering issuance of additional preferred stock (par $50), of which there are authorized and unissued 77,007 shares. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To retire $1,250,000 bank loans maturing Oct. 3, 1950, and for expansion program.

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 Co.**
Sept. 7 it was reported company plans issuance of $41,000,000 new bonds some time in November. Probable bidders: Halsey Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; First Boston Corp. Proceeds would be used as follows: $25,000,000 to pay construction costs and $16,000,000 to refund Niagara Falls Power Co. 3½% bonds (latter amount is dependent upon approval by FPC of merger of Niagara Falls Power Co. with Niagara Mohawk Power 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: Morgan Stanley & Co.; First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. **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.

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.).

● **Republic Natural Gas Co.**
Sept. 9 it was announced that bids will be received up to 11 a.m. (EDT) on Sept. 28 at the Office of Alien Property, 120 Broadway, N. Y. City, for the purchase from it, as an entirety, of 3,000 shares of common stock. This represents about 2% of the 1,450,693 common shares outstanding. The stock will be sold to American citizens only.

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.

● **Washington Water Power Co.**
Sept. 8 it was reported that Washington P. S. Commission has taken under advisement a request that company sell preferred stock to carry out its construction program involving $11,000,000 of short-term bank loans.

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 business revived on a rather substantial scale this week with quite a variety of new corporate issues coming on the market, chiefly via the competitive bidding route.

And investment bankers, their appetites seemingly whetted by the recent long spell of inactivity, appeared to be thinking pretty much along the same lines in the matter of pricing for the new securities.

This was especially evident in the case of one of the week's largest undertakings, $40,000,000 of new first mortgage bonds of the Tennessee Gas Transmission Co., due in 20 years.

Two large banking groups were in the running for this business and when the bids were finally opened early in the week it developed that only one cent, or roughly $400 for the entire issue, separated the two tenders.

Curiously enough it was the runner-up whose bid was carried out to three decimals on this occasion at 101.099 for a 3% coupon. The winner made a flat bid of 101.10 for the same interest rate.

Brought out for public offering at a price of 101¾ to yield 2.884%, the bonds met a fairly good reception and were reported better than 60% sold at the end of the first day of subscriptions.

Conflicting Trends Noted

While the seasoned market has been regaining its composure now that the heat of the Treasury-Federal Reserve contest has simmered down again, not all of the interest was in the buying side of the market.

Quite to the contrary there was an apparent tendency in some quarters toward liquidation and this among some of the better type corporate obligations, according to those who watch the market closely.

At least one large institution was reported trying to dispose of sizable amounts of Double A quality bonds carrying 2.75% and 3% coupons. Observers were a bit puzzled by this move and assumed that the potential seller could see an opportunity for employing the funds involved more advantageously.

Virginia Elecs Sticky

Although the bidding for Virginia Electric & Power Co.'s $20,000,000 of new bonds was relatively close with only about 11.1 cents separating the winning tender from the next highest of four received, that issue was slow to move upon reoffering.

The highest bid was 100.33317 for a 2¾% interest rate while the lowest was 100.035 for the same coupon. The successful group repriced the bonds at 100¾ for marketing with an indicated yield of better than 2.71%.

Apparently with the general market still a bit on the uneasy side and buyers leaning toward a bit more yield the return indicated above was not exactly up to expectations and the bonds were reported moving out slowly.

Big Stock Offering Due

Unless there is a hitch in reported plans, it looks as if the 2,150,000 share common stock offering contemplated for Canadian Superior Oil Co. of California will be on the market today. This stock was registered late in June, but evidently was set back by the upheaval in Korea.

Now a wholly-owned subsidiary of Superior Oil Co. of California, the latter's interest would be diluted to 51% with the completion of the sale of the foregoing stock. It is the holder of large acreage under lease in Saskatchewan, Manitoba and Alberta and proceeds would finance necessary geological work and drilling on certain holdings.

Plans were understood to call for the sale of slightly less than 2,000,000 shares in the U. S. and the balance in Canada. The Street was looking for a price of around $10 a share.

New Issues Coming Up

Two New England utilities are seeking bids on securities to be opened late this month. New England Public Service Co. has invited tenders, to be opened Sept. 19 for 260,000 shares of Central Maine Power Co. common.

New Hampshire Electric Co. will receive bids to be opened on the same date for $3,600,000 of 25-year first mortgage bonds, due in 1975. Cleveland Electric Illuminating also has $25,000,000 bonds up for bids that day.

Meanwhile Niagara Mohawk Power Co. is reported planning new financing which may run to $40,000,000 a few months hence, while Louisiana Power & Light Co. is reported contemplating financing up to at least $10,000,000 which should reach market along about the same time.

Mexico Recipient of $150 Million Credit

The Board of Directors of the Export-Import Bank announced that it had committed $150 million of its funds for the establishment of further credits to Mexico. The individual credits are to be established from time to time for specific projects in the fields of transportation, both rail and highway; agriculture, including irrigation; communication; and electric power generation and transmission. The terms of the individual credits under the commitment will be arranged so as to be appropriate to the specific projects to be financed. The credits will be established in favor of Nacional Financiera with the guaranty of the Government of the United Mexican States.

LIQUIDATION NOTICE

The Thomaston National Bank, located at Thomaston, in the State of Connecticut, is closing its affairs. All creditors of the Association are therefore hereby notified to present claims for payment to the undersigned at said Bank.

F. I. ROBERTS,
Liquidating Agent.

Dated August 18, 1950.

DIVIDEND NOTICES

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors of The Arundel Corporation has this day (September 12, 1950) declared 25 cents per share as the regular quarterly dividend on the no par value stock of the corporation, issued and outstanding, payable on and after October 2, 1950, to the stockholders of record on the corporation's books at the close of business September 19, 1950.

MARSHALL G. NORRIS,
Secretary.

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A second interim dividend on the Ordinary Stock for the year ending 30th September 1950 of one shilling for each £1 of Ordinary Stock, free of United Kingdom Income Tax will be payable on 29th September, 1950.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 208 with the Guaranty Trust Company of New York, 32 Lombard Street, London, E.C.3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 29th September 1950.

Coupon No. 94 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2., for examination five clear business days (excluding Saturday) before payment is made.

**DATED 22nd August, 1950.
BY ORDER
A. D. McCORMICK, Secretary.
Rusham House, Egham, Surrey.**

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a semi-annual dividend of 25 cents per share on the Capital Shares of the Corporation payable September 28, 1950, to stockholders of record at the close of business September 20, 1950.

SAMUEL M. FOX, Treasurer.

September 15, 1950.

GENERAL REALTY & UTILITIES CORPORATION

4% Cumulative Income Debentures
Due September 30, 1969

NOTICE OF PAYMENT OF COUPON NO. 12

Payment of the amount called for by Coupon No. 12 representing interest for the six months period ending September 30, 1950 on the above-mentioned Debentures of General Realty & Utilities Corporation, will be paid on September 30, 1950 at The Commercial National Bank and Trust Company of New York, Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION
By SAMUEL M. FOX, Treasurer

September 15, 1950.

GT GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

Regular quarterly dividend of $1.06¼ per share, on the 4¼ per cent Cumulative Preferred Stock, payable October 2, 1950 to shareholders of record September 19, 1950.

COMMON STOCK

A dividend of 50 cents per share on the Common Stock, payable October 2, 1950 to shareholders of record September 19, 1950.

An extra cash dividend of 50 cents per share on the Common Stock, payable October 2, 1950 to shareholders of record September 19, 1950.

JOHN H. SCHMIDT
Secretary-Treasurer

September 6, 1950.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

DIVIDEND NOTICES

DIVIDEND
MANATI SUGAR COMPANY

106 Wall Street, New York 5

The Board of Directors has this day declared a dividend of Eighty Cents ($.80) per share on the Company's $1 par value Common Stock, payable September 29, 1950, to stockholders of record at the close of business on September 22, 1950.

Payment of this dividend to holders of Certificates of Deposit and old First Mortgage Twenty-Year 7½% Sinking Fund Gold Bonds, entitled to receive, upon the surrender of said securities, shares of the Company's $1 par value Common Stock, will be made when and if said securities are so surrendered and the stock issued in accordance with the provisions of the Plan of Reorganization confirmed by order of the United States District Court for the Southern District of New York, dated July 28, 1937.

JOHN M. GONZALEZ,
Treasurer.

September 11, 1950.

International Minerals & Chemicals

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

★

Dividends were declared by the Board of Directors on September 7, 1950, as follows:

4% Cumulative Preferred Stock
34th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Eighty Cents (80¢) per share.

Both dividends are payable September 29, 1950, to stockholders of record at the close of business September 18, 1950

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

DIVIDEND NOTICES

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable October 16, 1950, to stockholders of record September 30, 1950. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

September 12, 1950.

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.
September 13, 1950.

DIVIDEND No. 392

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the third quarter of 1950, of Seventy Cents ($.70) a share, on the outstanding capital stock of this Company, payable on September 30, 1950, to stockholders of record at the close of business on September 20, 1950.

W. C. LANGLEY, Treasurer.

OLD TOWN RIBBON & CARBON COMPANY, INC.

DIVIDEND No. 32

The Board of Directors has declared a dividend of 30 cents per share on the Common Stock of the Company, payable on September 30, 1950 to stockholders of record at the close of business on September 20, 1950

JEROME A. EATON, *Treasurer*

September 12, 1950

DIVIDEND NOTICES

Tobacco and Allied Stocks, Inc.

DIVIDEND NOTICE

The Board of Directors, on the date below, declared a dividend of $2.00 per share on the capital stock without par value of this corporation, payable September 26, 1950 to stockholders of record at the close of business September 20th. Transfer books will remain open. Checks will be mailed.

G. C. SCHEUERMANN, Treasurer.

September 11, 1950.

United States Plywood Corporation

Weldwood ®

For the quarter ended July 31, 1950, a cash dividend of 35c per share on the outstanding common stock of this corporation has been declared payable October 11, 1950, to stockholders of record at the close of business September 29, 1950.

SIMON OTTINGER, Secretary.

New York, N. Y., September 6, 1950.

WAGNER BAKING CORPORATION

MRS. WAGNER'S PIES

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, also a dividend of 10 cents per share on the Common Stock of this Corporation. Both dividends payable October 2, 1950, to stockholders of record September 22, 1950.

J. V. STEVENS, Secretary.

THE ELECTRIC STORAGE BATTERY COMPANY

Exide BATTERIES

200th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable September 30, 1950, to stockholders of record at the close of business on September 19, 1950. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, September 8, 1950

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—With the passing of this session of Congress, some beautiful prize legislative packages will die, barring a special session before January. Even a special session, however, is likely to deal with a limited program which will preclude action on most of these things.

One of the most beautiful of these packages is the President's proposal that the Federal government guarantee private investments made abroad under Point IV.

Others include: The proposed Labor Extension Service, to utilize extension agents from universities to help the labor unions; a bill to provide a survey of handicapped persons, and thus help build up a program for the physically handicapped under Social Security; the Neely mine safety bill sought by the coal workers; a proposed "study" of the nation's fuel reserves so that plans could be recommended for their conservation and "orderly use," under "beneficent" Federal direction; a Bill for aid to states in the promotion of safety in industry; the O'Mahoney Bill to aid in mine explorations; the Bill to continue duty-free importation of scrap metal, and along with it, the proposal to continue duty-free copper imports; the Murray Bill to authorize a union shop in the railroads; a Bill to subject to the Clayton Act ban, the purchase by one company of the assets of a competing company; the proposal to legislate "equal pay for equal work" for women, and finally, a Bill to legalize hiring halls in the maritime industry.

No matter how far any of these proposals has progressed in the legislative machine, it becomes a dead bill with the ending of the 81st Congress. To be revived, it has to begin in committee at the starting line of all legislation if it is to be passed next year.

* * *

Industry is wondering if there is a straw in the wind indicated by the way the Defense Department is proceeding with armored vehicle procurement.

It is reported that contracts are "hot" with 15 prime contractors to manufacture these vehicles. Armored vehicles range anywhere from a jeep with a gun on it to a tracklaying tractor. The 15 prime contractors are getting in touch with the procurement officials, whose plans are in various stages of negotiations. Cadillac has got a letter of intent. International Harvester, it is reported, will get an order pretty soon. Others who figure in the picture include Pacific Car & Foundry, American Car & Foundry, and Chrysler.

The straw which industry hopes it sees in the wind is that the Defense procurement officials are sensibly proceeding with some speed for a change, not merely to obtain what they need, but what the industry can produce with the minimum of conversion and retooling. Perhaps, eventually, the motor industry, as in World War II, will be producing everything from motorized equipment to guns and aircraft. But the industry can get going on armored vehicles almost faster than on anything else.

* * *

President Truman has ahead of him a terrific headache in the Controls Bill's seeming mandate to him to call an industry-labor conference on wage stabilization. If analysts here are correct, Mr. Truman must call such a conference, although, presumably, this will not be necessary until after the election.

Purpose of a wage-stabilization conference, of course, would be to get labor unions to agree to go easy with demands for higher wages, but in particular to agree to a no-strike pledge. Labor, it is reported, will be all set to demand in return from industry three things. If management will agree to adopt a cost-of-living clause in all defense contracts, to suspension of the Taft-Hartley Act for the duration, and to agree to forego "excess profits" for the duration, organized labor will be happy to sign a no-strike pledge.

This is reminiscent of a previous labor-management conference a few years ago, when a CIO spokesman demanded a wage increase across the board, and managed to break up the conference.

The opinion of qualified interpreters, including Senator Burnet R. Maybank, Chairman of the Senate Banking Committee, is that the "authorization" to the President to call such a stabilization conference is a direction. Hence, the President, even though he remembers the dismal failures of the past with such conferences, must go through with this one, guaranteed to be an equally dismal failure.

Incidentally, the wage provisions of the Controls Bill nowhere call for a wage "freeze." The Bill uses only the term "stabilization." The current Administration use of the word "stabilization" connotes a steady upward rise.

* * *

Conservatives here have what they think is a pretty tight answer for President Truman's assertion that the McCarren-Mundt Anti-communist Bill interferes unduly with the rights of persons. Apart from requiring the registration of outright Communists and arranging for clamping down on spies and saboteurs, the Mundt Bill requires the registration of Communist "front" organizations and their officers. The latter form of registration would be almost identical to that required by the lobbyists. The commie "front" officers would be required to report their income and expenses, just about the same as lobbyists.

"Is it interfering with civil liberties to require commie sympathizers to report as much as lobbyists?" That will be the answer to the President's announced veto of the Bill, when and if that veto comes.

* * *

Within certain limits, Congress is capable of sustaining a moral revolt against certain "too raw" politics, as is currently being illustrated in the case of appointments to the Board of the Reconstruction Finance Corp.

A good many Congressmen were playing fast and loose with the idea of obligating the Treasury to back up hundreds of millions in loans to "small business," a program that evaporated with the Korean war. They were flirting with this idea, even though many preferred only to "talk" small business and hoped it would not be enacted, and even though a majority disliked the then current special small business financing aid program sponsored by the President.

Then President Truman failed to renominate Chairman Harley Hise and board member Harvey J. Gunderson. The latter, an avowedly Republican member of the Board, openly opposed the President's program. In Gunderson's place the President nominated a "captive Republican" who testified in favor of the President's program, renominated one member of the RFC Board, and nominated two other new members, all red hot advocates of the idea of nursing small business from the Federal Treasury.

Because of this and because of other criticisms of the new appointees, criticisms not yet aired here on the public record, the Senate Banking Committee just decided to chuck the entire four RFC appointments into the wastebasket. Chairman Maybank went to Europe without even scheduling these appointments for a hearing. So all the four nominees are out of luck.

Meanwhile, both Messrs. Hise and Gunderson, if they want to, may, under the law, serve until their successors qualify. President Truman can make recess appointments before January only if he calls for and gets their resignations. He can legally name only one man to fill an old vacancy.

* * *

In the instalment credit terms set by the Federal Reserve Board in its reinstitution of Regulation W, the Board is believed following a middle ground between being too tough and too easy, in its judgment.

Hence, the objective of the initial terms promulgated after the President signed the Controls Bill into law, is to clamp down on inflation generally. When, as, and if the war production program begins to impinge heavily on the raw materials of industry, the Board may be expected to promulgate larger down payments (except for automobiles) and shorter repayment terms. The "tougher" terms, when they do come, will be designed to cut back the market for appliances and automobiles to the reduced supply.

* * *

There now appears to be little doubt but that FDIC member banks will be credited with somewhat upward of $67 million against their insurance assessments payable beginning with the July, 1951, installment.

The bill to set up the assessment credit awaits only House approval of the conference report and subsequent Presidential approval. Ostensibly all the Administration favors this bill, hence "royal assent" may be taken for granted.

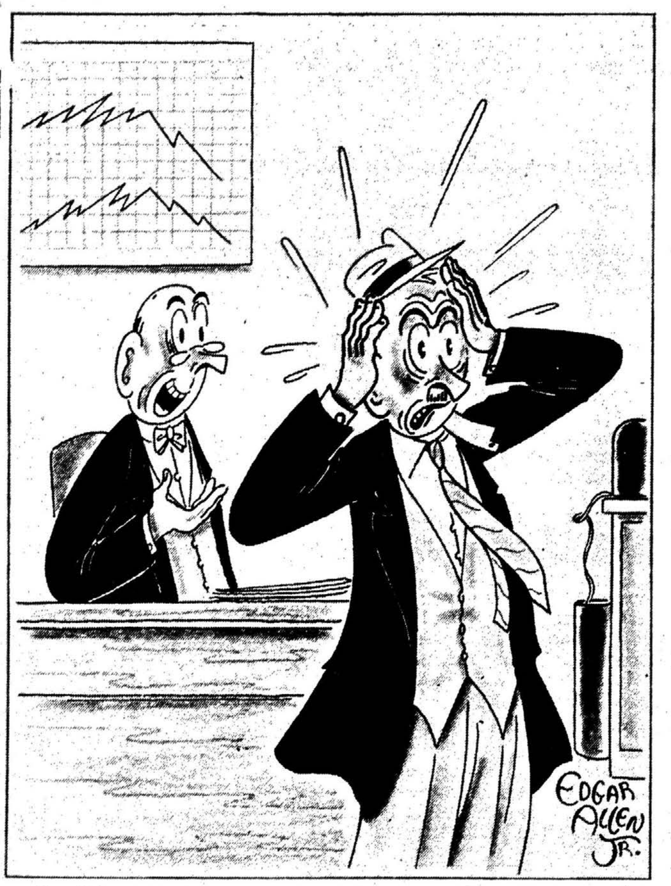
Under the bill banks are still legally liable for their full assessment, but after deduction for FDIC administrative expenses, losses if any, and reserves for losses, the net balance is open to a credit of 60% to the banks. The balance of 40%, along with earnings on the FDIC capital funds of some $1.2 billion, is added to the deposit insurance agency's resources.

The same bill raises FDIC coverage to $10,000 per individual deposit account, from the present $5,000.

Under another bill, insurance of homestead association share accounts will also rise to $10,000 from $5,000.

(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



"—Why not try looking at it this way—'you don't have any securities left to WORRY you'!"

Abraham Strauss With Morris Cohon & Co.

Abraham Strauss, for 17 years an officer of Strauss Bros., Inc., will become associated with Morris Cohon & Co., 42 Broadway, New York City, as Manager of their trading department on September 15.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Albert V. Sander has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Pacific Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Clement M. Cope, Jr. has joined the staff of Pacific Company of California, 623 South Hope Street.

With Shields Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Maxwell I. Swede is with Shields & Company, 510 West Sixth Street.