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EDITORIAL

As We See It

A number of the complexities and basic difficulties of any and all attempts to "manage" an economy have been strikingly demonstrated in this country during the past few months. These troubles have arisen and so far at least have proved insuperable despite the psychological advantage of an emergency of a sort which has existed and been much exploited by the managers or would-be managers. Of course, the problems are commonly attributed to the launching of a large scale defense endeavor, and in one degree or another they find their origin in this program. It would, however, be folly to suppose that the problems that have arisen in the endeavor to "channel" production into rearmament and to do so without extensive price disturbances are basically different or of an order wholly different from those always certain to be encountered when government undertakes to direct the operations of the economy.

Certain of the quandaries in which the managers find themselves at this moment are, accordingly, well worth careful study and analysis for the light they shed upon situations which arise whenever attempts are made to put free enterprise in irons. Of course, it is obvious, as it has been obvious many times in the past, that any sort of detailed control over the behavior of millions of men and women — control which touches both their ordinary, personal conduct as well as their business practices—is hardly more than a pretense in the absence of armies of control agents. We shall soon be again reminded, if we persist in the effort to set up extensive controls

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Impact of New Monetary Policy on Mortgage Market

By W. A. CLARKE*

President, W. A. Clarke Mortgage Co., Philadelphia

Prominent mortgage banker reviews background of conditions that led to Treasury's abandonment of pegged interest rates. Says purposes of changed policy were: (1) to let supply and demand work in money market; and (2) to encourage holding of long-term government bonds by investors. Analyzes, from statistical data, effects of changed policy on mortgage market, as reflected in (1) general inflationary trend; (2) the supply of money seeking investment in mortgages; and (3) the trend of interest rates.

It is fair to assume that every man at this meeting is familiar with the changes that have taken place during March with regard to interest rates on long-term U. S. Government bonds and the Federal Reserve's decision to abandon a pegged market. We cannot arrive at a clear understanding of the subject that we are discussing today if the important features of the new Federal Reserve-Treasury monetary policy are not completely understood. To make sure that the details of these changes are clear to everyone, I shall first bore most of you by briefly reviewing the events that have occurred.

The first was the announcement by Secretary of the Treasury Snyder that the outstanding restricted bonds of 67-72 would be exchanged for a bond that would (1) raise the interest rate by one-quarter of one percent, and (2) be ineligible for direct sale on the open market.

The second event occurred on March 8 when the Federal Reserve Board stopped supporting Government bonds.

On the same day the Treasury announced the terms for the new $19.6 billion refunding bond issue. In brief, the terms may be divided into three parts: (a) the bonds will be callable in 1975 and will mature in 1980; (b) they can be acquired only by turning in for exchange the present 2½% Victory's of 67-72 for new 2¾% bonds;

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*An address by Mr. Clarke at the Eastern Mortgage Conference of the Mortgage Bankers Association, N. Y. City, March 27, 1951.

A Balance Sheet Of the Stock Market

By S. B. LURIE*

Securities Analyst,

Paine, Webber, Jackson & Curtis, Members, N.Y.S.E.

In analyzing favorable and unfavorable factors in market outlook, Mr. Lurie cites as the chief "assets": (1) our "New Era" of general optimism, the "Fabulous Fifties," and (2) the "New Look" of respectability of common stocks; and as offsetting liabilities: (1) under-estimation of our productive capacity, and (2) speculative danger signals. Concludes favorable factors are sufficient to limit the extent of a prospective short-term market decline.

Our profession—the analysis of business and market trends—is an inexact science whose chief requisite is intellectual honesty. Thus, my remarks represent an attempt to establish a premise rather than dogmatically express a pre-determined conclusion. In this connection, my crystal ball points to a seemingly contradictory conclusion — in that it suggests a bullish long-term, but cautious near-term, appraisal of the outlook.

Sidney B. Lurie

The Balance Sheet

More specifically, as I endeavored to set up a balance sheet of the stock market, it seemed to me that the pros and cons fitted neatly into four generalizations:

(1) We're in a New Era — one which later may be called the "Fabulous Fifties" or the "Buoyant Fifties."

(2) There's a New Look to the stock market which in effect means that common stocks today are more respectable than they've been at any time in the past 25 years.

(3) More immediately, however, America's capacity to produce has been under-estimated—and the imme-

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*A talk by Mr. Lurie before the New York Society of Security Analysts, Schwartz's Restaurant, N. Y. City, April 3, 1951.

PICTORIAL COVERAGE OF STANY DINNER—The "Chronicle" of April 19 will include a Special Section containing pictures taken at the Annual Dinner of the Security Traders Association of New York on April 13 at the Waldorf-Astoria Hotel.

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.)

GLENELG P. CATERER
Lionel D. Edie & Co., Inc., New York City

Warren Petroleum Corporation

Consumption of the group of liquid hydrocarbons known as "natural gasoline and allied products" has increased by over 60% in the past five years. This exceeds by a considerable margin the growth in demand for either petroleum or natural gas. The prospects for still further expansion in use are very favorable, based upon increasing acceptance of "bottled gas" (LPG) in the home, growing use of LPG, propanes and butanes in chemical processing; and important possibilities as a fuel for tractors and busses. Inadequate storage facilities, and the slower rate of growth in the demand for natural gasoline as a blending agent in motor fuel, have caused surpluses in the past and a marginal price pattern. These conditions gradually are being corrected. The long range outlook is for continued and important growth and an improved price relationship.


Glenelg P. Caterer

Warren Petroleum Corporation is the largest company specializing in the handling and sale of natural gasoline and its allied products. The company's principal function is the purchase, transportation and sale of these products, although it is also a large processor of natural gas for the extraction of the liquids. In the year ended June 30, 1950, the company sold nearly one billion gallons of natural gasoline and other liquefied products. It owns natural gasoline plants having a daily output capacity of about 700,000 gallons, gathering and transmission lines totalling over 800 miles, over 2,200 tank cars, a 33,000-barrel tank ship, and storage facilities for 80,000,000 gallons of natural gasoline and 25,000,000 gallons of LPG.

Warren is also a growing factor in the oil and natural gas industry. In the past fiscal year, its interest in oil production amounted to 6,000 barrels of oil and 36,000 MCF of gas per pay. It has over 800 wells in 55,000 producing acres, and has undeveloped acreage of 416,000. A portion of its leases is in Scurry County, and it has a promising situation in Runnels County. Warren furthermore owns 75% of The Devonian Corporation, an oil producing company which is believed now to have production of about 5,000 barrels per day.

Net income in the year ended June 30, 1950 equalled only $2.63 per share, excluding an equity of 49 cents in the earnings of Devonian. In fiscal 1949, Warren earned $4.10 per share and in 1948, $5.02. In the six months ended Dec. 31, 1950 earnings equalled $2.01 per share, comparing with $1.38 in the corresponding period a year earlier. In addition, the equity in Devonian's earnings equalled 34 cents.

The combination of larger volume and a gradual uptrend in prices should restore to Warren a basic earning power exceeding $4 per share even under an excess-profits tax. Due to the earnings in the base period under the Excess-Profits Tax Act, the company has a good EPT credit. It is not likely that it will run into excess-profits taxes of any importance until earnings reach at least $3.50 per share.

Capitalization of the company consists of approximately $21,000,000 of long-term debt and 1,699,450 shares of stock. At a recent price of 32 for the stock, a market value of $54,400,000 was indicated for the equity. The working capital position appeared to be adequate. It was improved during fiscal 1950 and perhaps could stand further improvement which no doubt it is receiving through earnings. On June 30, cash amounted to $5,829,000, total current assets to $14,413,000, notes payable to $1,440,000 and total current liabilities to $8,571,000.

Capital expenditures were relatively low in fiscal 1950 at $6,512,000. They are likely to increase this year, particularly if the new investments can be subjected to accelerated amortization. For this reason, as well as the existence of the funded debt, the dividend, which is only 80 cents per share, may not be increased this fiscal year. The retained earnings, however, are building up the equity in a business which promises a good return on the additional investment.

JACQUES COE
Senior Partner, Jacques Coe & Co., New York City

Frank G. Shattuck Company

One of the principal reasons I like the stock of the Frank G. Shattuck Company is because at this time one can become a stockholder at a price close to its net quick assets. It is seldom that the investor has such an opportunity to share in a long established business of this kind, and on so favorable a basis.


Jacques Coe

The Shattuck organization, better known to the trade as "Schrafft's," has been in business since May 31, 1906, and it enjoys a 26-year record of uninterrupted dividends. Even in the depression year of 1932, 75 cents a share was paid, and the stock sold as high as $12¾.

In other words, the goodwill of this business, together with its real estate, leaseholds, fixtures, etc., can be bought by purchase of the stock for within a few dollars of its net quick assets.

The fact that the company has no bank loans, no preferred stock and no bonds outstanding, and that the cash position of the company is so unusually strong, permits the payment of a substantial portion of its earnings in the form of dividends. We see no reason why this 26-year record of dividend payments should not be continued indefinitely, and with the consistent expansion of the company's business, there are good possibilities that in normal markets, the price of this stock eventually could advance again to the high levels of 1945, 1946 and 1947 — in these respective years, the price was $22¾; $26¾ and $21¾.

This company operates 49 quality restaurants and candy stores under the "Schrafft" name, of which 39 are in the New York Metropolitan area; 1 in Syracuse; 2 in Philadelphia and 7 in Boston. Over half of the establishments serve wine and liquors and most are air-conditioned. The principal candy manufacturing plant is in Boston while a New York City plant manufactures candy, ice cream, bakery products and maintains a laundry. Candy manufactured by the company, in addition to being sold in its own retail establishments, also is distributed at wholesale through a subsidiary—Schrafft's Sales Corp. The wholesale division accounts for about 30% of sales. Strict enforcement of high-quality standards in both food and service has established and maintained a sound trade position.

At Dec. 31, 1950, 1,105,400 shares were outstanding in the hands of the public and 164,600 shares were held in the treasury. Since 1929 the company has reacquired some 240,000 shares of its own stock.

Finances have been characteristically strong, with working funds of $10.3 million at Dec. 31, 1950, ample for all foreseeable needs. This sum was equal to about $9.36 per share of outstanding common. Cash items alone, of $6.8 million, were more than double current liabilities of $3.3 million.

Dividends have been paid by the company in varying amounts each quarter since 1925. Earning power of the company has been limited by narrow margins. This reflects in part the keen competition which exists in the industry and relatively high labor and material costs necessary to maintain the high-quality standards associated with the "Schrafft" name. During the war years (World War II), the ratio of operating income to sales widened perceptibly, with the peak being attained in 1944. However, heavy EPT prevented a commensurate rise in profits. Tax relief in 1946 was reflected in a rise in earnings to $1.87 per share, the best since the $2.60 of 1929.

Sales in 1950 of $40,946,000 were down 1.9% from the $41,743,000 recorded in 1949. Costs were under control with operating income rising to 5.5% of sales as against 5.3% in 1949. Taxes absorbed 43% of taxable income against 40% in 1949 and limited the rise in final net to 11.5% or to $0.93 per share from $0.83 per share in 1949. During the year 14,100 shares of stock were acquired by the company at an average cost of $9.61 per share.

In view of the indicated liberal dividend policy of the management and the strong position of company finances, it is likely that total payments for 1951 may equal or exceed the $1 per share paid in 1950. The dividend policy appears to be one of making modest payments in the first four quarters of the year and then making a year-end payment in line with the indicated full year profits. With prospective rising earnings, accompanied by a strong financial position, it is possible that the regular quarterly disbursement may be increased moderately in the not too distant future.

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The Convertible Is Now in Season

By IRA U. COBLEIGH

Author of "How to Make a Killing in Wall Street and Keep It!"

Suggesting consideration of convertibles as a defense against stock market decline; and highlighting special features favoring American Telephone and Telegraph 3⅜s.

'Ever see a clever boxer in a 10-rounder rack up seven winning rounds and then defend for the next three? Well, if you'll pardon a fistic financial allusion, could be that that's where you are right now. We've had some swell years for piling up a plethora of market pelf—say seven rounds worth —and, of course, you want to keep on and win the match, don't you? Not lose it in the tenth by a knockout! Well, I'm your boy. I've got a plan. Supposing you've say $20,000 or more of stock market profits right now. Are you a pig? Will this market last forever? Or do you want to roller coaster it? You know—hang on all the way up, hang on all the way down, and get off where you started! You're not going to fall for a rum go like that, are you? Surely you can find a little logic right now for stashing away a slice of your market gains, perhaps as much as half. If this makes sense to you, here's what to do—you can have your cake and eat it too. You switch over to the defense and buy convertible bonds.

Ira U. Cobleigh

First of all, you want to buy a good bond, not a cluck; because a flimsy bond can dwindle in a backspinning market just about as fast as stocks. So how about starting off with the best—the king size ($415,000,000) debenture issue recently emitted by American Telephone and Telegraph Company, the 3⅜s due 1963. In "casing" this (or any "convert") the first thing to find out is what the security would be worth if no convertible feature were attached. Well, in the case of ATT the long-term credit of this company is now worth about a 2.80% interest rate. At 106, these 3⅜s yield that—so that's our base price. That's the highest price at which "beady-eyed" bank examiners would approve and allow the entry of these securities into a bank portfolio, without leering nastily at the investment officer! That's your basic defense price, 106. Anything more that you pay for this bond is for the conversion gimmick, so let's kick that around a bit. Let's see what it's worth.

The Convertible Feature

This issue is convertible for twelve years from this June into ATT common at $138 per share. Now that's not bad, for that's the lowest the stock has sold since 1946 and meanwhile it has sold as high as 200. So the conversion value is pretty solid. At 150 the stock, with a thirty-year record of paying $9 dividends, yields 6%. That's another powerful defense point.

How good is this stock anyway? Is it dangerously high now (around 157 when this was written)? If it "fell outta bed" how far South could it go? The answer seems to be, not very far.

There are truly powerful forces at work to prevent a tailspin in these shares as follows:

(1) First, let's say that ATT has just about completed its postwar $4,000,000,000 expansion program and has only just begun to show the substantially improved earning power which its vastly more efficient plant can now produce. Net per share of $9.70 in 1949 has increased to $12.58 in 1950. This gives you a vital clue as to earnings trend.

(2) Consider also that this big expansion program made enormous calls for additional capital; but with the program substantially completed there will no longer be dangling over the market heavy periodical new offerings of bonds or shares. Thus, the floating supply of the stock will tend to dry up and ATT will be technically less of a patsy for a nose dive.

(3) Nobody knows just how much more the stock will earn by virtue of the increase of coin phone calls from five to ten cents.

(4) 960,000 satisfied stockholders represent a continuous underlying purchase demand for the stock.

(5) Then latch on to my final argument. Pension and mutual funds and "prudent" investment trusts have been buyers of ATT steadily. It's way up on dividend buyers' hit parade. And, if the life insurance companies are shortly empowered to put even 2% of what they coyly refer to as "admitted assets" (I'll come back to this one another time. The Kefauver Committee showed that lots of people don't go around "admitting" assets) into common stocks, you can hardly pick a surer-fire selection than ATT.

A Built-In Call on ATT Stock

So to resume, if the bond is worth 106 off a cliff, for interest purposes, how much more is it worth with a built-in 12-year call on ATT at 138? Well, when the subscription books opened, the W. I. price was around 112. Surely it was not hard to perceive six points to be a quite reasonable price tag on so good a call. Surely this is an almost ideal issue for salting away profits, for defending the last three rounds! True the bond could be taken away from you by call @ 107 in 1953 (and at scaled down prices after that), but ATT has a record of never lousing up a bond conversion

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How Do We Keep Our Economy Strong?

By J. CAMERON THOMSON*
President, Northwest Bancorporation; and Chairman, Subcommittee on Monetary, Fiscal and Credit Policy of the Committee for Economic Development

CED official, citing the national business organization's newly announced anti-inflation proposals, asserts we must seek stability over both long and short term, and endorses its following specific proposals for steps to be taken: (1) production to be increased in all possible ways; (2) government expenditures to be reduced drastically — by $6 billion; (3) taxes to be raised on individuals, corporations, and excises to yield $5¼ billion; (4) bank credit to be checked; and (5) savings to be encouraged nationally.

If we are to end the aggression of world communism, we must keep our economy strong. This economic strength, which is basic to all our efforts at all times, has even greater importance today, for the entire free world depends on it for survival.

J. C. Thomson

What does it take for us to keep our economy strong? For one thing, we must have a tremendous and growing industrial capacity. We have that. It takes also a free, intelligent, able and hard-working citizenry. We have that. It takes vast material resources. We have most of the resources we need and we are accumulating huge stockpiles of raw materials that we do not produce at home. We are keeping the channels open through which these foreign materials come. It takes a sense of responsibility and the willingess to make sacrifices for the defense effort on the part of all groups of citizens. I hope that we will attain this objective soon.

Free men operating in a free economy have made use of our great material resources. They have made our economy the strongest, the most productive and the most progressive the world has ever known. But throughout our history we have had our ups and downs. Economic instability has been a continuing problem which at times has threatened the existence of the very institutions and resources that underlie our greatness. It is to this problem of instability that I should like to address myself today. If we do not achieve greater economic stability in the emergency that now confronts us, we may see the collapse of many of the other pillars of our economic strength.

Out of the dismal days of the ninteen-thirties came a universal determination of the American people to avoid future depressions. Economic stabilization became one of the nation's foremost goals. It is the basic aim of the Committee for Economic Development, in fact, to develop policy recommendations that will contribute to the development in our economy of what we have called dynamic stability; that is, stability that is not gained at the expense of freedom, economic growth and rising living standards.

As I say, this goal of a stable economy came into its own during our worse depression. It was inevitable that the avoidance of depressions should be given primary emphasis. The literature of economic stabilization theory and practice has built up a strong and large volume of argument against depression. It is, unfortunately, not as strong on what to do about inflation.

Almost as soon as the goal of economic stability became widely accepted, the second World War broke out. It was not too long before one of the other theories of the 'thirties, the doctrine of economic maturity, fell by the wayside. The goal of a stable economy, however, was made of stronger stuff. It grew throughout the war boom, and partly because it had been born in the 'thirties, its immediate objective was the prevention of a postwar depression.

That postwar depression was stillborn, as is obvious to everyone today. The CED, incidentally, did not believe that this depression was inevitable. We had a successful nationwide CED field program to assist businessmen in making a quick transition from war to civilian production. But the generation of economists and businessmen who are now at the top of their professions received either its academic or its "hard-knock" education during the depression. The fact is that the American people and their leaders were taken by surprise by something that had been going on ever since economic stability became the great goal. Inflation, we are now aware, has been the dominant economic influence since the beginning of World War II, as it has, in fact, after all wars. In our effort to stabilize our economy in the period ahead we should shake off our ingrained and partly subconscious fear of depression, and turn our attention to the pressing current need, which is a strong and broad program to get inflation under control.

Stable Economy Essential

There are two parts to a program for greater economic stability. One part is for the long term. We must develop and make the public aware of the goal of an economy that does not have to endure successive depressions and inflation. A more stable economy could be achieved in several ways. The only way we will consider is the way that strengthens, rather than weakens, our individual freedom, the initiative and incentives that make progress possible, and the economic growth that spreads the benefits of our economy to all our people.

The second part of the program is directed at specific measures to increase stability for the short run. For two or three years we will be putting tremendous demands on the economy, as we build up our defenses against communism. Unless we have a war, we can hope to reach a state of preparedness that can be maintained without many additional surges of new military production. And we have to be ready at the same time to move on to a full war if it should be forced upon us. This is the context in which the stabilization program I shall describe to you should be viewed.

At the time of the invasion of South Korea, the postwar inflation was developing renewed momentum, after a brief period of readjustment in 1949. With the beginning of the Korean War, inflation really took hold. The economy was already in a boom. Production was at a level that would undoubtedly have been considered impossible ten years earlier. There was very little unemployment. Wages, prices—in fact, the nation's total income—were sky-high in comparison with the levels of the late nineteen-thirties. Many of the postwar wonders we were hopeful about, if somewhat cynical, when you gentlemen pictured them to us during the war, had actually become a reality. Television sets, electric dishwashers and clothes-washers, automatic gearshifts and two-week vacations with pay were not only available, but were within the reach of the less well-to-do as well as the rich. And then, on top of all this, came Korea and a new awareness that the Russians and their satellites meant business. We are now embarked on a program to show that we mean business, too. I am not going to discuss what this entails in the sphere of world politics or in the details of miliary production, except as they apply to the fight against inflation, which could easily become Russia's silent ally if it isn't checked with vigorous action.

How Much Inflation

Let's pause a moment to see how much inflation we have had since last June. We have all been hearing so much about 50-cent dollars that the term has lost its meaning. Besides, it refers to the decline in the value of the dollar since some time before World War II. Let's assume instead that the dollar was worth 100 cents in June, 1950. Measured in terms of the cost-of-living index, which rose 6½% from June to January, the dollar is worth something less than 94 pre-Korea cents. Wholesale prices in general have risen 16% since Korea. Measured against wholesale prices, the dollar is worth only 86 cents. If the dollar is used to buy raw rubber it will prove to be worth only 44 cents; although that is an extreme example it shows the extent to which price inflation can go at a time when the average is somewhat less impressive. But more dollars are spent on food in grocery stores than on rubber from Malaya. The 100-cent dollar of last June is worth about 91 cents at the supermarket. In fact, about the only thing the dollar will buy more of today than last June is advice on how to stop inflation.

Individual Income Higher

Of course, there is another side to these high prices. The dollar may buy less than it did just before the Korean War, but most Americans are earning more dollars. Several important groups, in fact, are actually benefiting from inflation, and the aggregate wages and salaries of all groups in the country have risen much more than the cost-of-living index. Last June, total wage and salary payments were running at an annual rate of $140 billion. In January of this year, the rate was up to $155 billion, a rise of 11%. Just before Korea, the average industrial worker was earning just under $59 a week; in January his earnings had risen almost 7% to about $63. The farmer has done well, too. Total farm income in June was at the annual rate of $16½ billion, and by January it was 22% higher, or $20 billion. Corporation profits are generally reported by quarters, and the pertinent statistics are not yet available, but it is obvious that the profits of corporations have also risen.

These are the aggregate figures. They do not show that some persons' incomes did not rise along with the prices of things they had to buy. These people are the direct sufferers from inflation: the persons on fixed or slowly adjusted salaries, the pensioners, the people living on bond income, and the annuitants.

What brought this inflationary surge about? It came in spite of a 10% increase in the physical production of industry, which made more goods available than before Korea. And not until the last few months has much of this production gone to the military. The inflation also occurred in the face of a surplus in the Federal cash budget. Without going into statistical detail, I can say that there were several reasons for the rise in prices. One reason, of course, is the wage increases that have been granted, which enter into the cost of production, and which give wage earners more money with which to bid for goods and services. Moreover, the American people have a tremendous reserve of liquid assets which can easily be turned into cash. The outbreak of war in Korea brought back memories of wartime shortages, inferior merchandise and rationing. It also brought about a renewed fear of higher prices.

The result was a great wave of retail buying, soon after the Korean War began. To finance their greatly expanded purchases, the public spent money that would otherwise have been saved, and it dug into the liquid assets it had accumulated by saving in the past. By September, the public had eased up on its buying splurge. This was followed, in turn, by a rapid effort of businessmen during the last three months of 1950 to rebuild their inventories to previous levels and beyond, so as to have on hand enough goods to sell in another upsurge of buying. This inventory buying also applied strong upward pressure to prices, particularly at wholesale. After Christmas the traditional slump in retail stores did not materialize, and department store sales were extraordinarily high in this second consumer buying wave.

Importance of Borrowing

Much of the money that was spent, particularly on inventories, was borrowed money. Bank loans outstanding to businesses and farmers were over 37% higher at the end of February than in the week before the Korean War began, as measured by one representative set of statistics. The supply of money in the nation, that is, currency and demand deposits, rose as a result of credit expansion by $8 billion, or 7½%, from the end of June to the end of December.

Now we are entering a new phase of the rearmament period. More and more production will be for military purposes. There are signs that the rapid rise in prices and wages is flattening out. It may be that we have already seen the most acute phase of inflation. But the signs ahead are not too hard to read. I think we must realize that for the next two or three years, at least, there can be no let-up in the efforts to fight inflation, and we must be ready for more upward surges. While we are now spending an amount equal to only about 7% of total national production for defense purposes, by the end of the year we will be spending about 18%. Meanwhile the public will be earning money at an extremely high rate, and much of it will be funneled into the purchase of a curtailed supply of civilian goods. Unless we take firm and fundamental action against inflation, this excess of civilian demand over civilian supply will force prices and wages higher and higher, despite wage and price controls.

This analysis of the economic trend of the past eight months puts in clear relief the fact that policies for economic stabilization in the time ahead should be developed primarily toward the dangers of a spiralling inflation.

In an effort to check the price-wage spiral, our government has adopted a set of direct controls designed to stabilize prices and wages. This decision having been made, we should make a sincere effort to make these price and wage controls work as well as possible. But we must realize that price and wage controls will not by themselves stem the tide of inflation. They deal largely with symptoms rather than the underlying causes. They can be made to work only if other steps are taken to reduce the real causes of inflation.

Merely a Lid

We must not regard our problems as solved just because we have adopted a set of controls

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*An address by Mr. Thomson before Annual Spring Meeting of the Association of National Advertisers, Inc., Hot Springs Va., March 30, 1951.

The State of Trade and Industry

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

With greater emphasis on defense production overall industrial output revealed a slight trace of expansion last week, but as in past weeks continued to be markedly above the level of the comparable week of last year.

Although aggregate production was at the highest point since the close of World War II, estimates placed it about 10% under the all-time peak reached in 1944.

A slight rise was noted in the latest reporting week in new claims for unemployment insurance. Employment in March advanced following a mid-winter lull.

The Department of Commerce reports a total of 60,179,000 persons employed in March, or an increase of 1,250,000 over February. Fast-growing defense production, on top of a normal seasonal rise in job opportunities, it was explained, pushed the March total about 2,500,000 above March, 1950. Unemployment fell to 2,147,000 in March, representing a 300,000 drop from February and the lowest March total in four years.

On Monday of this week, Charles E. Wilson, Mobilization Director, in his initial quarterly report stated that the past nine months have been the "tooling-up stage" of a mobilization program that by the end of 1953 will have brought enough expansion in the economy to permit a return to unimpeded civilian output with a continuing high level of military spending.

Summing up progress to date, Mr. Wilson said 3,000,000 men are under arms, more than 1,000,000 tons of military equipment have been shipped to America's allies in the last year and orders have been placed for more than $23,000,000,000 worth of military equipment. Defense expenditures, he said, are running at a rate of $2,000,000,000 monthly and should double by the end of the year.

The maximum production impact on raw materials, Mr. Wilson predicted, will occur in early 1952, adding that some kind of "controlled materials plan" for allocation of all vital metals will be in effect later this year.

He disclosed that the nation's program of stockpiling vital materials has a goal of $9,700,000,000 worth of goods, based on February prices. Of this, he revealed, $3,200,000,000 is now on hand.

Despite higher military demand, the director stated, civilian food supplies are likely to be a little larger this year than in 1950.

Some modicum of relief was afforded this week by the announcement of Secretary Snyder that no additional tax increases would be needed, in order to balance the budget, beyond the $10,000,000,000 boost now before Congress. Testifying before the House Ways and Means Committee, which is about to start work on a new revenue bill, he declared the program recommended by the Treasury two months ago might be enough to keep the arms build-up on a pay-as-you-go basis, without a second tax increase which he had said in February would have to be sought. In any event, Mr. Snyder promised, if Congress votes the $10,000,000,000 hike, there will be no further tax demands from the Administration during the calendar year 1951. For the current fiscal year, ending June 30, Mr. Snyder forecast a budget surplus of $2,900,000,000. Last January, President Truman had foreseen a $2,700,000,000 deficit.

In the steel industry civilian steel tonnage is being increasingly crowded from mill order books under pressure of mounting defense demand, says "Steel," the weekly magazine of metalworking. Rated orders are accelerating steadily and mill delivery promises on such account now generally fall in third quarter. On certain specialties, mills are committed well into fourth quarter. Meanwhile, tonnage set-asides for defense programs are growing and the confusion attending diversion of more and more steel from regular commercial consuming channels is intensifying in a tangle of directives, priorities and allocations.

Defense programs for June, it adds, are now being set up. These will be the same as those established for May, but, it is understood, they will necessitate an overall increase in allocations running to at least 43,000 tons. The programs will carry the same DO numbers that apply for May. Scheduling procedure, on which point producers have been somewhat confused as result

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The Convertible Is Now in Season

right, by redemption ahead of maturity.

Today we have this splendid issue to consider at around 115 and you have to make up in your own mind just how much a premium above 106 you want to pay. At 115, could be, on a wet track you could drop nine points but you could also go up 40 points riding this issue.

Perhaps I have dwelt too long on these telephone convertibles. If I did so, it's only because they seem to be an ideal defense medium in a market that could tailspin overnight. And, even if events prove that taking profits now is somewhat premature, you still have your foot in the door if the market and ATT continue up. If ATT should sell up to 200, the debentures would be worth around 160.

ATT debentures appear as an almost ideal convertible on almost every conceivable count. A marvelous $10,000,000,000 company, the premier example of American private enterprise. A wonderful credit. Why, a default on these debentures is as unlikely as Joe Stalin embracing the Roman Catholic faith! Moreover, improved earnings could very well drive the common stock forward to a 5% yield basis, 180 that is —and the stock would technically be worth that if it earned $15 a share. Also, don't forget, above the $9 dividend valuable subscription rights have been moulted through the years.

So the credit is good, the conversion attractive, marketability wonderful, and prospects splendid. The management is tops. This, brethren, is a real convertible, and the convertible is now in season, debenture as well as Cadillac! I'll talk about this some more (debentures not Cadillacs) a little later on but I doubt if I'll talk about a better one than ATT. Meanwhile, as sort of a homework assignment, why don't you look also into Canadian Pacific debentures convertible into 40 shares of Canadian Pacific and Phillips Petroleum 2⅜s due 1975?

California Issue of $50 Million School Bonds Marketed

A nationwide investment banking group, leading members of which are the Bank of America N. T. & S. A., Chase National Bank, National City Bank, Blyth & Co., Inc., First Boston Corp., and Harriman Ripley & Co., Inc., is making a public offering today of a new issue of $50,000,000 State of California series C, State school building bonds. Purchased by the group at competitive sale, the bonds are being offered for public investment as follows: the 4s, maturing from 1953 to 1958 inclusive, are priced to yield from 1.20% to 1.40%; 1½s of 1959, at 1.45%; 1½s of 1960 and 1961, at par; 1½s of 1962 to 1964, from 1.55% to 1.65%; 1¾s of 1965 and 1966, at 1.70%; 1¾s of 1967 and 1968, at par; 1¾s, due from 1969 to 1977 inclusive, from 1.80% to 1.95%. (Bankers' new issue advertisement appears on page 7.)

With Shields & Co.

Frederick R. Shaw is with Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange. In the past he was with Walston, Hoffman & Goodwin and with W. R. Bull & Co., Inc. of Bridgeport, Conn.

Observations . . .

By A. WILFRED MAY

The Dissonant Tunes Sung by the Anti-Inflation Fighters

One of the main obstacles in the waging of the battle against overhanging inflation is the tendency of so much of the community to confine its fighting service to the use of its lips. Too many segments of the population do not in practice treat as fundamental the threat of monetary debasement and the accompanying devastating dislocations. Included among the complacent are not only the politically-favored and subsidized pressure groups, some business interests, and stock market bulls, but our government officialdom as well. The Chairman of the President's Council of Economic Advisers, in a recent debate over the New and Fair Deals' responsibility★ for the last decade's dollar decline, set forth the following conclusion:

A. Wilfred May

"No secure, free and productive nation was ever ruined primarily by inflation. Inflation has dealt the final blow to nations first weakened by military defeat, famine, moral decay or factional internal strife. It was only under some combination of these circumstances that inflation in the past wrought such havoc in Germany, China, and other countries."

Inflation seemingly is not too disliked by those government officials who bank on statistics which indicate transpired and future sensational expansion, and stress the booming *gross national product* and production records, but measured against the yardstick of a shrinking dollar.

The above-quoted belittlement of the inflation danger, advanced during debate by the nation's number-one official economist, flies in the face not only of past pronouncements of his Chief, the President, but his colleagues' concurrent pronouncements. "Unless we attain stabilization we are gambling with the future security of our nation," warned Defense Mobilizer Wilson last week. And Mr. Martin, in his inaugural statement on assuming the chairmanship of the Federal Reserve Board, Monday used this language:

"Unless inflation is controlled, it could prove to be an even more serious threat to the vitality of our country than the more speculative aggressions of enemies outside our borders."

An Earlier Flip-Flop

Seemingly relevant here is it to cite *President* Roosevelt's embracing of deficiteering and repudiation after *Candidate* Roosevelt's prior phillipics against deficit spending and against "visions of rubber dollars."[1]

Alan Valentine, while still the government's Economic Stabilizer, on Jan. 11 last in Cleveland warned that only controls could save the economy from havoc. But once out of office, he frankly stated in public: "If we mean bringing our national economy wholly under the control of government; if we mean arresting and freezing our productive organization within some predetermined framework; then our economy cannot be stabilized, at least short of complete dictatorial socialism. Such regimentation would reduce personal incentive and repair production; it would strait-jacket initiative and destroy free enterprise."[2]

In organized labor leaders' demands for price ceilings without wage ceilings, it may be presumed that they sincerely desire this double-standard as first choice. But it also seems probable that as a close second choice they are not too dissatisfied with inflationary price rises as a spring-board for their self-glorification in making further demands for pay rises and disastrous cost-of-living escalator clauses.

Good for-the-Other-Fellow

The business man also participates in the fight-for-deflation-

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★America's Town Meeting of the Air, March 27, 1951.

1 From Mr. Roosevelt's address at the Brooklyn Academy of Music, Nov. 4, 1932.

2 From Dr. Valentine's address at the 31st Annual Luncheon of the Associated Industries of Cleveland, March 14, 1951.

What Is a Dollar?

By ROY L. GARIS

Professor of Economics, University of Southern California

Prof. Garis reviews opinions and theories of economists and monetary experts regarding nature and functions of the dollar. Points out involvements, diversity and complexities of views. Concludes, in summing up: (1) our standard of value is a dollar which consists of 13.714 grains of pure gold; (2) it is an increasingly difficult problem in a dynamic world even to expect a reasonably stable purchasing power of the dollar; (3) previous domestic convertibility of currency and bank deposits into gold has contributed to dollar's stability; and (4) a modern managed gold standard within our domestic economy would do much to restore dollar's integrity.

What is a dollar? This seems to be a superficially simple question. Yet it is not as simple as it appears, for, in the words of Professor Ralph A. Young, "one's answer to it is the key to his thinking about money."[1] Daily we read in the press and in current literature that the dollar is buying less and less; that prices are going up; that our United States Government bonds have a value half what we paid for them ten years ago; and that our insurance and pensions are losing their value and may be worth little or nothing when we or our heirs receive payments.

Roy L. Garis

We are told that the dollar is no longer "sound"; that since 1933 we have had and still have a currency system that the politicians can manipulate at will; and that the American people have lost control over the monetary and fiscal policies of their government.

Advocates of a managed currency, bureaucrats, government planners who would socialize our political and economic system, and pressure groups are denounced as persons or forces responsible for the increasing loss of confidence in the dollar. "Sound as a dollar" no longer seems to mean much to the average American.

What is this dollar of which we read and hear? Robert P. Vanderpoel, Financial Editor of the Chicago "Herald - American," wrote to the author:

"Academically I can see that there would be considerable interest in this subject but practically I am a great deal more interested in doing anything I can to protect the so-called integrity of the dollar. The American dollar is the United States' medium of exchange. Our paper dollar is our medium of exchange and, for practical purposes, the only dollar we now have. I believe that every effort should be made, within the limits of sound policy, to maintain its stability. There isn't any reason why it shouldn't continue to be a good medium of exchange but I fear its quality will deteriorate unless we follow sounder financial policies before too much confidence has been destroyed. I feel that we should all concentrate on demanding sound policies rather than waste our ammunition quarreling over gold or the definition of the dollar."

This is an amazing but very helpful statement. The author agrees fully with the plea for sounder financial policies. But how are we going to protect the integrity of the dollar if we do not agree as to what is a dollar? What is it we want to—must—protect? Certainly it is more than our medium of exchange. It is also our standard of value, our standard of deferred payments (basis of all credit transactions), out test of solvency, an important gift medium, and our store of value, since virtually all our savings are in terms of dollars.

Expansion of Money and Credit

The $27.4 billion of currency outstanding and in circulation as of Oct. 31, 1950 is only a small percentage of the $167.7 billion of bank credit as of the same date. Deposits in our 14,658 banks at that time amounted to $167.4 billion. Gross national product approximated $277 billion for the year 1950, whereas personal income reached an all-time high of $230 billion.[2]

Obviously, therefore, the problem of what is a dollar goes much deeper than the relatively small percentage of our monetary system which is in the form of paper dollars in circulation as a medium of exchange.

Is It a Standard of Value?

Professor C. R. Whittlesey replied to my inquiry as to what is a dollar:

"It seems to me that a United States dollar is simply the unit in which prices are customarily expressed in this country."

Hence, it is our standard of value. But is this standard of value—this unit in which prices are customarily expressed—is this dollar 13.714 grains of pure gold, as defined by Act of Congress, or is it a price index dollar, or in the words of Mr. R. C. Leffingwell—"a rubber dollar"? Is the dollar a stipulated amount of purchasing power? If so, how is it constituted? What or whose index is to be accepted in its determination? Is it a mere abstract concept? If so, how can an abstract concept be standardized or its integrity be protected? These are questions of more than academic interest. They are basic to the adoption of sound financial policies essential to the protection of the integrity of the dollar.

In his book, "Principles and Practices of Money and Banking," Professor Whittlesey states that, "in the United States gold is the standard of value but is not used as a medium of exchange . . . The only fundamental justification for having money based on or consisting of a valuable commodity is a belief that such a requirement will help to assure that the condition of being able to exchange it without loss will continue to be satisfied . . . Money can perform its function as a standard of value without even existing in a physical (i.e., commodity) sense."[3]

In his opinion money in the abstract is vastly more important now than it was in the past.[4]

Defining the Dollar

In his letter to the author Professor Albert G. Hart defined a dollar as follows:

"**Dollar**, noun. (1) The unit of account in U. S. A.; (2) the unit of account in various other countries (notably Canada); (3) a piece of paper or metallic money, in one-dollar denomination.

"**Dollar**, adjective. Measured in the unit of account of U. S. A.

"'A' dollar ordinarily means dollar in sense (3); 'the' dollar ordinarily means dollar in sense (1).

"I believe these definitions will serve to construe both popular and professional utterances—except for a few professionals who choose to operate with unusual definitions."

In their book, "Money, Credit and Finance," Luthringer, Chandler and Cline point out that although the unit of money may be composed of or represent a fixed weight of gold—as has been the case in the United States—this fact seldom enters into the conscious calculations of people since in time they become accustomed to making valuations in terms of units of money. Furthermore, they point out that the monetary unit, which must be and is standardized, "has never remained constant in value" or purchasing power.

Of course, Congress can at any time change the content of the dollar or standard of value, under its constitutional power to coin money and to regulate its value. But until Congress does so it would seem axiomatic that the dollar yardstick remains standardized—today at 13.714 grains of pure gold.

Professor T. E. Gregory has stated:

"The existence of a metallic standard itself affords some protection against over-issue, but the mere linking up of the currency systems of the world with gold does not prevent the value of the currency and of gold from falling, if there is concerted inflation; that is, a common increase in the fiduciary elements of the currencies."[5]

Obviously, the same thing can be said of any commodity in terms of its unit of measurement. Thus wheat is measured in "bushel" units, yet the price or exchange value of the wheat per bushel will change, among other things, with the supply or demand for wheat. The bushel unit of measurement is standardized by law just as a yard (or 36 inches) is a standardized unit of measurement. However, the price or exchange value of a yard of a given kind of cloth will vary, among other things, with changes in the supply or demand for the cloth. Although the price of a yard of cloth may vary from time to time, a yard is not 36 inches today, maybe 40 inches at another time, and 30 inches at some other time. A gallon is a standardized unit that does not vary.

Much of the confusion seems to go back to statements frequently made by the late Professor Irving Fisher and earlier economists. In "The Money Illusion," Professor Fisher wrote:

"If we are at such pains to **standarize or stabilize** the yard, the pound, and every other goods-unit, how much more important is it to **stabilize** the unit of money."[6]

Indeed we have standardized our goods-units of measurement but we have not stabilized their prices or exchange values. "To standardize" is quite different from "to stabilize." Professor Fisher set up, therefore, an erroneous premise when he inserted "or" between the two words standardize - stabilize, yet left out standardize in the same reference to money.

We have standardized the dollar just as we have standardized every goods-unit of measurement. A dollar is now, by Act of Congress, 13.714 grains of pure gold. By simple arithmetic, therefore, an ounce of gold is worth $35 since 480 grains in the ounce divided by 13.714 grains in the dollar equals 35. Although the President of the United States still has the power to vary the price of gold "in the public interest"—a power that he should never have been given and which Congress should take away from him by specific repeal—the dollar is now by Act of Congress 13.714 grains of pure gold. That is standardized by law.

Legal Standardization Is Not Stabilization

Of course, its purchasing power is not stabilized. Gregory stated it correctly when he wrote: "It is no part of the case for the gold standard that it of necessity guarantees stability." Standardization and stabilization of the dollar are two different things. An acceptance and recognition of this difference simplifies the problems inherent in changes in the purchasing power of the dollar.

The value of the dollar or of any given currency may be measured (a) by its command over commodities, viz., by its purchasing power, or (b) by the rate at which it exchanges against other currencies. Obviously the latter depends in turn upon the purchasing power of the measuring as well as of the measured money.

Unless the standardized dollar of 13.714 grains of pure gold is allowed to function properly, the difficulties of stabilization of the dollar and hence of the price level or purchasing power of our money become infinitely greater in number and complexity. This is not to argue for a "laissez faire," neo-classical, pre-World War I gold standard. There are very few if any monetary economists who wish to return to such a dollar any more than they would be satisfied to use a 1914 automobile. Some management is essential. The question is — how much and what kinds of management if we are to protect the integrity of the dollar. For monetary, credit and fiscal controls have their limitations in a dynamic, non-totalitarian society. Technological developments, population growth, the will to peace, and an infinite number of ratios have to be reckoned with. They cannot be wished away or ignored. In fact, in such a society a standardized monetary unit—an unchanging yardstick—is an indispensable social asset. Otherwise, the purchasing power of the unit becomes meaningless.

The quotation of the English pound at $2.80 in United States dollars is a case in point. Foreign central banks and governments can and do convert their dollar credits in this country into gold at $35 per ounce—a privilege and right denied to American citizens. Foreign students often state that their government would rather have United States dollars than gold. But if they have gold they have American dollars. If they have dollar credits they can convert them into gold at the rate of 13.714 grains of pure gold per dollar. Standardization here simplifies their problem. The British pound is standardized in terms of the United States dollar—in terms of gold. What the British pound will buy—its stability—in Great Britain is quite another problem.

Testing Integrity of Dollar

It is important to note that the ability of foreigners to convert their dollar credits in this country into gold at the standardized rate of 13.714 grains to the dollar is one of the few means we have at present of testing objectively the integrity of our dollar.

Domestically "the flight from the dollar" which has been developing so strongly in recent months is another such test. Americans are becoming increasingly alarmed over the dangers

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1 The author has permission to quote the various economists who replied by letter to his inquiry, "What is a Dollar."

2 "Federal Reserve Bulletin," December, 1950.

3 p. 21.

4 p. 27.

5 Encyclopedia of the Social Sciences, Vol. 5, p. 607.

6 p. 58.

Grass Roots Opinion Reflected in Poll

Shows "Wall Street" looked upon more favorably, popularity of "Welfare State" diminishing and controls over wages and prices favored.

"Wall Street" is looked upon more favorably in rural communities today than it was during the presidential election campaign of 1948, in the opinion of many of the nation's rural editors. The editors expressed their opinions on many questions of current importance in a survey conducted jointly by Albert Frank-Guenther Law, Inc., advertising agency, and The American Press Magazine.

J. M. Hickerson

The "Welfare State" has also taken a drop in popularity in the rural areas according to 78% of the editors. Only 5% felt that it was looked on more favorably and 16% could see no change.

J. M. Hickerson, President of Albert Frank-Guenther Law, said that he was particularly surprised by the fact that 81% of the editors said that their readers favor control over prices and wages in the present emergencies. He said it was encouraging that 40% of the editors feel that business in their communities will increase during the current year. Only 18% predicted a decline.

Assuming that all forms of insurance were readily available from both private insurance companies and the U. S. Government, 84% of the editors felt that their readers would place their life insurance business with private companies and 65% felt that their readers would place their insurance, other than life, with private companies.

The editors were told that General Motors' 1949 profits before taxes were "almost a billion dollars" and they were asked if they thought these earnings were excessive. About 65% said that the earnings were not excessive. Only 10% felt that their readers disapproved of "bigness" in industry and business while 61% said they approved of it.

National Defense to Be Aired by "Court."

The question, "How Can We Best Meet the Strain of National Defense?" will be "adjudicated" in The Court of Current Issues, on Tuesday, April 10. The "expert witnesses" will be Leon H. Keyserling, Chairman of the Council of Economic Advisers; and A. Wilfred May, executive editor of the "Commercial and Financial Chronicle."

A. A. Berle, Jr., lawyer, economist, and former Assistant Secretary of State, will act as "counsel" for Mr. Keyserling; and John G. Forrest, financial editor of the New York "Times," will act similarly for Mr. May. J. Howard Carter will preside as "judge."

The proceedings will be televised over WABD-New York, Channel 5, at 8-8:30 Eastern Standard Time; over WGN-Chicago; and WTTG-Washington.

Hero J. Pohl

Hero J. Pohl, partner in Hendrickson & Co., New York City, passed away suddenly at the age of 55.

COMING EVENTS

In Investment Field

April 9, 1951 (Boston, Mass.)
Boston Investment Club Dinner Meeting at the Boston Yacht Club.

April 11, 1951 (Phoenix, Ariz.)
Arizona Security Dealers Association cocktail party and dinner at the Jokake Inn.

April 12, 1951 (Philadelphia, Pa.)
Philadelphia Securities Association luncheon.

April 13, 1951 (New York City)
Security Traders Association of New York Annual Dinner at the Waldorf-Astoria Hotel.

May 9, 1951 (Toronto, Canada)
Toronto members of Investment Dealers Association of Canada dinner at the King Edward Hotel.

May 18, 1951 (Baltimore, Md.)
Baltimore Security Traders Association annual Spring outing at the Country Club of Maryland.

May 25, 1951 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual spring party at the Maketewah Country Club (to be preceded by dinner and cocktail party for out-of-town guests, May 24).

May 30, 1951 (Dallas, Tex.)
Dallas Bond Club annual Memorial Day outing.

June 8, 1951 (New York, N. Y.)
Bond Club of New York 27th annual Field Day at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 11-14, 1951 (Jasper Park, Canada)
Investment Dealers Association of Canada Convention at Jasper Park Lodge.

June 15, 1951 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa.

Dealer-Broker Investment Recommendations and Literature

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

Graphic Stocks—January issue contains large, clear reproductions of 1,001 charts complete with dividend records for the full year of 1950, showing monthly highs, lows, earnings, capitalizations, volume on virtually every active stock on the New York Stock and Curb Exchanges—single copy $10.00; yearly (6 revised issues) $50.00—special offer of three editions of Graphic Stocks, 1924 through 1935; 1936 through 1947 and up-to-date current edition, all for $25.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

Investment & Speculation in Convertible Bonds & Preferreds—Sidney Fried—R. H. M. Associates, Dept. C, 220 Fifth Avenue, New York 1, N. Y.—$2.00 (or free descriptive folder on request).

Market Outlook—Analysis—C. F. Childs and Company, Inc., 1 Wall Street, New York 5, N. Y.

New Orleans Banks—Tabulation as of year-end 1950—Howard, Weil, Labouisse, Friedrichs & Co., Hibernia Building, New Orleans, 12, La.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the 30 listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an 11-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Progressive Investing Without Forecasting—Trend-following formula for long-term operation—$5.00 for four months, or $1.00 for next two discussions—Baker's Investment Timing, Port Huron, Mich.

Utility Stock Analyzer—Comparative tabulation as of April 1—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

* * *

Aluminium Limited—Annual report—Aluminium Limited, Box 6090, Montreal, Que., Canada.

America Marietta Company—Analysis—Republic Investment Co., 231 South La Salle Street, Chicago 4, Ill. Also available is an analysis of **Cenco Corporation.**

Anderson-Prichard Oil Corp.—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Armco Steel Corporation — Complete 1950 annual report — Armco Steel Corporation, Middletown, Ohio.

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Bulolo Gold Dredging, Ltd.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 5, N. Y.

C. I. T. Financial—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a brief review of **New York, Chicago & St. Louis**, and an analysis of **Central Vermont Public Service Co.**

California Pacific Utilities Co.—Memorandum—First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Columbia Gas System—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Continental Sulphur & Phosphate Corp. — Memorandum — Beer & Co., Gulf States Building, Dallas 1, Texas.

Electric Bond & Share—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available is an an alysis of **Stone & Webster.**

Franco Wyoming Oil Co. — Memorandum — Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Ekco Products Company—Bulletin—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

General Electric Company—Analysis—David A. Noyes & Company, 208 South La Salle Street, Chicago 4, Ill.

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

Glass Fibers, Inc.—**Brief report**—Goodbody & Co., 115 Broadway, New York 6, N. Y.

International Cellucotton Products Co. — Memorandum — Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Illinois.

International Hydro-Electric System — Data — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, New York.

Interstate Power Company—Special analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Mead Corp.—Memorandum—Auchincloss, Parker & Redpath, 729 15th Street, N. W., Washington 5, D. C.

Metropolitan Life Insurance Co.—Annual report to policyholders for 1950—Metropolitan Life Insurance Co., 1 Madison Avenue, New York 10, N. Y.

National Tool Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

North American Aviation, Inc.—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

Osgood Company—Analysis—H. M. Byllesby and Company, Incorporated, 1500 Chestnut Street, Philadelphia 2, Pa.

Oxford Paper Company—Circular—Grady, Berwald & Co., Inc., 30 Pine Street, New York 5, N. Y.

Pacific Western Oil—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are memoranda on **Mission Corp.** and **Mission Development.**

Pfeiffer Brewing Company—1950 annual report—Pfeiffer Brewing Company, 3740 Bellevue Avenue, Detroit 7, Mich.

Placer Development, Ltd.—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Public National Bank & Trust Co. of New York—Memorandum C. E. Uterberg & Co., 61 Broadway, New York 6, N. Y.

Riverside Cement Company — Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Rudolph Wurlitzer Co.—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass. Also available are analyses of **Verney Corp., Simplex Paper, U. S. Thermo Control, Maine Central Railroad, Sanitary Products** and **Air Products.**

Signode Steel Strapping Company—Analysis—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is an analysis of **Trans World Air Lines, Inc.** and **Northern Pacific Railway Company.**

Southern Natural Gas Company—Complete annual report—Southern Natural Gas Company, Watts Building, Birmingham, Ala.

Standard Oil Company of Indiana—1950 annual report—Standard Oil Company, 910 South Michigan Avenue, Chicago 80, Ill.

Suburban Propane Gas Corporation—1950 annual report—Suburban Propane Gas Corporation, Whippany, N. J.

Tampax Incorporated—Bulletin—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

Tennessee Gas Transmission—Data in current issue of "Gleanings"—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of 40 selected stocks for war or peace.

Westinghouse Electric Corp.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William L. Blauer is now associated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Two With T. L. Watson

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Louis Hilzinger, Jr. and Harold L. Sistrand, Sr. have joined the staff of T. L. Watson & Co., 120 John Street.

FHA's Current Operations and The Home Mortgage Industry

By FRANKLIN D. RICHARDS*
Commissioner, Federal Housing Administration

Federal housing official expects that current credit restrictions and other factors will reduce number of dwelling units started this year by approximately one-third of the 1950 total. Says 1951 aggregate of 850,000 starts is not far from the 1947 total which at that time was deemed notable achievement as it had not been equaled since the mid-twenties. Sees possibility of tighter mortgage money, accompanied by keener competition for loans, and expresses hope that this situation will not result in practice of former years of paying premiums in order to obtain business. Reviews current operations of FHA and comments on proposed amendments to National Housing Act.

This Regional Mortgage Conference takes place at a time when uncertainty and apprehension about the world situation have affected every part of the economy. The home financing industry is particularly sensitive to international events. High costs, shortages of some materials and labor, uncertainties and government credit restrictions have already been felt in some degree, and there is little doubt that they will become increasingly evident.

Franklin D. Richards

Let me begin by saying that I am not here to minimize our problems, but to discuss ways and means of coping with the disruptive forces that generate these problems, and over which none of us can have control.

To clarify FHA's role under the restricted operations, let me briefly review a few matters with which most of you are familiar.

From 1946 to the middle of 1950, the number of homes built in this country each year increased at a rapid rate. The 989,000 privately-financed non-farm units started in 1949 broke all previous records and was in turn surpassed by the more than 1,350,000 units started in 1950.

During the spring of 1950, in the light of current events, elements of danger began to be apparent—serious inflationary trends were evident and the demands of national defense threatened to compete with home building for certain critical materials. Over-all building costs were at a very high point. Then the outbreak of war in Korea caused a rush to buy materials and start new construction, which further complicated the situation.

On July 18 the Federal Housing Administration announced credit restrictions to be effective on all applications for mortgage insurance filed after that date.

With the passage of the Defense Production Act, credit controls were also applied to uninsured home loans under the provisions of Regulation X of the Federal Reserve Board effective Oct. 12. On the same day the FHA amended its July credit restrictions to make its requirements conform insofar as possible with Regulation X.

On Jan. 12 multi-family rental projects were brought under credit control by the Federal Reserve Board through the revision of Regulation X, and simultaneously again the FHA amended its multi-family rental restrictions to conform to Regulation X.

1951 Housing Starts

It is expected that as a result of current credit restrictions and other existing factors, the number of dwelling units started in 1951 will be approximately a third less than in 1950. The best estimate at the present time is that the current year's figure may be between 800,000 and 850,000. This is not far from the 1947 volume of 846,000 units, which at that time was considered a notable achievement as it had not been equalled since the mid-20's.

The ultimate effect of the credit curbs alone cannot be accurately gauged because of other factors involved such as the availability of materials and labor, high costs, concern as to whether further restrictive orders will be issued, tightening of construction money, as well as other economic changes.

However, in looking at what has been done so far this year, we can only conclude that home production is continuing at a rather high level. FHA starts in January were 25,435 units, as compared to 27,065 in January, 1950. The February comparison is 16,500 starts this year to 25,284 last year. Total starts, with all types of financing, were 83,700 in January — even higher than last year. The February starts were 76,000 units—about 8% under last year. This record of high starts in January and February of this year is a reflection of the high filings of applications for financing during the last six months of 1950.

With the backlog of accelerated filings of last fall, together with the current volume of new home applications, indications at this time are that the estimated volume of 800,000 to 850,000 units does not appear out of line, barring some radical change in defense requirements.

Credit Curbs Flexible

We do know, however, that conditions can change and that the credit curbs are flexible. The action already taken to permit terms different from established credit regulations for specific new construction necessary to the national defense in Paducah, Kentucky, and Savannah River, South Carolina, are examples of modification of credit curbs to meet urgent needs.

At this point I should like to give you a very brief report on FHA operations. To date the Administration has insured more than $23 billion in mortgage and property improvement loans made by private lending institutions. Of this insurance written the outstanding balance is about $12¾ billion, or a little over half. Losses on the total amount of mortgage insurance written are just around 3/100 of 1%. At the present time our capital and reserves amount to around $250 million. Dividends paid to mortgagors have exceeded $27 million.

Rather than promises as to what the future role of the FHA will be in an uncertain period ahead, I prefer to say to you that we will put forth every effort to maintain a satisfactory record consistent with conditions.

FHA's Current Operations

Now, regarding our operations under present conditions—first, let me state that Title VIII, the Military Housing provisions of the National Housing Act, is producing a very large volume of excellent housing accommodations which are greatly needed by the military.

Likewise, Section 8 of Title I, as well as Section 203(d) of Title II, are becoming operative in many sections of the country. I have recently seen in many parts of the country Title VIII, Section 8, and 203(d) projects and I am very happy to see the industry producing such excellent housing accommodations for military use, as well as for the average American family.

Although the new Section 213, Cooperative Housing, is a little less than a year old, more than $428 million of applications for commitments and eligibility statements have been filed in our field offices.

We are also doing a substantial business under Section 207, Rental Housing.

Property Improvement loans under Title I are proving most effective in maintaining the housing inventory of the country in good condition. It is estimated that the 1950 volume of Title I insurance brought direct benefits to 1⅓ million American families and the typical loan was only $354.

During the year 1950 much more housing for minority group occupancy, both sale and rental, was produced than ever before. This is very encouraging. I wish to emphasize the desirability of the industry continuing and expanding its efforts to produce housing for minority groups and the average American family. This means suitable housing within the paying ability of such families.

Small Mortgage Needs

The necessity of providing mortgage financing for middle and lower income families is, in my opinion, particularly important at this time. During a recent trip I took through many States, I found that in several areas there was continued resistance on the part of mortgage lenders to make loans under Section 8 and Section 203(d) because of the low amount of the mortgage. It is my sincere belief that it would be to your advantage to give study to the internal organization of your companies, whereby you can make and service these low mortgages efficiently and on a profitable basis. I am confident that the volume of business is greater in this field than elsewhere. At the present time our records show that about 10% of the mortgages on new homes are running under $5,800 and approximately 65% of the mortgages are for $9,450 or less. To meet this demand in the lower income field is, in my opinion, not only good business but a definite challenge for private industry to show that it can meet the market demands of the country.

Mortgage money for permanent financing may in some instances become tighter and yet competition for loans may become keener. While we would not favor the restriction of competition we hope that it will not result in the practice of paying a premium to the borrower or mortgagor or builder in order to get his business as has been done sometimes during the last few years.

Construction Money Tight

While there seems to be an adequate supply of funds for permanent mortgage financing, construction money has tightened. If this situation continues to develop, it can create an acute condition which mortgage lenders should plan now to avoid. In many instances, it is the uncertainty of securing construction money that has caused builders to rush out and pre-purchase materials that they may not need for weeks or months to come. When lenders require materials to be on the site or available before making a construction loan, they are making shortages more acute and disrupting the orderly flow of building materials.

With a reduced volume of business prudent lenders will naturally give added study to proper servicing which is of such importance. The cutback will also give lenders of the country an opportunity to absorb the tremendous volume of mortgages made available last year, and I feel that it is not unduly optimistic to say that the residential mortgage industry may well be in even better order at the end of 1951 than it is now.

Proposed Amendments to Housing Act

Because of the current stage of housing legislation, I shall only mention briefly some of the principal amendments to the National

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*An address by Mr. Richards before the Mortgage Bankers Association Conference, New York City, March 27, 1951.

Pennsylvania Brevities

Despite the fact that substantially higher corporation taxes were in effect during the last half of 1950, annual reports of last year's operations thus far published indicate that many Pennsylvania companies achieved results highly satisfactory to management and stockholders.

In many instances, extensive capital expansion programs begun in 1945 and 1946 were sufficiently advanced to be reflected in lower operating ratios and more efficient production methods. Such benefits, which serve to offset higher taxes, wages and material costs, may be expected to continue.

As for 1951, many annual messages to stockholders project a note of cautious optimism hedged with references to uncertainties which cannot be appraised with accuracy. A continuation of high taxes is, of course, assumed. Nor is there any indication of a lessening of basic costs (other than those that may be effected by operating economies and improved efficiency) and there remains the very real prospect of disruptions caused by shortages of critical materials.

On the other hand, it is pointed out that a high level of production is vitally essential to the success of our national defense program. Toward this end, much of the present "control" legislation is quite flexible in its application. Production for civilian consumption has been and will be further cutback in favor of providing essential war needs, but not to the extent of bringing about substandard living conditions.

The transition from peacetime to wartime production has thus far taken place without serious dislocations. It is thought that by the third and fourth quarters of this year defense orders, direct or sub-contracted, will provide a needed "shot in the arm" for many industries and that the overall outlook for 1951 is not unfavorable.

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Jones & Laughlin Steel Corp.

PITTSBURGH—With sales up $101,405,000 to a new high total of $487,451,000 in 1950, **Jones & Laughlin Steel Corp.** reports the best year in its history. Net income rose to $39,744,000, or $14.72 per common share, compared with $22,248,000, or $7.99 per share, in 1949. Approximately $190,000,000 has been expended for capital improvements since 1946 and plans call for the further expenditure of $200,000,000 in the next two years. Company's present large backlog includes many defense contracts.

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Sun Oil Co.

PHILADELPHIA—**Sun Oil Co.** credits its 5-year program of expansion and modernization of facilities, costing $206,000,000, for the very favorable results recorded for 1950. Net income increased approximately $11,000,000 to $36,291,498, equivalent to $6.02 per common share, compared with earnings of $4.57 per share in 1949. Gross operating income of $495,529,646 represented the company's largest peace-time total, exceeded only by the war-time year 1944.

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Rohm & Haas Co.

PHILADELPHIA — Sales of **Rohm & Haas**, chemical manufacturers, rose to a new high of $83,272,646 in 1950, compared with $62,422,792 a year earlier. Net income increased to $7,664,915, or $8.91 per share, compared with $5,115,877, or $6.09 on fewer shares outstanding in 1949. The company spent about $6,000,000 for new construction in 1950 and, according to Otto Haas, President, will spend an additional $10,000,000 to $12,000,000 this year it materials are available.

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Atlantic Refining Co.

Net income of **Atlantic Refining Co.** in 1950 rose $13,600,000 to $40,841,508, equivalent to $13.09 per common share, according to the company's annual report which listed production, sales and profits at new all-time highs.

Robert H. Colley, President, attributed favorable results to ability of company to supply nearly all the increase in refinery requirements from its own crude production, to a higher sales volume achieved with a relatively small increase in operating expenses and to the fact that Venezuelan operations contributed to company's profits for the first time, as contrasted with losses in previous years.

Colley's letter to stockholders said, "Production and refining capacities have both been increased by about one-third in the last five years—the direct result of large capital expenditures made under the stress of keen competition."

The oil industry is well prepared, Mr. Colley stated, to meet the requirements arising from the national emergency. Engineers have estimated company's reserves of domestic and foreign crude oil at 507,000,000 bbls. and reserves of natural gas at slightly under two trillion cubic feet.

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National Steel Co.

PITTSBURGH — New "highs" recorded by **National Steel Corporation** in 1950 included production, shipments, sales, net earnings, employment and wage payments. Total sales of $537,024,673, up $113,131,828 for the year, produced net earnings of $57,814,974, or $7.85 per share, compared with $5.34 per share in 1949. The company's new completely integrated plant under construction in New Jersey across the Delaware River from Philadelphia will add over 1,000,000 tons to ingot capacity by the end of 1952, bringing the total to 6,000,000 tons.

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James Lees & Sons Co.

Although the costs of basic carpet raw materials increased sharply in 1950, a series of successive price rises protected profit margins without curtailment of demand in the industry. **James Lees & Sons Co.** reported new record sales of $71,930,235, an increase of 49% over 1949, with net income up 41% to $5,192,248, equivalent to $6.22 per common share. This compared to $4.37 per share reported for 1949. Joseph. L. Eastwick, President, expresses some doubt that prices of finished products can be further increased without encountering buyer resistance.

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Budd Co.

In 1950, **Budd Co.** reported largest sales and profits in its history. Sales reached a record $290,409,583, of which $18,425,800 was brought through to net, equivalent to $5.10 per common share.

Although the automotive industry accounted for 85% of the company's sales in 1950 and the outlook for this type of business is not presently clear, company reports that its backlog of defense orders now totals over $110,000,000. These contracts include a variety of items including parts for tanks and jet engines, ammunition components, truck cabs, cargo bodies, wheels, hubs and drums.

Last year, for the first time, company's railroad division reported a profit. Budd management believes that carriers' orders for passenger car equipment will remain in substantial volume for several years.

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Nazareth Cement Co.

NAZARETH — Gross sales of Nazareth Cement Co. for 1950 reached a new high of $7,366,128, resulting in earnings of $4.00 per share on the 154,749 shares of outstanding common. This compares with $3.03 per share reported for 1949. Although the important question of legalizing the absorption of freight charges by cement companies where necessary to meet competition is still pending in Congress, it is felt that the position of Nazareth has been strengthened by the large industrial expansion contemplated and under way in the company's nearby service area.

A special meeting of the stockholders has been called for May 28 at which time approval will be sought for the authorization of an additional 100,000 shares of common stock, par $10. The new common, if authorized, will replace the capitalization formerly represented by an issue of 7% cumulative preferred, retired in 1950. It is not management's intention to offer additional common stock for sale at this time.

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Qualifies As "Growth" Co.

PHILADELPHIA—Management of **Warner Company**, producers of sand, gravel, central-mix concrete, limestone and limestone products, has disclosed that the company has qualified as a "growth" company in respect to the provisions of the Excess Profits Tax law. Based on the "past-earnings" formula, it is indicated that the company might retain up to approximately $4.00 per share in earnings before becoming subject to the excess profits tax. The "growth" classification is considered to be more favorable. Last year's earnings were reported at $6.77 per share, of which $2.45 was distributed in dividends.

First of the "Satellites"

It has been assumed that the construction of the $400,000,000 **U. S. Steel** plant at Morrisville, Penna., and the $200,000,000 plant of **National Steel Co.** at Paulsboro, N. J., both in progress, would bring about the location of many "satellite" industries in and near the new source of steel. Floyd L. Greene, President of **General Refractories Co.**, which operates 43 mines and 29 plants in the United States and Europe, has announced that his company will build a plant to cost $3,000,000 on a 58-acre tract at Morrisville.

"This proposed new plant will enable us to better serve all our steel-producing customers in this area," Greene said. "Although thousands of our customers are small users of refractories, the iron and steel plants are by far the largest consumers. For this reason, our company is largely dependent upon activity of the iron and steel industry."

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"Please Pass the Pie"

At the annual meeting of **United Gas Improvement Co.** stockholders, to be held May 7, Percival E. Jackson, of New York, will offer a resolution providing that the company distribute approximately $20,000,000 of portfolio holdings to present shareholders. Mr. Jackson figures that such a distribution would be equivalent to a dividend of $12.77 per share. His resolution contains an alternative suggestion under the terms of which the portfolio securities would be sold and the proceeds used to acquire U.G.I. stock in the open market. This procedure, according to Mr. Jackson's calculations, would increase the book value of the remaining shares by $13.68 each.

Management is asking stockholders to reject the resolution.

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Baldwin-Lima-Hamilton Corp.

Faced with a number of grave problems only so short a time as a year ago, the current "about-face" in the affairs of the former **Baldwin Locomotive Works** is analyzed in a recent article published by the Philadelphia "Inquirer."

Until recently, about 70% of Baldwin's business originated with the railroads and consisted principally of the manufacture of steam locomotives many of which were for export. Due to dollar scarcity and currency devaluations, the foreign market has virtually evaporated.

In casting about for a means of diversifying its products and eliminating the peaks and valleys of production which are characteristic of the railroad equipment business, the company considered expansion of its heavy machinery division. Here, however, the industry was found to be "well populated," and progress, if any, would have to be achieved against stiff competition.

Baldwin found its solution in the form of mergers. Last fall the company consolidated its business with that of the Lima-Hamilton Corp. and has more recently acquired the Austin-Western Co. Enlarged facilities now include plants extending from coast to coast and the company's broadly diversified products are now going to industries representing road building, earth moving, shipbuilding, aviation, hydro-electric power, water-works and sewage, mining and quarrying, lumber, plywood and wall-board, paper, petroleum, chemicals, metals, rubber, plastics, glass, food processing, automobile and truck manufacturing and ordnance.

Backlog of orders has risen to approximately $215,000,000 compared with about $39,000,000 a year ago. Railroad orders now constitute only 32% of business booked and it is thought that this can be reduced to a more desirable ratio of about 20%.

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I-T-E Capital Increase

PHILADELPHIA—At a special meeting to be held May 28, stock holders of **I-T-E Circuit Breaker Co.** will be asked to approve an increase in indebtedness from $1,500,000 to $3,500,000 and to authorize an increase in preferred shares from 15,000 to 30,000, par $100. None of the preferred is presently outstanding. According to W. M. Scott, Jr., President, the company needs more money to conduct its business. Backlog of unfilled orders at year-end was $32,045,175, over twice the amount of a year earlier.

Tyson & Co Opens New York Office

Hugh J. Devlin and Alton Blauner are opening a New York office at 37 Wall Street for Tyson & Co., Inc. of Philadelphia. There will be a direct wire connection between New York and Philadelphia through Straus & Blosser.

With Walston Hoffman

BEVERLY HILLS, Calif.—Miss Chris La Touf has been appointed a registered representative in the Beverly Hills office, 332 North Camden Drive, of Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other principal stock and commodity exchanges.

Inflation and Wage-Management Discord Is Sabotaging Defense

By ERIC A. JOHNSTON*
Economic Stabilization Administrator

Economic Stabilization Administrator cites price rises in military equipment and supplies as hindering defense program, and warns: (1) nation cannot afford to let rate of profits go shooting upward; (2) agriculture should produce to limit and farm price rises should end; (3) workers should forego demands for wage increases that will break line against inflation. Deplores labor's withdrawal from Wage Stabilization Board.

Inflation is already sabotaging our defense just as surely as if it carried the red flag of international communism.

Why do I say that? Listen to this: Right before me is a list of roughly 150 items vitally required by the army, navy and the air force—and all but four have gone up in price like a soaring kite.

Eric A. Johnston

Here's a certain kind of cable wire—it's up 600%. Here's cloth for uniforms—it's up 75% in some grades. Here's a heavy ack-ack gun—worth about $160,000 in the middle of last year. What do you think its price tag is today? One-quarter of a million dollars! And I could go on endlessly with item after item.

This is just the same as if half the guns on order had been torpedoed on their way to a defensive zone. This means we have to pay for the same guns twice, for we must have the guns, no matter what the expense. These aren't deferred purchases. We can't wait around in hope the price will come down. We've got to have the guns now.

Put it another way. Last September we boosted the income tax on individuals and corporations to raise an estimated $4½ billion for our defense effort, but what has happened to the money? The net return has been offset by the higher prices government must pay to fill its military requirements. Inflation has cancelled out that tax increase. So you and I are stuck twice when inflation sticks up government.

I think we should make up our minds once and for all. Do we want to control this type of inflation? It isn't going to be easy because it's going to require sacrifices from all of us. In the two months I've been in this office, I've found nobody who wants controls on himself. He wants controls on the other fellow. And many people seem to think price and wage controls alone will do the job of licking inflation. They won't, for they deal only with the effects of inflation. They don't get at the causes.

Price and wage controls are like a lid clapped on a boiling kettle. The steam is not visible, but it is building up explosive pressures underneath the lid. We must make an all-out assault on the root causes of inflation. We must move against it promptly—energetically—and all along the line—from all directions all at once in a synchronized attack.

Now let me tell you what this is going to mean.

First of all, it means we've got to have a balanced Federal budget. And I want to talk about that for a minute.

Most people think taxes are too high now. They are high—but they are not high enough for this inflationary year. They are not high enough to let government pay the defense bill as it goes—in cash—instead of on the cuff.

We must all expect a higher tax bill—and I hope the Congress finds it possible to enact one soon.

The reason for higher taxes is not because we have an unbalanced budget now, but to pay for our essential military buying in the next 12 months.

Do you think this is too high a price to pay for avoiding war and stabilizing the economy? I don't. The alternative is inflation.

Now let me talk about credit.

Just as important as an anti-inflationary tax policy is an anti-inflationary credit policy. We've been on a spree of easy credit since last June. This means greatly increased purchasing power. People borrowed to buy things. Prices went up because of fear buying and because of speculation—both of them financed in great measure by borrowed money.

Look at a few figures. Bank loans to business, for example, jumped by 18% from June of 1950 to January of this year—up $8 billion. Inventories are high today by any standard, and most of them were built on borrowed money.

And commercial credit isn't all. Consumer borrowing took a big spurt, too. Installment buying alone vaulted 24% last year. It takes a pretty solid dike to hold back an inflationary flood of purchasing power like that. So we need further restrictions on this flood of credit. I say to the borrower and lender—is this too high a price to pay for avoiding war and stabilizing the economy? I don't think so. The alternative is inflation.

In the final analysis, the real cure of inflation must rest on sound fiscal policies and anti-inflationary credit policies, but we've got to do something else, so I want to talk frankly to business—to the farmer—and to the worker.

What Economic Segments Can Do

First—to business.

Last year business profits hit the highest level in our history. From about $28 billion in 1949, they jumped to more than $40 billion dollars in 1950, without counting inventory profits. This was before taxes, to be sure. But even after taxes and taking into full account the 1950 tax bills, profits themselves leaped in one year by about 30%.

We simply can't afford to let the rate of profits go on shooting upward during this emergency and expect to keep inflation from blowing off the roof. Business must expect another bite in taxes, but it also must expect a tighter squeeze on profits.

I say to the businessman—is this too high a price to pay for avoiding war and stabilizing the economy? I don't think so. The alternative is inflation.

Now—agriculture. It's essential that agriculture produce to the limit as a bulwark of our mobilization program and that its production be stimulated in every way possible. But—like other groups in our economy—farmers must look at both sides of the coin.

The biggest single cost in the average family budget is for food and fibres produced on the farm. Since last June farm prices have risen nearly 27%. These prices can't continue to rise at this rate without shooting up the cost of living and swelling the inflationary flood. We simply can't afford to allow food prices to keep moving ever upward and expect to hold inflation from blowing off the roof.

I say to the farmer—is this too high a price to pay for avoiding war and stabilizing the economy? I don't think so. The alternative is inflation.

Now—the worker. The big point I want to make here is that without stabilization, we have a never-ending chase between higher prices and higher wages. What does this do to the workers? In the long run, most of them end up worse off than they were before.

So, I ask the workers to forego demands for wage increases that would break the line we're trying to hold against inflation. I say to the worker—is this too high a price to pay for avoiding war and stabilizing the economy? I don't think so. The alternative is inflation.

I have every confidence that the worker—the businessman—the farmer—the lender, the borrower, and the taxpayer—will see their own self-interest in doing what must be done to win the war against inflation.

Wage Stabilization Board

Now I want to talk to you about what we are trying to do to re-establish the Wage Stabilization Board.

A month ago we had a wage stabilization board in our agency composed of three management representatives, three labor representatives, and three representatives from the public. Its purpose was to draft and recommend wage and salary regulations to fit into the general program of stabilizing the economy.

Today we have no board. We have no board because the three labor representatives withdrew. This was in protest over a wage formula adopted by the other six members of the board.

For the last 30 days—to the exclusion of almost everything else—I have been trying to reconcile the differences between management and labor and get a wage board functioning again. I've conferred with management, and then with labor and then with management again, and then again with labor—during the week—half the night—and on Saturdays and Sundays. And I'm still doing it.

At the beginning, labor and management expressed points of view as far apart as Guam and Gibraltar. But as the talks continued the areas of disagreement narrowed down, until today there is only one major issue still remaining.

The issue is: how much authority should the board be given to deal with labor disputes affecting the mobilization program.

As I understand management's position, its representatives classify labor disputes as either economic or non-economic. Management defines economic disputes as those dealing with the paycheck—wages, salaries and other forms of compensation. It defines non-economic disputes as those dealing with such things as union security, working conditions, and seniority.

Management is willing to have economic disputes considered by the wage board, but it holds that procedures in the Taft-Hartley Act and other labor relations laws should be used to deal with non-economic disputes.

As I understand labor's position, its representatives consider that you can't draw a definite line between economic and non-economic disputes. Therefore, labor contends the board should consider all disputes that affect the mobilization effort.

These are the differences between management and labor that are still in deadlock, but I have not given up hope of reconciling them. So long as there is any hope left, I intend to keep on meeting with management and with labor in an effort to get a wage board back to work.

Why is a tri-partite wage board so important? Why have we spent all these endless hours in conference? It's because in a democracy a wage stabilization program can be effective only when it is developed through the active participation of all groups affected—labor, management and the public. Only that kind of participation can assure full support for a policy and give the policy the necessary strength and vitality.

The decision is up to labor and to management, and that's where it belongs. The credit for success will go to them, and the responsibility for failure will lie with them.

*Address by Mr. Johnston, broadcast over Columbia Broadcasting System, March 22, 1951.

Robt. Boylan to Retire As NYSE Chairman

Robert P. Boylan, Chairman of the Board of Governors of the New York Stock Exchange, announced April 4 he will retire from the Board on May 21 when he will have completed his fourth successive term as Chairman. He has been a Governor of the Exchange for 11 years. He will continue as an individual member of the Exchange.

Robert P. Boylan

The Nominating Committee nominations for Chairman and nine members of the Board will be announced Monday, April 9. The annual election will be held on Monday, May 14.

Chairman of the Nominating Committee is Robert Bennett Berman. Walter F. Blaine, Goldman, Sachs & Co., is Secretary. Other members are Adams Batcheller, Jr.; William J. Denman, Shearson, Hammill & Co.; John C. Henderson, Chas. F. Henderson & Sons; Emil J. Roth, E. J. Roth & Co.; George H. Walker, Jr., G. H. Walker & Co.; and Charles H. Wisner, Wisner & deClairville.

Georgeson & Co. Opens Cincinnati Branch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Georgeson & Co. have opened a branch office at 6242 Beechcrest Place under the management of Fred W. Weissman. Mr. Weissman was formerly with the Central Trust Company of Cincinnati for many years.

Sutro Bros. & Co. Appoints M. Grayson

Sutro Bros. & Co., 120 Broadway, New York City, announce that Morton Grayson has been appointed Manager of the firm's Research Department.

Again—A Controlled Materials Plan

By ALONZO B. MAY

Chairman, Division of Economics and Statistics, University of Denver

Prof. May describes working of the Controlled Materials Plan of the War Production Board in World War II, and says in reconstructing C. M. P. in current emergency, Washington planners are faced with vital and difficult problems, such as: (1) estimating requirements; (2) bringing supply of metals into balance with demand; (3) recruiting personnel; and (4) educating public.

A new version of an old World War II operating procedure—the Controlled Materials Plan — will be under way by early summer. Meanwhile, businessmen will find it advisable to review the old operation in order to see how the new Plan may affect their own affairs.

Alonzo B. May

The Controlled Materials Plan of the War Production Board provided the basic system for authorizing the production of munitions and other "hard goods." The C. M. P. did not go into effect until the spring of 1943. Under the operation the War Production Board estimated the supplies of critical metals—particularly steel, copper, aluminum, and their alloys. It then proceeded to allocate the supplies among 13 claimant agencies. Four of the claimant agencies obtained the metals for military use—the War Department, the Maritime Commission, the Navy Department, and the Aircraft Resources Control Office. The Foreign Economic Administration and the Canadian Division of the War Production Board received metals for export.

Six agencies were concerned with materials for civilian and indirect military use. These were: The War Food Administration, the Office of Defense Transportation, the Petroleum Administration for War, the National Housing Agency, the Office of Civilian Requirements of the WPB, and the office of War Utilities of the WPB.

C. M. P. was a device for complete control of all industrial activity into which steel, copper, or aluminum entered as an item in production, maintenance, or repair. A principal objective was to eliminate bottlenecks by balancing and timing both programs and schedules. Another way of stating the aim is to say that it was a system in which the mass-production techniques and the scheduling of production for individual plants, as is commonly done in private operations, would be applied to the nation's business as a whole.

Although C. M. P. incorporated both vertical and horizontal allocation, its main emphasis was upon the former. The vertical allotment program was as follows: The Requirements Committee of the WPB decided upon policy-level allocations. Each claimant agency then received notice of its allotment, after which it proceeded to bring its programs and schedules into line with its allotment. The claimant agency then divided its allotment among its prime contractors. The prime contractors would share with their sub-contractors enough of the allotment to produce the parts and sub-assemblies required by the prime contractor. The size of the prime contractor's allotment was based upon his application, which included the requirements of his sub-contractors. On the basis of production authorizations and allotments held by contractors and sub-contractors, mills and warehouses were in a position to supply steel, copper, and aluminum.

A number of products classified as Class B products were exempt from vertical allocation. The manufacturers of these items procured their raw materials by horizontal allocation. Two classes of products were included: (1) civilian-type end items; and (2) components usually produced to stock in advance of orders, items requiring small amounts of controlled materials, and certain industrial machinery and equipment. Under horizontal allocation the producers submitted their applications directly to WPB and received their material allocations directly from WPB. One reason for horizontal allocations was to reduce the paper work. The red-tape aspects of C. M. P.—particularly with vertical allocation—in terms of applications, allotments, records, extension of allotments, purchase order authority forms, and reports, were very heavy upon both the government and industry. Some of C. M. P.'s critics talked about "beating plowshares into swords and swords into reports." Another expression used around Washington was: "Exchanging butter for guns and guns for paper."

In reconstituting C. M. P. for the current emergency, Washington planners are faced with several vital problems. A few of these are: (1) estimating requirements; (2) bringing the supply of copper, aluminum and steel into balance with the demand; (3) recruiting personnel to administer C. M. P., and (4) educating the public.

There are 23 claimant agencies. These include the Atomic Energy Commission, the Defense Transportation Administration, the Civil Aeronautics Board, the Economic Cooperation Administration, the Federal Security Agency, the Veterans Administration, the Federal Communications Commission, the National Production Authority, and the Departments of Agriculture, Commerce, Defense and Interior. These agencies currently are gathering estimates from prime contractors who produce munitions and essential civilian goods.

The agency estimates will be submitted to the Defense Production Administrator, William H. Harrison. The Administrator then will study the estimates (demand) in relation to the supplies of the three metals. If the demand (requests) exceeds the supply obviously a reduction in the former becomes mandatory. He will, therefore, cut down on the requests and expect each agency to make whatever change in its allotment to, say, prime contractors, found to be necessary. The prime contractors in turn will scale down their allotment of scarce metals to sub-contractors. Thus the nation's demand for the metals is brought into balance with the nation's supply.

Sometime before July prime contractors will have allocated to the sub-contractors, and the latter to their sub-contractors, their respective shares of the three metals for the production of Class A products. As was the case in World War II, Class A products are those produced directly for the military establishment. Class B products, on the other hand, are certain consumer goods and small industrial items such as nuts and bolts which are produced to stock. The manufacturers of B items get their allocations directly from the appropriate industry division of the National Production Authority.

If a C. M. P. is to come into full operation by the middle of next summer, manufacturers, bankers, warehousemen, mining men — in fact, most of the business community—must be educated as to theory and red tape necessary for an efficient operation of the Plan. This will require considerable staffing of able personnel by the Defense Production Administration and the 23 claimant agencies —a gigantic task in itself since able men are reluctant to take the small salaries and frustration which generally accompany jobs in the city on the Potomac.

The Evil of Universal Military Training

By WILLIAM A. ROBERTSON

Member of the New York Bar

Mr. Robertson lists eight objections to proposal for universal military training, among which are: (1) its effect in leading to habits of arbitrary and autocratic command, such as unfits one for civilian life; and (2) its creation of a military class or caste unsuitable to democratic society. Says UMT would mean heavily increased burden on taxpayer.

The proposal to enforce Universal Military Training should arouse the most strenuous opposition of every friend of free government. Objections to the plan are many and weighty. To state them very briefly, and without extended amplification, they are as follows:

(1) Military training tends to breathe into a soldier two very bad habits which are closely linked together. They are the very opposite of what is needed in a free republic like the United States.

The first is the habit of unquestioned obedience to orders. This is necessary, indeed, in the camp and on the field, but it is one of the worst lines of thought to be instilled into the citizens of a free and enlightened republic. The second is the habit of failing to scrutinize the wisdom or folly of an order or decree of government.

The action of John Hampden, who refused in the time of King Charles the First to pay "ship money," and the refusal of the people of Boston in December, 1773, to receive the tea, have long been recognized as events of supreme importance in the struggle to preserve freedom in England and America. The importance of those events can hardly be exaggerated.

(2) Military life engenders wastefulness and recklessness in the use of stores of merchandise and equipment. The Army learns to think itself of such supreme importance that economy may be disregarded.

(3) Military training leads to habits of arbitrary and autocratic command, such as unfits one for civil life.

(4) Military training tends to bring out all the violence and brutality that lies inherent in most of us. Human life seems to become cheap and trivial. Men are considered to be so much "cannon stuff."

(5) Military training influences the mind of those subject to it, to exalt FORCE as above everything else in the world. Such things as conciliation, reasonableness, diplomacy, moderation —these things are treated as of small value or usefulness.

(6) Military life tends to unsettle men and accustom them to think that the pursuit of a quiet life of business and study is dull and prosaic.

(7) Finally, universal military training creates a military class or caste, which ought to have no place in any free land. It is the opposite of everything that American life has stood for, from our earliest days. Germany is a dreadful exhibition of what military domination leads to.

(8) Military training is against the cultivation of all that is refined, generous and uplifting. The fact that some great soldiers have risen above such influences, and remained men of noble thoughts and actions, does not weaken the force of this statement. For the general run of human beings, military training is degrading. Where it helps one, it spoils fifty.

The Frightful Increase in Taxation

This discussion has been purposely confined to the simple proposition that military training on a large scale, embracing millions of men and boys, is one of the worst influences that can be introduced into American life. We have refrained from saying anything about the terrific cost that would fall upon our already overburdened taxpayers. No one knows what that would be; but it would hasten the breakdown of our economic life and well-being which Stalin is understood to be looking forward to, with confidence.

Universal military training is something that has never, even in our moments of intense struggle against ruin, been introduced into American life.

First Boston Announces Official Appointments

James Coggeshall, Jr., President of The First Boston Corporation, 100 Broadway, New York City, announced the following appointments as assistant vice-presidents of the corporation: George C. Bradley, Lewis R. Bulkley, Walter B. Horn and Donald Macurda. Davis L. Baker, Jr., was also appointed a manager in the Government Department and Walter C. Faessinger as an assistant manager in the Government Department.

Walter T. Hobby Opens

ELIZABETH, N. J.—Walter T. Hobby is engaging in a securities business from offices at 19 Progry Place. He was formerly active in New York City as an individual broker on the New York Curb Exchange and in the past was a partner in Turnbull & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Walter H. Keller is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Leslie C. Avery is now with Stifel, Nicolaus & Co., Incorporated, 314 North Broadway, members of the Midwest Stock Exchange.

Canada's Investment Opportunities

By W. WALLACE TURNBULL*
Wood, Gundy & Co., Inc., New York City

Discussing the major fields of economic activity in Canada, with particular reference to exports, Mr. Turnbull lists the principal producers and maintains that these companies should logically be expected to afford sound investment opportunities. Points to huge volume of U. S. private capital invested in Canadian enterprises since World War II and says that such investment is likely to continue. Says greatest influx of American capital has been in western oil lands and that virtually every U. S. company has participated in the development of the oil resources.

Now, let us turn to the major fields of economic activity and here I have taken for guide posts the leading imports and exports, the following being arranged in order of importance for the year 1948. Let us take *imports* first, the figures in each case being to the nearest million dollars:—

Petroleum, Crude and Refined	$293
Machinery, Except Agricultural	217
Coal	186
Farm Implements and Machinery	140
Automobile Parts	101
Rolling-Mill Products	84
Cotton Products	79
Sugar and Products	72
Wool Products	67
Electrical Apparatus	62
Fruits	60
Cotton, Raw and Linters	57

These are the first dozen in order of importance on the import list and are followed, of course, by very many other items.

Taking now the leading 12 *exports*, again expressed to the nearest million dollars, we have the following:—

Newsprint Paper	$383
Wheat	243
Wood-Pulp	212
Planks and Boards	196
Flour of Wheat	125
Aluminum and Products	102
Fish and Fishery Products	85
Ships and Vessels	81
Copper and Products	79
Grains, other than Wheat	75
Cattle	74
Nickel	74

This last list, namely of Canada's exports, points directly to the second half of my paper which is to deal with Canadian investments and certainly the major producers of these primary exports should logically be expected to afford sound investment opportunities.

At the head of our export list is *newsprint paper* and in this field we have such giants as International Paper, which, of course, is controlled in this country and two other large corporations—Abitibi Power & Paper Co., and Consolidated Paper Corp., which are Canadian-controlled. Most of us downtown here have seen the large trucks loaded with great rolls of newsprint paper endeavoring to enter New Street en route to the plant of the "Wall Street Journal" and you may have noticed that these are from the Bowater Mills; these being located in Canada's newest Province—Newfoundland; and these fine properties are controlled by British capital.

In the field of wood-pulp, this is manufactured, of course, by International Paper (along with its many other products) while the Canadian controlled companies having the biggest assets in this field are Fraser Companies and British Columbia Pulp & Paper.

While in the related forestry industry of *lumber* the two Canadian controlled companies having the largest assets are H. R. MacMillan Export Co., and Canadian Western Lumber Co.

Second on Canada's list of exports is wheat, while in fifth place is wheat flour and to the investor considering that field it might be pointed out that the two largest Canadian-controlled flour milling companies are Maple Leaf Milling Co., and the Ogilvie Flour Mills.

Next on the list, in sixth place, comes Aluminum and I am sure that all in this room have followed the fortunes of Aluminium Ltd., which, incorporated in May of 1928, has enjoyed a record which should satisfy every analyst who seeks for, and what analyst does not, *"growth"* situations.

At this point, I would like to pay tribute to a very fine booklet, or rather book, on this subject released a month ago by the First Boston Corporation; doubtless many of you have already secured copies of this for your Libraries.

Ninth and Twelfth on our export list are copper and nickel respectively, and both of these two basic metals are produced by the International Nickel Co., the stock of which all of you here will have noted is to be found in a surprisingly long list of investment portfolios but perhaps it is not fair to use the word "surprising," because the company's remarkably fine management has developed uses for nickel which have made it not just a *war* stock as was originally believed to be the case, but, also, a company which has demonstrated consistently good earnings in peace times as well. While the company's annual report just released sets forth proven ore reserves of 253 million short tons which, at last year's rate of ore mined is equivalent to 25½ years requirements.

In the mining field, we have, also, such internationally prominent corporations as the Consolidated Mining & Smelting Co.,; Noranda Mines Ltd.; Hudson Bay; Howe Sound; Hollinger; Kerr-Addison; McIntyre Porcupine; Dome Mines and many others.

When we look at manufacturing activity in Canada, it will be immediately noted that to a very great extent this has been concentrated in the Provinces of Ontario and Quebec and this is quite understandable when we review the degree to which the water-power resources of these two Provinces have been developed.

A table showing world leaders in water power plants gives horse power per thousand inhabitants in 1947 as follows:—

Norway	1180
Canada	860
Switzerland	805
Sweden	550
United States	163
(Quebec)	1580
(Ontario)	428

This being one of the logical ways whereby Canada seeks to cut down her need for imports of coal (chiefly from the United States). Coal, as you will recall, being third in importance on our list of *imports*.

In Ontario this water power development is almost wholly in the hands of the Province; while in Quebec a private company which has been a consistent leader in this field is the Shawinigan Water & Power Co.; and here, ladies, is a story of growth so romantic that I would like to turn aside for a minute or two and deal with it.

Just over 50 years ago, it was decided to develop the Shawinigan Falls on the St. Maurice River. All around was forest and there was hardly a settlement near at hand save for the little town of Trois Rivieres—20 miles away. Although electricity had never before been transmitted any such distance as 85 miles this group of men hoped that they might devise a method of sending some of this Shawinigan power the whole 85 miles to Montreal where there *would* be a ready market. They employed excellent engineers who, by constructing a 50,000-volt transmission line, the first of this capacity ever to be built in North America, *were* able to transmit power to Montreal. They decided to install two 5,000 horsepower generators in the hope that sometime in the future they might be able to increase the capacity of the plant to as much as 30,000 horsepower. Today, Shawinigan, with its subsidiary, Quebec Power Company, has a total system capacity of more than 1,800,000 horsepower, and a further 800,000 horsepower already planned for development. No longer puzzled about how to transmit power 85 miles, it now sends electricity to industry and to residential areas over a network covering an area of 25,000 square miles, from the Ottawa River and the New York State line in the southwest, almost to the Saguenay in the northeast and to the Maine border to the southeast. The electricity distributed would be sufficient to supply every *home* in Canada from the Atlantic to the Pacific as well as all those in New England.

But the Shawinigan *chapter* is just that one chapter in the *whole story* of a very broad scale development which was originally inaugurated by British capital; which, in the last century, was primarily responsible for the building of the railroads and the opening-up of the country generally. This pattern was brought to a halt by World War I, and following that first war American capital on an increasing scale commenced going to Canada.

Many of you will recall that in the period between World War I and World War II, there were many bond issues placed in *this* market by the then *Dominion* government, by the Canadian National Railways, Shawinigan Water and Power, Bell Telephone of Canada, Duke Price Power, by all of the Provinces, and by many of Canada's largest cities. During this period investment capital was steadily accumulating in Canada, and, consequently, it was a logical subsequent development that many of these New York payment bond issues were redeemed here and, in many instances, refunded by obligations floated in the home market.

Another section of the Canadian external-debt was repatriated during World War II when the Bank of England, in order to establish substantial Canadian credits for the prosecution of the war, established the so-called "Vesting Orders" with respect to a wide list of Canadian securities, at that time held by British investors: such holders received payment for them in sterling, while the Bank of England, shipping the securities so acquired across the Atlantic, received agreed-upon terms in Canadian funds for the securities brought back to Canada; and which securities were then by the Bank of Canada re-distributed through our investment fraternity to new owners on this continent, at dollar prices.

Since World War II, however, there has been a great flow of United States capital to Canada, and I have seen one estimate to the effect that United States businessmen invested an estimated $1 billion in Canada last year and this is a flow of capital which is likely to continue for not only have most American manufacturers found it, on *many* counts, desirable to establish branch plants in Canada, but in the larger scene of basic raw materials we see American capital going north to promote such a development as the iron ore deposits on the Quebec-Labrador boundary, 320 miles north of the St. Lawrence River.

It is estimated that it will take between 125 million and 150 millon dollars to bring this Labrador property into production.

The ilmenite resources of the Allard Lake area of Quebec are being brought into production by a subsidiary of Kennecott Copper, while Steep Rock, in Northern Ontario, which produced over a million tons of high grade iron ore last year has a program to expand this production to three million tons.

Inland Steel Company has leased an adjoining ore body from Steep Rock, while the other American steel companies are, also, actively, engaged in seeking to locate ore reserves north of the Great Lakes.

But it is in the western oil lands that Canada has experienced the greatest influx of *American* capital, *American* enterprise, and *American* technical ability.

This boom, and it is correct I am sure to call it a boom, is just four years old; the Imperial Oil Company strike at Leduc, Alberta having been made in February 1947, since which time oil production in Canada has expanded from 7,692,000 barrels in 1947—29,145,900 barrels last year. While the *value* of this production has increased from $19½ million in 1947 to over $84 million last year. These figures are for all of Canada but the great gain, of course, has been in the Province of Alberta and to a lesser extent in the neighboring Province of Saskatchewan. Expenditures by the Alberta oil industry exclusive of refineries and pipe lines in 1950 were estimated at $150 million; while in 1951 it is believed that the comparable figure may be about $200 million.

Almost every United States oil company of any size is present in this development.

Another measure of this activity is to be found in the record that over 1,100 wells were completed in 1950 in Alberta and as I have indicated exploratory and development work is, also, proceeding in Saskatchewan and British Columbia.

From the outset a chief problem has been the marketing of this crude oil, and last year witnessed the building in the record time of 150 days of a 1,150-mile pipe line which will carry this crude oil from Alberta to Superior, Wisconson, on Lake Superior. As soon as shipping is resumed on the Great Lakes this Spring, this oil will then move by tanker to the Ontario Refining center of Sarnia, and as this oil industry in Canada continues to develop and grow—Canadians look forward to the steady reduction of that foremost item on their *import* list, which, as I reported to you earlier, for the year 1948 headed the import list at $293 million.

As Mr. Duncan, head of the great Massey-Harris Company, has pointed out the development of this great petroleum industry in the heart of Canada's agricul-

Continued on page 36

*From an address by Mr. Turnbull before the Women's Bond Club of New York, April 3, 1951.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Another branch in Cuba of the **Chase National Bank of New York** was opened on April 2 in Marianao, a suburb located about six miles west of Havana. In February the Chase opened a branch in Vedada, a newly developed section of Havana, to augment the business of its main branch in the capital which was established in 1925. Thomas A. Findley, Vice-President, is the resident officer in charge of the bank's operations in Cuba.

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THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	5,272,212,689	5,283,011,759
Deposits	4,846,660,746	4,871,424,028
Cash and due from banks	1,435,547,720	1,499,884,122
U. S. Govt. security hold'gs	1,419,840,131	1,477,758,049
Loans and bills discounted	1,869,667,422	1,815,387,722
Undiv. profits	54,935,517	53,007,008

* * *

At a regular meeting of the directors of **The National City Bank of New York** held on April 3, Albert W. Ambs and T. Carl Wedel were appointed Assistant Cashiers. Both are assigned to the bond administration department.

THE NATIONAL CITY BANK OF NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	5,600,106,946	5,526,348,028
Deposits	5,167,682,639	5,130,853,626
Cash & due from banks	1,542,787,227	1,437,981,108
U. S. Govt. security holdings	1,466,370,819	1,724,232,775
Loans and bills discounted	1,870,015,906	1,664,941,944
Undiv. profits	59,485,783	58,075,826

* * *

Edgar S. Chappelear completed on March 31 40 years of service with **Bankers Trust Company of New York**, and is retiring from full-time duty. S. Sloan Colt, President, in announcing the retirement, said that Mr. Chappelear will continue to be available to consult with officers on matters in which he can be helpful, and for that purpose will be given an office at the bank. Mr. Chappelear began his career at Bankers Trust in 1911, following his graduation from the Harvard University Graduate School of Business Administration, where he was granted the degree of Master of Business Administration. He attended Phillips Academy, and was graduated from Dartmouth College in 1909. Mr. Chappelear has served the bank as a senior officer both in the United States and abroad. He became an auditor in 1921, was named Comptroller in 1923, and Vice-President in 1927. He is a member of the Advisory Committee of the National Cotton Council, and is American Treasurer of The Newcomen Society of England. During the First World War he was a member of the War Industries Board.

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GUARANTY TRUST COMPANY OF NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	3,021,824,366	2,940,419,604
Deposits	2,579,928,778	2,503,010,000
Cash and due from banks	752,227,696	731,102,226
U. S. Govt. security hold'gs	782,194,389	802,887,596
Loans and bills discounted	1,294,961,299	1,230,658,065
Undiv. profits	75,819,723	74,386,332

* * *

MANUFACTURERS TRUST CO., NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	2,592,811,450	2,772,539,261
Deposits	2,396,263,928	2,581,949,234
Cash & due from banks	750,800,501	818,188,457
U. S. Govt. security holdings	903,231,332	1,030,956,549
Loans and bills discounted	746,666,778	743,860,414
Undiv. profits	31,391,323	29,936,866

* * *

UNITED STATES TRUST COMPANY of NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	169,863,443	171,770,725
Deposits	136,217,670	137,771,392
Cash and due from banks	30,764,411	27,844,870
U. S. Govt. security holdings	68,672,353	60,906,987
Loans & discounts	53,003,574	66,431,564
Undivided profits	2,333,943	2,294,288

* * *

IRVING TRUST CO., NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	1,288,217,771	1,360,469,826
Deposits	1,142,130,796	1,218,560,042
Cash & due from banks	353,951,106	406,990,516
U. S. Govt. security holdings	301,440,357	369,389,749
Loans and bills discounted	554,710,091	519,323,848
Undiv. profits	13,231,418	12,600,284

* * *

BANK OF THE MANHATTAN CO., NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	1,260,380,883	1,320,605,360
Deposits	1,144,791,192	1,212,071,132
Cash & due from banks	371,755,914	385,377,437
U. S. Govt. security holdings	266,279,862	292,312,414
Loans and bills discounted	525,735,515	531,836,448
Undiv. profits	16,091,093	15,652,845

* * *

THE NEW YORK TRUST CO., NEW YORK

	Mar. 31, '51	Dec. 31, '50
Total resources	$826,359,476	$797,468,803
Deposits	746,257,425	718,557,649
Cash & due from banks	245,098,017	224,369,971
U. S. Govt. security holdings	260,786,196	289,534,176
Loans & disc'ts	295,956,842	261,691,616
Undiv. profits	13,892,216	13,322,812

* * *

CORN EXCHANGE BANK TRUST CO., NEW YORK

	Mar. 31, '51	Dec. 31, '50
Total resources	$784,857,918	$829,337,258
Deposits	720,483,314	778,684,575
Cash & due from banks	221,473,759	244,151,013
U. S. Govt. security holdings	415,502,942	436,463,943
Loans and bills discounted	106,125,506	112,109,409
Undiv. profits	8,124,423	7,773,639

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Mar. 31, '51	Dec. 31, '50
Total resources	$390,065,908	$404,340,977
Deposits	360,560,520	375,476,603
Cash & due from banks	109,779,114	121,212,890
U. S. Govt. security holdings	117,950,808	135,011,553
Loans & disc'ts	150,051,840	135,459,536
Undiv. profits	3,782,381	3,577,562

* * *

THE COMMERCIAL NATIONAL BANK & TRUST CO., NEW YORK

	Mar. 31, '51	Dec. 31, '50
Total resources	$222,320,752	$234,678,840
Deposits	192,129,776	205,747,072
Cash & due from banks	62,769,732	74,428,383
U. S. Govt. security holdings	78,425,061	84,214,618
Loans & disc'ts	63,458,013	60,356,778
Surplus & undiv. profits	14,983,204	14,871,910

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Mar. 31, '51	Dec. 31, '50
Total resources	$119,229,349	$106,109,029
Deposits	89,595,668	80,938,176
Cash & due from banks	14,499,028	12,606,509
U. S. Govt. security holdings	62,763,250	56,483,914
Loans and bills discounted	15,728,067	14,118,519
Surplus & undiv. profits	4,006,877	4,000,856

* * *

SCHRODER TRUST CO., NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	$42,490,629	$42,292,455
Deposits	36,612,173	36,426,659
Cash & due from banks	11,765,716	11,329,001
U. S. Govt. security holdings	21,231,073	21,942,462
Loans and bills discounted	8,164,637	7,819,803
Surplus & undiv. profits	3,006,789	3,000,881

CLINTON TRUST COMPANY, NEW YORK

	Mar. 31, '51 $	Dec. 31, '50 $
Total resources	$28,418,649	$28,117,188
Deposits	26,371,497	26,079,125
Cash & due from banks	8,320,798	6,812,744
U. S. Govt. security holdings	9,372,454	10,987,219
Loans and bills discounted	8,435,040	7,910,795
Surplus & undiv. profits	877,977	954,248

* * *

The National City Bank of Long Beach, Long Island, N. Y., increased its capital from $200,000 to $260,000, effective March 16, by the sale of $60,000 of new stock.

* * *

Action on the proposed consolidation of the **Corn Exchange National Bank and Trust Company** with the **Girard Trust Company**, both of **Philadelphia** will be taken at special meetings of the stockholders of the two institutions on May 31. The contemplated merger, referred to in our issue of Thursday, February 8, page 647, was approved by the directors of both institutions on March 29, according to the Philadelphia "Inquirer" of March 30, which stated that it has been revealed that the resultant bank will offer 136,875 additional shares to its stockholders, and that it is expected that the proposed offering of the new stock will be made about the middle of June, when the merger, if approved, will become effective. From the "Inquirer" we also quote:

"Each stockholder of the two banks will receive one share of stock in the combined bank for each share of the present banks now held. The par of the new stock will be $15 a share. The plan of merger authorizes the combined institutions to issue a total of 821,250 capital shares, 20% more than the total number of shares of the two present banks."

The name of the united bank will be the Girard Corn Exchange Bank and Trust Company.

* * *

A proposal to increase the authorized capital stock of **The Pennsylvania Company for Banking and Trusts of Philadelphia**, by an additional 200,000 shares—from 1,100,000 shares of the par value of $10, to 1,300,000 shares—will be voted on at a special meeting May 28. It is anticipated that the proceeds of the new financing, if approved, will exceed $6,000,000 after the deduction of all expenses in connection with the issuance. In explanation of this move, approved by the directors on March 22 William Fulton Kurtz, President, said that the primary reason for the sale of additional shares was that the growth of the bank's capital structure, while substantial, has not kept full pace with the overall growth of its operations. Moreover, he said, the increase in capital funds will enable the Company to effect savings in its excess profits taxes. The 200,000 additional shares will be offered to stockholders in the ratio of one new share for each 5½ shares owned at the record date. Each share then owned will therefore be entitled to subscribe to 2/11 of a share of the new stock. "While it is not practical at this time to determine the offering price," Mr. Kurtz states, "the Board proposes to offer the new shares at a reasonable discount from the market price then prevailing. Arrangements will be made by which fractional shares may be bought and sold to make full shares." It is stated that upon completion of the proposed financing, certain adjustments will be made in the undivided profits account to bring the bank's surplus account up to a total of $27,000,000, and capital and surplus, combined, to $40,000,000.

Blocked German Assets Partially Unfrozen

New regulations now permit transfer of credit balances from one foreign account to another.

According to L. D. Silberstein, President of U N O Equities, Inc., international bankers, the Allied High Commission for Germany has issued new regulations designed to permit a partial unfreezing of blocked German accounts. It is estimated that there are at present 560,000,000 marks (Stillhalte agreement) of frozen German assets in the United States.

Under these new regulations, it is now permissible to transfer the credit balances from one foreign account to another foreign account. When such transfer is effected, the account to which the transfer is made is designated as "Acquired DMark Blocked Account."

Income, such as dividends, interest, rents, amortization of mortgages and so forth, resulting from the investment out of such "Acquired DMark Blocked Account" will be credited to such account.

The new regulations with respect to the "Acquired DMark Blocked Accounts" are also applicable to a number of the former general licenses concerning credit balances in old DMark blocked accounts.

The following transactions are now permitted:

(1) Crediting of coupons and securities when due, renewal of coupon and dividend sheets, debiting of account for expenses and fees.

(2) Transfer of credit balances and securities held in "Acquired DMark Blocked Account" from one banking institution to another.

(3) Debiting of account for charges of the bank incurred in connection with account.

(4) Payment of taxes, fees and expenses of courts and attorneys, under certain circumstances.

In addition the "Acquired DMark Blocked Account" can be transferred with the same designation to any other foreigner. Also, there may be purchased out of this account securities of German corporations publicly traded on a German stock exchange. The securities so purchased may be sold and the proceeds will be credited in the same manner to the "Acquired DMark Blocked Account."

A very important provision of the new regulations is that by application for a special license, the "Acquired DMark Blocked Account" may be utilized for the following purposes:

(a) Purchase of securities not publicly traded on a German stock exchange;
(b) Purchase of real estate;
(c) Repair or construction of buildings;
(d) Granting of DMark loans.

Russian Dangers

By ROGER W. BABSON

Expressing confidence in outcome of Korean campaign, Mr. Babson finds greatest present danger is "the enemy within" our own government structure. Says this enemy is eating our substance through loose fiscal policies, make-believe money, unfair tax structures, excessive government spending for non-essential purposes and various inflationary subsidies.

Despite the heartbreaking casualties of the ill-fated Korean campaign, I have not been worried about the temporary successes achieved by the Russians. I am confident that the Chinese tide will turn permanently in our favor if President Truman avoids war with China.

Roger W. Babson

I have been in the forefront of those who for some years have recognized that our country would one day face a Communist danger. I do not, however, believe that this Chinese threat is by any means the greatest danger facing the nation. Korea has aroused us, rudely to be sure. It has exposed in all its ugly nakedness Russian duplicity, and its threat to our future and to the peace of the world. At last even the most stupid of our politicians can now see that Russian victory could mean world slavery.

We may never succeed entirely in making the world "safe for democracy"; but our American system is far superior to Russia's in every respect. The Reds may make us dance to their tune for a time, but knowing them for what they are, I don't believe the American people will fall for either the intrigue or violence by which the Kremlin strives to reach its goals. We are too smart to be taken in by their harsh and false doctrines. So I do not fear America going Communistic or being conquered by Moscow's hordes, if we will invest in the soil and forget paper profits.

Enemies Within the U. S.

What very seriously disturbs me is our extremely smug assurance that the government of the United States is so strong that it can resist every type of inward corrosion. I was a little heartened by the results of the November Congressional elections. They indicate that Americans are not so completely sold on the bureaucratic trend in government.

I like to think that, in addition to laying bare the evils of the Soviet system, the Korean campaign has also focused some attention on "the enemy within" our own government structure. But I am not so sure even now that we recognize fully this enemy which is eating our substance through loose fiscal policies, make-believe money, unfair tax structures, excessive government spending for non-essential purposes and various inflationary subsidies.

Keeping Our Economic Freedom

As I see it, the final answer to the Russian challenge is a better faith and a fuller way of life. Despite its organization and the huge sums of money spent by its supporters, the Communist party has been unable to gain any substantial foothold in our nation. Why? Because here we have a better faith than Communism, and a fuller way of life than prevails in Moscow or any of her satellite countries.

So long as we can preserve the religious faith which has helped so mightily to make us the great nation that we are, we need not fear either the ideology or the arms of Russia. So long as we keep government controls at a minimum and maintain intact freedom to work, to save, to invest, even to risk, in worthy ventures, we shall be safe from Russian imperialism. I believe we will do this and, hence, I am an optimist.

Why the Growth of the U. S. A.?

Our country has achieved the status of a great power more quickly than any other nation in the whole history of the world. I believe that we have progressed so quickly because, for the most part, we have been true to the ideals of our forefathers. We surely should pay more attention to those ideals now and develop good old-fashioned character and common-sense in our children. Then we will be better able to discern and root out the evils which have been creeping into our government and national life and undermining character and values.

Communism, as Russia practices it today, is no revolutionary idea. Actually it is just plain imperialism based upon a system of slavery which is as old as the human race. We must not long sit quietly by without preaching more convincingly and practicing more faithfully the basic principles of our own American Revolution. One of these is that every family should—for instance—have some land to till somewhere.

Potomac Edison Bonds Offered by Equitable Securities Corp. Group

Equitable Securities Corp. heads an investment group which is offering today (April 5) $10,000,000 of The Potomac Edison Co. 3⅜% first mortgage and collateral trust bonds, due 1981. The bonds are priced at 101.421%. The group was awarded the issue at competitive bidding Tuesday, April 3.

Proceeds from the sale of the bonds, together with $3,993,650 to be realized from the sale of 200,000 shares of additional common stock to The West Penn Electric Co., the parent company, and with other funds of the company, will be applied toward the cost of the construction program of the company and its subsidiaries. It is estimated that new construction during 1951 and 1952 will amount to approximately $23,850,000.

Snyder Reports Improved Federal Finances

Treasury estimates, because of larger revenue receipts and reduced expenditures, there will be a surplus of about $3 billion in 1951 fiscal year, as contrasted with $2.7 billion deficit previously forecast. Expects 1952 fiscal year revenues of about $3 billion more than anticipated in budget.

Appearing before the Committee on Ways and Means of the House of Representatives on April 2, Secretary of the Treasury John W. Snyder reported a more favorable situation in Federal finances, and recommended a $10 billion tax increase for 1952 fiscal year. This contrasts with the $16.5 billion increase originally deemed necessary by the Administration.

John W. Snyder

"Internal revenue collections associated with the filing of income tax returns on March 15 indicate that the government's revenues for this fiscal year will be about $2.7 billion higher than anticipated in the January budget," Secretary Snyder stated, adding: "The indicated increase in revenues is due primarily to higher receipts than expected from individual and corporate income taxes, which provide the largest part of total receipts. However, a significant part of the increase is attributable to greater than expected collections from excise taxes, especially liquor taxes and manufacturers' excises, caused by an unusual expansion of dealers' inventories as well as increased consumer buying partly in anticipation of prospective tax increases. In other words, part of the unanticipated revenue is the result of scare buying and rising prices which are reflected not only in higher living costs but in higher defense costs as well."

Continuing his statement, the Secretary pointed out:

"In addition to the usual problem of appraising the effects of recent tax legislation, revenue estimating is complicated by the basic changes now taking place in the economy. When the economy functions under strong pressure, when resources are being reallocated between civilian and military needs, and when the results of stabilization measures are not clear, important changes in tax collections may occur in relatively short periods.

"It is currently estimated that actual expenditures during this fiscal year probably will be about $3 billion less than those projected in the budget. The reduction in expenditures this fiscal year is partly accounted for by savings in the civilian programs and partly by the fact that financial settlements on military deliveries have accelerated less than anticipated. Some of the civilian reductions are in programs such as those administered by the Veterans Administration and the Commodity Credit Corporation, which are affected by changes in economic conditions. The degree to which veterans draw on readjustment benefits, for example, depends in part on employment opportunities. Funds required by the CCC fluctuate with farm prices and farm loan practices under the price support program.

"With respect to the timing of defense spending, I am advised by those charged with procurement activities that it is not possible at this date to predict how promptly the obligation of funds for defense contracts will be followed by actual expenditures. Moreover, contractors are revealing an ability to operate for relatively longer periods with their own financial resources and with less recourse to the governmest for payments on account than was the case during World War II. In other words, military production and the preparation for it precede by many months actual financial demands on the Treasury.

"The increased revenues and the lower rate of expenditures combine to bring about an estimated surplus of about $3 billion for this fiscal year compared with the anticipated deficit of $2.7 billion presented in the January budget. I cannot emphasize too strongly, however, that the current budget surplus is temporary and that we must guard against the unwarranted conclusion that it will be maintained in the future.

"The extent to which recent revenue developments will carry over to raise fiscal year 1952 revenues is not yet clear. In the absence of unexpected developments, fiscal 1952 revenues are at present estimated to be about $3 billion higher than anticipated in the budget.

"While the slower unfolding of the defense program may somewhat retard the rate of increase in expenditures, the total cost of the program is not thereby decreased and as a result of higher prices may actually be increased.

"Let me say as emphatically as I know how that the fiscal problems facing us now are as grave as any which have confronted this country in recent years and can be resolved only by forceful and timely revenue legislation.

"While the current fiscal situation is encouraging, this should not be allowed to postpone adequate financial preparedness. We must not fail to provide for the proper financing of our steadily increasing defense production.

"What we should recognize is that we have most of the financial problems of a full-scale war without the emotional stimulation of a wartime emergency to impel us to take the necessary action. The lack of this stimulus must be compensated for by sober calculation for our future welfare. We shall be gravely misled if we view our problems and judge our needs in the light of day-to-day variations in reports from trouble spots throughout the world.

Increase in Defense Expenditures

"Since Korea, the increase in defense expenditures has been largely for the purpose of adding manpower to the armed forces. Expenditures will increasingly shift to payments for heavy equipment and facilities for additional output. Over three-fourths of the defense orders already placed are for costly fighting equipment and for facilities to expand its production. As has been made evident to the Armed Forces Committees of the Congress, the steadily mounting financial drain defense orders will not reach its peak in government expenditures for more than a year. Before that peak is reached, defense expenditures are expected to more than double.

"The available information is not sufficient to permit a forecast of just what the deficit under present taxes will be month by month or precisely when the maximum level of expenditures will be reached. In his budget message the President emphasized that our expenditures for national security might be subject to substantial adjustments as the program advanced. This caution must be continued. It is possible, but by no means certain, that actual fiscal

Continued on page 40

Report to Metropolitan Policyholders for 1950

ANOTHER YEAR OF OUTSTANDING SERVICE

THERE COULD BE no better summary of the Metropolitan Life Insurance Company's activities and achievements during 1950 than the following message with which President Charles G. Taylor, Jr. opens the Company's Annual Report to Policyholders.

"You have every reason to be pleased with the results of the operation of Metropolitan in 1950.

"The major test of a Life insurance company's value to the public is in the payment of benefits to policyholders and beneficiaries and in the increase of the insurance protection which the company affords them. New **high records in each respect were made in 1950.**

"Metropolitan has been able to maintain this year, with minor modifications, the prevailing dividend scales. The Company has also made appropriate additions to surplus funds and contingency reserves held for the protection of policyholders. This means that, with very few exceptions, individual policyholders' dividends will be equal to, or greater than, the dividends paid last year. **It is gratifying to report that, notwithstanding increased costs due to inflationary trends which have affected every business and every individual, Metropolitan has thus continued its low cost record.**"

Whether or not you are a policyholder in the Metropolitan Life Insurance Company, you will find the 1950 "Annual Report to Policyholders" interesting and informative. If you would like to have this booklet, simply fill in and mail the coupon below. A copy will be sent to you without charge.

High Lights

Payments to policyholders and their beneficiaries . . . $837,000,000—the greatest sum ever paid in benefits in any one year by the Company.

During 1950 the ownership of Metropolitan Life insurance was increased by a record amount of $3,725,000,000.

The total in force was $45,425,000,000 on the lives of 33,150,000 persons—$21,930,000,000 was Ordinary; $10,464,000,000 was Industrial; and $13,031,000,000 was Group.

After deducting investment expense, the net rate of interest earned was 3.07%.

STATEMENT OF ASSETS AND OBLIGATIONS...DECEMBER 31, 1950

(In accordance with the Annual Statement filed with the Insurance Department of the State of New York.)

ASSETS IN THE COMPANY'S POSSESSION

Bonds		$7,563,030,021.20
U. S. Government	$2,868,782,497.44	
Canadian Government	211,012,588.10	
Provincial and Municipal	67,643,429.06	
Railroad	528,591,344.71	
Public Utility	1,369,897,129.54	
Industrial and Miscellaneous	2,396,007,960.42	
Bonds of the Company's housing development corporations	121,095,071.93	
Stocks		161,909,397.72
All but $7,452,502.72 are Preferred or Guaranteed.		
Mortgage Loans on Real Estate		1,494,180,283.78
Mortgage Loans on Urban Properties	$1,368,405,298.20	
Mortgage Loans on Farms	125,774,985.58	
Loans on Policies		423,056,767.55
Made to policyholders on the security of their policies.		
Real Estate (after decrease by adjustment of $14,000,000.00 in the aggregate)		284,524,458.56
Housing projects and other real estate acquired for investment	228,599,995.17	
Properties for Company use	41,516,517.97	
Acquired in satisfaction of mortgage indebtedness (of which $5,149,699.81 is under contract of sale)	28,407,945.42	
Cash and Bank Deposits		179,412,703.97
Premiums, Deferred and in Course of Collection		150,252,553.13
Accrued Interest, Rents, etc.		81,705,465.77
TOTAL ASSETS		$10,338,071,651.68

OBLIGATIONS TO POLICYHOLDERS, BENEFICIARIES, AND OTHERS

Statutory Policy Reserves		$8,783,541,759.00
This amount, which is determined in accordance with legal requirements, together with future premiums and reserve interest, is necessary to assure payment of all future policy benefits.		
Policy Proceeds and Dividends Left with Company		575,626,718.00
Policy proceeds from death claims, matured endowments, and other payments, and dividends—left with the Company by beneficiaries and policyholders to be paid to them in future years.		
Reserved for Dividends to Policyholders		172,477,246.00
Set aside for payment in 1951 to those policyholders eligible to receive them.		
Policy Claims Currently Outstanding		41,962,052.40
Claims in process of settlement, and estimated claims that have occurred but have not yet been reported to the Company.		
Other Policy Obligations		68,842,135.82
Including premiums received in advance, special reserves for mortality and morbidity fluctuations.		
Taxes Accrued (Payable in 1951)		38,016,113.00
Contingency Reserve for Mortgage Loans		10,000,000.00
All Other Obligations		25,479,914.09
TOTAL OBLIGATIONS		$9,715,945,938.31
SURPLUS FUNDS		
Special Surplus Funds	$115,389,000.00	
Unassigned Funds (Surplus)	506,736,713.37	
TOTAL SURPLUS FUNDS		622,125,713.37
TOTAL OBLIGATIONS AND SURPLUS FUNDS		$10,338,071,651.68

NOTE—Assets amounting to $485,501,548.28 are deposited with various public officials under the requirements of law or regulatory authority. In the Annual Statement filed with the Massachusetts Insurance Department, Statutory Policy Reserves are $8,783,606,754.00. Policy Claims Currently Outstanding are $41,962,052.40 and All Other Obligations are $25,414,919.09.

Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

HOME OFFICE: 1 MADISON AVENUE, NEW YORK 10, N. Y.

PACIFIC COAST HEAD OFFICE: 600 STOCKTON STREET, SAN FRANCISCO 20, CAL.

METROPOLITAN LIFE INSURANCE CO.
1 Madison Avenue, New York 10, N. Y.

Gentlemen:

Please send me a copy of your Annual Report to Policyholders for 1950.

NAME____________________

STREET____________________

CITY__________ STATE__________

"What Is Happening to Your Dollar?"

By ROBERT S. BYFIELD and LEON H. KEYSERLING

Mr. Byfield, citing the government's steps in accentuating inflation since 1933, suggests specific steps to curb it now. Mr. Keyserling replying: Contends problem of inflation is less important than fighting international Communism, cautions against political bickering, and endorses ample defense preparation, greater production, raise taxes, cut non-essential spending, and stabilize prices, wages and profits.

EDITOR'S NOTE: Following are texts of statements by Messrs. Byfield and Keyserling at "America's Town Meeting of the Air," Charleston, West Virginia, March 27, 1951; broadcast over WABC Network. Mr. Byfield is a member of the New York Stock Exchange and New York Society of Security Analysts. Mr. Keyserling is Chairman of the President's Council of Economic Advisers.

By MR. BYFIELD

You don't have to be an economist like Mr. Keyserling or a security analyst like myself to know that the dollar buys less today than one, five or ten years ago. A haircut that used to cost 50 cents is now $1.25. Any housewife who buys a pound of meat or butter or a coat or a dress knows the facts.

Robert S. Byfield

How did all this happen? Do we really wish to stop prices from rising further? If we do, just how do we, all 151 million of us, go about it? Inflation was born in the deflation of 1933. First, we cut our paper money adrift and "went off gold." Second, in 1934 we devalued the dollar from 100 cents to 59.6 cents. Third, Washington began to use many varieties of pump priming to stimulate employment. Easy money, easy borrowing, high, wide and handsome. The Welfare State and artificially low money rates are Siamese twins.

By the time Pearl Harbor came the Federal government already owed $40 billion. Then the war brought an additional $230 billion of deficits, because when you fight a war and you sell government bonds to banks rather than to the people, new credit or bank money is created. There weren't enough goods produced to offset the new money in the pockets of the people. Wartime price controls hid the real situation until we took the lid off and for almost three years from 1946 to November, 1948 pent-up demands caused a scramble for goods and prices zoomed. Then we had a mild recession and inventories began to pile up. Washington, mindful of the early 1930's, got frightened. More priming the pump! They quickly paid out a $2½ billion Soldiers' Bonus. Credit was made easy. Bank reserves were lowered and a great boom in houses and durable goods got under way. We spent billions supporting farm prices. Still the Welfare State!

On top of this boom came Korea, and the American public proceeded to go on one of the greatest spending sprees in history. There was no shortage of goods, only a fear of shortages. In a year, inventories of goods rose $11 billion, bank loans $7 billion, all while the government was increasing its expenditures for armaments and stockpiling. Now a State of Warfare piled on top of a Welfare State!

But worst of all, the Federal Reserve System, instead of cutting down the supply of money in the face of a boom, actually increased it by supporting the government bond market and buying bonds. They tried to put a fire out with gasoline!

Things to Do Now

To stop inflation here are some of the things that we can do:

(1) We can levy anti-inflationary taxes, that is, tax the people who have lots of money to spend. One of the best ways to do this is to levy a sales tax and increase excise taxes.

(2) We can force the banks and insurance companies to cut down further on lending.

(3) We can encourage the savers, that is the people who buy government bonds, by offering them better terms. Say 3% or 3¼% instead of 2.9% as we do with E Bonds today. Let us stop penalizing those who save and invest for the benefit of those who do not.

(4) We can revise our farm parity supports downward, stop supporting a lot of commodities, including sugar, milk, corn, etc., and give the housewife a break.

(5) Escalator clauses in wage contracts are inflationary. They seek to shift the burden of inflation on unorganized groups. A formula must be found to remedy this. Give the white collar worker a break, too!

(6) As for the average citizen, all of us can and should exercise restraint in buying. For example, the consumption of meat last year was 144 pounds per capita — the highest in history. Prewar consumption was 130 pounds. We ate pretty well then. If each housewife would buy only 9 pounds of meat instead of 10 pounds, meat would "be coming out of our ears" and the price would drop.

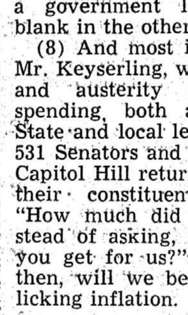
(7) Businessmen can help by stopping the practice of coming down to Washington with the flag of free enterprise in one hand and a government loan application blank in the other.

(8) And most important of all, Mr. Keyserling, we need economy and austerity in government spending both at the Federal, State and local level. If when the 531 Senators and Congressmen on Capitol Hill return to their homes their constituents would ask, "How much did you save?" instead of asking, "How much did you get for us?" then, and only then, will we be on the way to licking inflation.

* * *

REPLY BY MR. KEYSERLING

Inflation, Mr. Byfield, is a great problem—but it is not our greatest problem. Our greatest problem is to face up vigorously and constantly to the menace of world-wide aggression under the banner of international Communism.



Leon H. Keyserling

If we should lose this world-wide struggle, we would lose all. If we win this struggle—and particularly if we win it without a third world war—we have nothing to fear in the long run.

Whenever we have mobilized our strength to resist foreign aggression, we have also been threatened by domestic inflation. But whenever freedom has triumphed over aggression, our nation has surmounted the inflationary danger and moved forward to new high records of production, business prosperity and living standards. We did this after the end of the Kaiser, and after the end of Hitler. We can do it again if we keep our sense of direction.

No Ruin Primarily From Inflation

No secure, free and productive nation was ever ruined primarily by inflation, Mr. Byfield. Inflation has dealt the final blow to nations first weakened by military defeat, famine, moral decay or factional internal strife. It was only under some combination of these circumstances that inflation in the past wrought such havoc in Germany, China, and other countries.

So, in dealing with inflation, we must maintain our perspective and not get off the track.

These are things we must not do:

We must work together as Americans and not fall prey to political bickering. To talk now about what happened in 1933 is politics. This is 1951.

We must not go astray on irrelevant issues. The soldiers' bonus of the '30's is not the relevant issue now.

We must not engage in tirades against the Welfare State, Mr. Byfield. The supreme issue of our time is the conflict between the state which exists to serve the welfare of the individual, as our Constitution provides, and the state which makes the indivdual its slave.

We must not indulge in invectives such as calling the decision to resist wanton aggression in Korea a spending spree.

What We Must Do!

On the other hand, these are the things we must do:

We must highly resolve to continue the struggle for world freedom and for an enduring peace. We must pledge to this purpose all the spirtual and material resources which may be required. The great programs dedicated to this purpose will increase inflationary pressures. They will be expensive. But it would be suicidal to try to fight inflation by sacrificing national defense or international cooperation. No person or nation can profit by losing its soul.

Of course we must cope with inflation along with these other problems. The government, led by the President, has a rounded anti-inflationary program.

To combat inflation soundly, we must produce more by working harder, and by planning to expand production with ever-increasing foresight.

To combat inflation, we must raise taxes enough to cover our share of the necessary additional costs of the world struggle for freedom.

In addition, we must cut down on non-essential or wasteful spending, both private and public.

I agree with Mr. Byfield that we must restrain inflationary credit.

I also agree that we must stabilize prices and wages and profits, in relationships fair to all.

Particularly since Korea, we have begun as a nation to do all of these things. Real progress has already been made. In the fair perspective of the past, we have moved faster in this emergency than previously—both abroad and at home. But we cannot afford to slacken our pace. We must do still better. With public understanding and nationwide cooperation, I am firmly convinced that we shall succeed in the essentials.

Forecasts Decline in Industrial Production

NAPA survey expects falling off in April and May when government restrictions on civilian goods production become effective. Sees danger of inventory recession owing to decline in scare buying and increasing public resentment to high prices.

Although industrial production continued high in March, a decline in output is anticipated in April and May when government restrictions on manufacture of many civilian items become effective. This forecast, according to the composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, is confirmed by a sharp reduction in new orders during March and by a substantial cutback on the length of future buying commitments. The Committee, is headed by Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., Division of Olin Industries, Inc., New Haven, Conn.

Robert C. Swanton

"Many more military contracts have been placed—and with a wider coverage of industry—but their current influence shows up more in plant expansion and 'make-ready' operations than in production," according to the survey, which also noted as follows: "The relief given by the omnibus MRO-DO-97 priority to all business organizations will be of short duration; for, its general use encourages the fast absorption of existing stocks of essential supplies and will extend to production schedules, where it must compete with other priority orders for the limited allocations of scarce materials.

"Industrial material prices have leveled off, despite the many required exceptions to the price ceilings—the lowest number since last April indicate price increases made in March. Inventories are slightly lower though consumption was higher, indicating the receipt of more materials during the past month.

"Employment remains high, but layoffs or time cuts are expected, because of the civilian production restrictions.

"With finished goods rapidly filling pipe lines from producer to retailer, the decline in consumer scare buying and increasing public resentment to high prices, Purchasing Agents sound a note of warning. The stage may be set for another period similar to the inventory recession of 1949.

Commodity Prices

"Price regulations have helped to hold the line fairly well. The number reporting increases has dropped 65% since December and compares with the number of last April. Purchasing Agents are studying the proposed OPS price formula carefully. While it is expected that many small marginal increases may be justified, it is believed a substantial part of recent increases may have to be canceled. Much of the increase in prices in March is traceable to agricultural products and imports. Competition for the future production of permissible items is increasing.

Inventories

"Industrial inventories were up in March, by a small percentage. In view of the high production, it is apparent there was a heavy movement of materials, partly due to normal rail movement following the strike and, probably, some catching up of production on back orders. Purchased material inventories are generally reported badly out of balance. Finished goods stocks are piling up in producers' and distributors' warehouses.

Employment

"Pay rolls remain at the peak of the last employment upswing started in January. Reports indicate layoffs and working hour cutbacks are due in April and May, to compensate for the restrictions in use of many materials for civilian production. Expansion of facilities and tooling for defense have made skilled labor scarce in all areas. Competent office workers are hard to get.

Buying Policy

"Forward commitment policy begins to take a definite shape, after three months of confused procurement prospecting. The majority have lowered their sights to a 90-day coverage where possible to secure firm schedules. Cancellations and delivery deferments are reported, to meet future production schedules and keep within NPA regulations. Maintenance, Repair and Operating Supplies DO-97 is sweeping supplies off distributors' shelves, because everyone has the same priority standing as a tank producer. Extended to manufacturers for stock replacement, they will create an undue priority pressure on the producers' voluntary allocations of unrated critical materials.

Specific Commodity Changes

"Fewer price changes were reported than in any month since last April.

"The **ups** were of small margin: Fatty acids, cornstarch, containers, foodstuffs, mercury, linseed, lard, tung oils, rubber, textiles, trucks.

"**Down** were: Sugar, some coal, hides, soap, tin.

"**Still hard to get:** Heavy acids, aluminum, antimony, benzol, copper and brass, castings, cellophane, chlorine, containers, electrical equipment, office furniture, iron, lead, lumber, plywood, plastic powders, nails, nickel, paper, pipe, rubber, steel, sulphur, textiles, burlap, wire.

Canada

"Canadian members report a continuing high rate of business activity. The production increase has slowed down and new orders are coming in at a slower pace. More price increases are reported than in the United States. Inventories about the same. Employment static; will increase as outdoor activities start up. Buying policy is one-third longer range than in the States. Defense business is not yet a major factor, and will need government controls if it increases."

With Hornblower & Weeks

Hornblower & Weeks, 40 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges, announce that George Sloane has become associated with the firm.

Steiner, Rouse Opens New Uptown Branch

Steiner, Rouse & Co., members of the New York Stock Exchange, have opened a branch office in the newly completed building at 575 Madison Avenue. Opening of the new office, the firm said, is in line with the trend toward locating branches of brokerage firms in the mid-town area. The office will be open from 7:00 p.m. to 9:30 p.m. on Thursdays for consultation.

Harold A. Rouse and Henry M. Bach, partners of the firm, will be in charge and they will be assisted by Edgar Dannenberg, Gerard Daly, Henry Van Dam and Philip Gritz. The office will have its own street entrance.

R. W. Scott, Others With Hayden, Stone

Hayden, Stone & Co., 25 Broad Street, New York City, members of New York Stock Exchange and other leading exchanges, announce the following additions to the firm: Randolph W. Scott as Manager of the mutual fund department; Harton I. Booker, William R. Jones and Thomas H. McGlade in the institutional department; Herbert S. Bracey, Eustace A. Favreau and George Webb as members of the research staff.

Mr. Scott was formerly Manager of the mutual fund department for A. W. Benkert & Co. and prior thereto was Syndicate Manager for E. W. Clucas & Co.

Mutual Funds

By ROBERT R. RICH

WELLINGTON FUND, which, by its pace-setting sales promotion and shrewd market appraisal, has made its oval trademark and "Wellington Blue" two of the best-known symbols in the industry, is designing and distributing widely mutual funds' sales literature written exclusively for women, in recognition of the growing importance of the investment-conscious American woman as logical mutual funds' prospect.

The shrinkage of dollar savings, by inflation, on a national scale poses a problem largely for women. Recent statistics show that 65% of accounts in mutual savings fund banks are in women's names, 60% of all privately-owned government bonds belong to women, 80% of beneficiaries of all life insurance policies are women and 70% of all estates fall to women beneficiaries.

Examination of Wellington Fund statistics indicates that women are predominant as a shareholding group. Of Wellington's 61,000 shareholders, approximately 24,400 are women who own Wellington shares individually, and another 13,420 own their shares jointly with husbands or a male relative.

"The shrinkage in money values is affecting millions of American women," A. J. Wilkins, Vice-President of Wellington Fund, observed. "I believe that the substantial purchase of Wellington shares by American women is a positive indication that women are acutely aware of their financial problems and that this awareness has made them investment-minded." These women shareholders, located in every State of the Union, include business women, doctors, lawyers, teachers, housewives, nurses, etc.

Mr. Wilkins said that the inflationary spiral is a key factor in making women more investment-minded. "The housewife," he asserted, "knows how the past decade has affected the value of her shopping dollar. Today's homemaker sees substantial rises in the cost of bread, eggs, meat, and the like. Higher prices make it harder for her to set something aside. The whole trend of the times is to make her more money-conscious.

"It's only a step," he said, "for the American woman to conclude that if her table money is shrinking, so is her dollar savings."

COMMISSIONS for reallocation in excess of $25,000 on American Business Shares has been adjusted to conform to the dealer commission now allowed on new purchases of the same amounts, it was announced by Lord, Abbett & Co. The entire amount of the commission, which is a percentage of the public offering price at which the reallocation orders are accepted, is to be paid to the dealer effecting the reallocation transaction. The schedule is as follows:

Under $25,000	4½%
$25,000-$49,999	4%
$50,000- 99,999	3%
$100,000 or more	2%

SALES OF National Trust Funds recorded a new high in the first quarter of 1951, according to Louis H. Whitehead, Vice-President in charge of sales, National Securities & Research Corporation, New York. Sales volume of $10,238,000 for this past quarter is the largest for any three-month period in the history of the company and represents a gain of 34% over the $7,663,000 total reported for the initial quarter of 1950.

"This gain in sales of National Trust Funds may be attributed to the desire of investors to obtain a more generous rate of return on their capital," stated Mr. Whitehead. "This is proved by the fact that a large portion of the first quarter's record sales were in shares of those funds which are managed with the specific objective of generous income return."

"Although high grade bond yields generally are below 3%, Moody's Average of 200 Common Stocks yields over 6%," continued Mr. Whitehead. "The growing interest in mutual fund shares evidences the awareness of the investing public of the great spread between bond and stock yields and their determination to do something about it."

"A substantial part of these mutual fund purchases," continued Mr. Whitehead, "are made by 'new' investors who previously had avoided stocks because of their unfamiliarity with financial affairs but who have decided that the media of mutual funds may be a sound and practical method of participating in the relatively generous income from selected common stocks."

OF ENDURING CREDIT to the mutual funds industry is Calvin Bullock's regular economic publication, PERSPECTIVE. Clearly written, but with the urbane sophistication of the orthodox economist, PERSPECTIVE treats a different economic problem in each issue. The March 15 copy is entitled "The Labor Force," and discusses the basic factor of production, labor, in light of our continuing defense needs. An excellent analysis for businessmen and managers. Copies are available without obligation from Calvin Bullock, One Wall Street, New York 5, N. Y.

RECOGNITION OF increased interest by larger, institutional-type investors, including corporation profit-sharing and pension funds, has been evidenced by recent reductions in distributing cost of mutual fund shares on sales of substantial amounts.

Hugh W. Long and Company, national distributor for Diversified Funds, Fundamental Investors, and Manhattan Bond Fund, announced this week that on purchases of $250,000 or more the distribution charge will be only 2½% of the offering price.

SHAREHOLDERS of Bank Group Shares learned last week that, despite higher taxation this year (even though the earnings of the banks are relatively well-sheltered against the excess profits tax) and somewhat higher operating expenses, earnings of banks will be as good as last year and possibly better.

Emlen S. Hare, President of Institutional Shares, in his report to stockholders, thought, also, that the amount of dividends would be at least as much, in that these represented only a conservative amount of banks' earnings and the balance of the latter, which were retained, had increased the net worth and earning potential.

"Interest rates on short-term governments, commercial paper and loans have lately increased substantially percentagewise," Mr. Hare remarked, "and will enable banks to obtain a higher return on their earnings assets. Bank loans, the most profitable source of a bank's income, have been increasing rapidly for some months and are now at an all-time high."

At the stockholders meeting on March 21, an amendment to the Corporation's Certificate of Incorporation was approved, removing the restriction which confined Bank Group Shares' investments to the stocks of New York City banks.

"Those New York City banks in whose stocks the Fund is now invested are outstanding," Mr. Hare declared, "and it is contemplated that investments in most all of these will be continued, but investments will also be made in the stocks of leading banks situated in desirable geographical localities such as Boston, Cleveland, Chicago, Detroit, Dallas, Los Angeles and other cities."

RANDOLPH W. SCOTT has joined Hayden, Stone & Co., member of New York Stock Exchange and other leading exchanges, as manager of the mutual fund department.

The paradoxical stock market has reflected an increasing expectation of "peace" by two months of irregularly receding prices, which have been most evident in the stocks that boomed after Korea. This probably parallels the increasing public optimism about peace.

But in one of our most vulnerable and important fronts—the Middle East—the situation is more desperate than at any time since the Azerbaijan revolt. We find ourselves again on the receiving end of what is undoubtedly Russian aggression, apparently quite unprepared to counter the move. There may be many a slip between a Communist-dominated control of the Iran oil fields, and the delivery of their oil to the Red Army; but if Russia is getting control of the oil fields, there is no question that our position is vastly worse than it was.

Under the circumstances, we cannot see how the national defense effort, including the rearming of our allies, can be relaxed; nor how the business of defense-stimulated industries like rails, steel and aircraft, can show any serious decline.

—*D. M. Barringer, Chairman Delaware Fund.*

Investment Registrations

DODGE & COX FUND, San Francisco, March 28, filed with the Securities & Exchange Commission a registration statement covering 25,000 beneficial shares. No underwriter.

INCOME Foundation Fund, Baltimore, March 29, filed with the Securities & Exchange Commission a registration statement covering 2,000,000 shares of outstanding stock. Underwriter: Axe Securities Corp.

INVESTORS Syndicate of America, Minneapolis, March 29, filed with the Securities & Exchange Commission a registration statement covering $10,000,000 of Single Payment Certificates, Series A; and $400,000 Single Payment Certificates, Series B. Underwriter: Investors Diversified Services, Inc.

NATION-WIDE Securities Co., New York, March 30, filed with the Securities & Exchange Commission a registration statement covering 300,000 shares of $1 par value capital stock. No underwriter.

ROWE (T.) PRICE Growth Stock Fund, Baltimore, March 27, filed with the Securities & Exchange Commission a registration statement covering 75,000 shares of $1 par value capital stock. No underwriter.

TEXAS FUND is in the process of preparing a monthly purchase plan, which will be known as the Texas Accumulation Plan.

WALL STREET Investing Corp., New York, filed with the Securities & Exchange Commission a registration statement covering 200,000 shares of capital stock. No underwriter.

WELLINGTON FUND, Philadelphia, March 30, filed with the Securities & Exchange Commission a registration statement covering 2,000,000 shares of $1 par value common stock. No underwriter.

Uhlmann & Latshaw Open N. Y. C. Branch Under McGovern

Uhlmann & Latshaw, Kansas City, members of the New York Stock Exchange and other leading exchanges, announce the opening of a New York City office at 14 Wall Street under the management of William J. McGovern. For the past five years Mr. McGovern has been associated with the trading department of J. Arthur Warner & Co., Inc. Prior thereto he served as a Lieutenant, J. G., in the U. S. Navy Air Corps. He attended St. Peter's College in Jersey City, N. J.

Wm. J. McGovern

The new office will have direct wire connections with the main office of the firm in Kansas City.

Utah's Governor Hits At Pressure Groups

Gov. J. Bracken Lee also sees unhealthy political situation in high taxation and heavy national debt.

Governor J. Bracken Lee of Utah who has refused to sign his own state's budget this year and is calling a special legislative session this summer for the purpose of cutting expenses, told a Town Hall audience in New York on March 28 that the Federal government had reached beyond the danger point in taxation and in the national debt. He cited as unhealthy signs, the fact that every U. S. family has a $7,000 mortgage on its future because of the national debt and the fact that we have reached the stage where taxes are so high that everybody is going out of his way to cheat in his payments as a normal course.

Calling the past 20 years "the greatest swindle in the history of the world," Gov. Lee depicted the "sad fact of a government of organized minorities at the expense of the great mass of American citizens." The governor said he was not only talking about Democrats but that there is a type of public servant, both Republican and Democrat, who is not interested in serving the people so much as in getting aboard the "gravy train." He used the strong term "stealing from the people" in depicting the devaluation of insurance savings, old-age pensions and the like through those years. History shows, he stated, that disaster has resulted every time a country has followed the economic path we are following today . . . the "government-owes-me-a-living" philosophy permeating the people and their leaders.

Every demand made upon a legislature has merits, he said, but that he felt strongly that no one pressure group, no matter how meritorious its request, should be given special wage or tax considerations at the expense of other groups and the general public. In the state of Utah, 90% of the legislation passed, mostly over his veto —and he believes he has set a veto record out there—was for the benefit of and through the efforts of organized minorities. "There is no lobby for the general public," he reminded.

Confidence in our leadership is at a low ebb, Gov. Lee said and added: "If I were a Frenchman or an Englishman I wouldn't have confidence in the American government either.' Citing the lack of State Department planning in the first crossing of the 38th Parallel in Korea the Governor said that with confidence in our leaders he would go along with government policy and would feel right about the Korean war, but without that confidence he can't. "I am ashamed of our government and the way it is run.'

Concretely, the governor said the Federal budget can and should be run like a state budget, like the budget planning of any club, church, business, family or individual and if there are things you can't afford you have to cut expenses accordingly. He would like to see the government cut expenses by going into each department and thinning it out. "There are thousands and thousands of employees being hired right now at the rate of 4,000 a day, on the Federal payroll who are detrimental to efficient and sound management. One extra, excess worker, one loafer on any staff destroys morale. The more money you give a politician or a bureaucrat, the more he will spend. This is true of individuals too."

"Each man handling government — citizens — money, in the government or anywhere down the line in the Army and Navy, should have a moral obligation to use the money conscientiously and well," he said, "and if we can't afford something, we simply have to cut out waste and be more careful."

Joins Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Kurt O. Wheelock is now with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Richard S. Kimball has been added to the staff of Waddell & Reed, 8943 Wilshire Boulevard.

Pacific Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Samuel H. Layton Jr., is now with Pacific Company of California, 623 South Hope Street.

With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Charles A. Baggott has joined the staff of Shields & Company, 9478 Santa Monica Boulevard. He was formerly with Daniel Reeves & Co. and Francis I. du Pont & Co.

With Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milo M. Turner is now associated with Conrad, Bruce & Co., 530 West Sixth Street. He was previously with Morgan & Co.

Jose M. Covo

Jose M. Covo, partner in H. Hentz & Co., New York City, passed away March 24.

Flight From Inflation

By WALTER SONNEBERG

In discussing inflationary trends and developments, along with currently imposed curbs, Mr. Sonneberg maintains traditional remedies do not seem to do the job and a more fundamental analysis may be necessary. Says flight from inflation needs to be taken out of the hands of unbridled spenders and unleashed rainbow chasers, so that a more dependable set of principles designed for stability might be followed.

"It is not the material conditions of the time that darkens the hues of the future, but man's self-satisfaction in the midst of the cataclysm he provokes by his aimless monkey-cleverness, his inability to foresee the effects of the tricks he plays." Sir Osbert Sitwell—"Noble Essences."

Millions of words have been written about the wonders of our industrial "know-how," but there is little consideration of the know-what side of the picture. Having developed techniques for the mass flow of goods we fell down on the job of finding outlets for the goods through normal channels, of making them sufficiently available for masses of people. Romantically-minded businessmen midwifed a problem in distribution and reached among the stars for an answer. A Canadian charges us with having "the highest myth consumption on record." The charge sticks when we review the series of chimeras pursued in the absence of right directives.

Walter Sonneberg

Can we get anywhere in our flight from inflation unless we know the score?

Without the right vehicle and a better sense of direction some writers see us entering "a transitional period of disastrous confusion."—"We shall never receive the right answers to our questions unless we ask right questions."

The terms of the confusion mean drifting further into bureaucracy, more controls, increased government expenses, public dissatisfaction and the multiplication of problems when atomic energy is released for industry before we have learned the proper use of inventions already available.

Leadership, out of touch with fundamentals, offers a variety of half-measure panaceas and policy contradictions. It encourages wage boosts and at the same time demands restraints on money supply! Meanwhile the prosperity wave generated by two World Wars and two New Deals motivated a pyramiding of wages and prices reaching for the "pie in the sky."

It was fun as long as it lasted, this wage-price spree, but now that the piper must be paid, comes the day-after headache. Curing this headache, going under the name of inflation, calls for concerted action all along the economic front. Just as in war, army, navy and air-force are called upon for cooperative attack. In the economic field, production, saving, spending, money-supply, and wage-price-profit relations and debt are factors figuring in the united front against the enemy, inflation.

Inflation is not a new phenomenon. It is the culmination of a course of taking more out than you put in, the performance of earlier "Titans of finance" who fattened on over-exploitation of the country's resources; and other parasitic elements who thrived on milking the public cow. Followed a period of pump-priming and artificial stimulation that lent the appearance of a healthy rejuvenation without furnishing the reality.

As John Dos Passos puts it ("The Prospect Before Us"): "Immense armaments have become the flywheel of modern governmental economy." New Deal and Fair Deal also gave with the "phony" money. This artificiality is something quite different from and alien to the free play of market forces and the natural exchange of goods and services. Absence of a market in which workers could produce things at a price that the masses could buy in sufficient quantities out of their earnings brought about political interventions.

Wages, under the false impetus, were jacked up above justified economic levels, and were accompanied by routines that put the structure of industry on what the banker calls "stilts." The whole complexion of industrial life became an artificial buildup of attractively applied financial salves and political cosmetics. The drab reality was kept in the background.

There's Barnum's story about a grocer who was a deacon. The deacon-grocer called downstairs before breakfast to his clerk: "John, have you watered the rum?" "Yes, sir." "And sanded the sugar?" "Yes, sir." "And dusted the pepper?" "Yes, sir." "And chicoried the coffee?" "Yes, sir." "Then come up to prayers."

In a similar way failure to deal honestly with the situation involves us in questionable subterfuges and leads into blind alleys. Belated discovery that productions do not finance themselves in sufficient volume, even with expensive, high-pressure campaigns, was followed by a government elected to angel performance deficiencies—a task for which government is neither organizationally equipped nor doctrinally adapted. The drift put both government and industry at a disadvantage.

The present emergency caught officials with their guards down. They operated under a double drawback, in attempted stoppage of inflation at the wrong end—after wages and prices had reached a high plateau. (Cue might have been taken from the flood-control situation. Engineers found they could do a more effective job by taking care of the watershed, where the floods form, than by building expensive dykes down stream for dubious containment of floods after they gain headway.)

Putting a brake on prices, even at raw material levels, smacks of the stolen horse and the locked barndoor. A prematurely high wage level and a weakness for outmoded formulas make the inflation problem what it is today. Balanced budgets and credit restrictions have only limited application. A questionable wage structure accompanied by a dubious standard of living—one for which sound economic foundations have not been established—require looking into.

Dos Passos noted that: "The labor theory of value went sky high with the first assembly line." Production plant should be analyzed: "figure the social value of various operations and try to assign rewards where rewards are really due."

Reviewing the high wage structure, what do we find?

Instead of waiting for the economy to reach a status that would justify higher wages, union workers, aided and abetted by ballot-box-conscious politicians, and a too ambitious standard of living—which includes a full schedule of house, television, auto and other expensive items — pushed the whole program before the foundations were laid.

Cost-of-living figures are full of hidden jokers. With some folks autos come ahead of bathtubs, with others television may be given preference over running water. AFL investigators canvassed an industrial field and found even with high wages three-quarters of workingmen's families had to cut one living necessity. Some bought less meat and eggs, but almost everybody had an auto.

The combination of a fallacious standard of living—to which index-makers recently proposed adding beer and soft drinks—and the use of political leverage in boosting wages to reach such a standard, weakens the worker's case and lessens security.[1]

Drawing on the economy in advance for satisfaction of this standard, trade-unionists naively expect the economy to rise to the occasion of its own accord. What chance, with a market economy based on an "illusory" prosperity and a growing debt, handicapped by frozen maladjustments and misfit formulas?

Along with the so-called law of supply and demand some classical traditions were casualties of the assembly-line and the corporation. Both credit management and budget balance "can prove to be broken reeds." Traditional remedies do not seem to do the job. "A more fundamental analysis may be necessary."

Inflation also took on new aspects. On the modern scene it reflects premature extensions of industrial processes rather than pressure of money on supplies. (There are probably billions of dollars worth of goods on store shelves and in storage.) A pushing of the system too fast, too far, before it had acquired the necessary status, furthered by spending for two Wars and two Deals, gave inflation its final fling.

In view of which combination of circumstances the flight from inflation needs to be taken out of the hands of unbridled spenders and unleashed rainbow chasers, and winged with a more dependable set of principles designed for stability, and powered by policies giving realistic approaches and unity of purpose the right of way. Dedicated to the proposition that "social security must be created, it cannot be merely conferred." [E. G. Nourse.]

1 (3-17-51—Labor unions are protesting the new B. L. S. cost-of-living index. "They say that it will deprive workers of 1 to 2 percent of what is due them.")!

Englander & Co. Is Re-established in NY

Samuel Englander and Augusta F. Englander announce the re-establishment of the firm of Englander & Co., to conduct a general securities business. The new firm will maintain offices at 115 Broadway.

Englander & Co. formerly was conducted as a sole proprietorship by Mr. Englander from 1934 until 1942. He originally started in Wall Street in 1909 and has just returned after a long illness.

Due to present conditions, no new teletypes are obtainable in New York City. The firm therefore has made arrangements with Farrell Securities Co. to use the teletype facilities of the Farrell organization. The teletype number is N. Y. 1-2577.

Industry Planning Enormous Expenditures

1951 investments in new plants and equipment may reach $21 billion, an increase of 45% over last year, McGraw-Hill survey reveals. Business has raised its capacity 7% since last year, and 75% since 1939.

Industry will spend a total of $21.5 billion in 1951, 45% more than was invested during 1950, if materials, equipment and manpower make it possible, according to the annual capital expenditures survey of the McGraw-Hill Publishing Company's Department of Economics.

The survey foresees a continuing wave of expansion, with American business raising its capacity another 9% this year. It raised capacity 7% last year, and since 1939, in meeting the production requirements of war and peace, has raised its capacity 75%.

To carry through their 1951 program, manufacturing industries plan to spend $13.3 billion, thereby setting an all-time record for expenditures in one year's time. This figure is 66% more than was actually invested in new plants and equipment during 1950.

These figures do not constitute a forecast of what 1951 capital investment will be, but rather industry's plans to invest in new plants and equipment as reported to the McGraw-Hill Department of Economics, Dexter Keezer, director, emphasizes.

Greatly Increased Capacity

Since 1939, the electrical machinery industry has more than tripled its facilities. Chemical and transportation equipment industries have almost tripled their capacities, and the general machinery industry has more than doubled its facilities in this period.

Electric utilities have a power-producing capacity 74% greater than in 1939, and the country's telephones have increased 106%.

Greatest increases are planned for industries preparing to meet the brunt of defense production demands, such as transportation equipment—dominated by the aircraft industry—the auto and electrical machinery industries, chemicals, steel and general machinery.

Transportation equipment—largely the aircraft industry—represents the greatest single increase, almost four times its 1950 investment. Nonferrous metals show an increase of 175% over 1950, reflecting that industry's drive to meet mobilization needs for metal.

Continued Expansion

The 9% increase in electric and gas utilities, which have been running high right along, does not represent a sudden spurt of expansion, as in manufacturing lines. It continues a program which will top $3 billion for the third successive year — the largest capital spending program of any single industry.

Expansion, says the survey, gets

How Manufacturing Industries Plan to Increase Their Capacity in 1951

	Increase 1950-1951		Increase 1950-1951
Chemicals	11%	Textiles	4%
Autos	17	Electrical machinery	14
Food	6	Transportation equipm't	38
Petroleum refining	3	Other manufacturing	7
Machinery	10	All manufacturing	9
Steel	10		

Manufacturing Industries Have Expanded Capacity 75% Above 1939

	Index of Physical Capacity (1939=100) Jan., 1946	Dec., 1948	Dec., 1949	Dec., 1950	Planned for 1951
Chemicals	172	250	264	293	325
Autos	104	130	140	153	179
Food	117	135	138	143	152
Petroleum refining	123	160	171	178	183
Machinery	154	200	216	236	260
Steel	112	115	121	126	139
Electrical machinery	175	280	301	325	371
Transportation equipm't	243	250	265	288	397
Other manufacturing	109	120	125	133	142
All manufacturing	131	156	164	175	191

How Major Industries Plan Expenditures for 1951

	1950 Expenditures —(Millions of Dollars)—	1951 Planned Expenditures	% Change
Chemicals	$1,350	$2,140	+ 59%
Autos	875	1,330	+ 52
Food	705	945	+ 34
Petroleum refining	700	995	+ 42
Machinery	635	940	+ 48
Steel	575	1,345	+134
Textiles	465	680	+ 46
Electrical machinery	180	315	+ 74
Transportation equipment	130	490	+277
Other manufacturing	2,450	4,165	+ 70
Total manufacturing	8,065	13,350	+ 66
Railroads	1,175	1,705	+ 45
Electric and gas utilities	3,200	3,490	+ 9
Other transportation and communications	1,700	1,900	+ 12
Mining	700	1,100	+ 57
All industry grand total	$14,840	$21,544	+ 45

Where The Money Comes From

Percent of Expenditures to Be Financed From:

	Depreciation and retained profits	Sale of stock	Bonds, bank loans or other debt	Government or government guaranteed loans	Other
Chemicals	91%	3%	0%	0%	6%
Auto	99	0	1	0	0
Food	83	0	16	0	1
Petroleum refining	97	0	1	0	2
Machinery	85	2	7	1	5
Steel	91	0	8	0	1
Textiles	88	0	12	0	0
Electrical machinery	97	0	2	0	1
Transportation equipm't	49	0	0	51	0
Other manufacturing	79	0	20	0	1
All manufacturing	86	1	9	2	2
Railroads	47	0	46	0	7

top priority among claims on industry's investment dollar. Last year, manufacturers spent only 43 cents of each investment dollar to enlarge their capacity. The largest share, 57 cents, went to replace and modernize existing facilities. This year, the figures are turned around—58 cents going for expansion.

Great bulk of the new facilities —98% in manufacturing—will be financed from industries' own funds. And, as usual in postwar years, the biggest share of the money—86% for manufacturers—will come from profits and reserves.

Aircraft is the only major industry covered by the survey which plans to finance any appreciable share of its new facilities through government or government-guaranteed loans.

Korea Added Impetus

When McGraw-Hill made its 1950 survey, industry planned to spend only $12.4 billion, but the outbreak of war in Korea added new impetus. Two interim surveys during 1950, made by "Business Week" in cooperation with the Economics Department, showed that the upward turn came in the spring and then rose sharply after Korea. Actual investment during the year, as shown by this latest survey, was about $15 billion.

The aircraft industry is expanding its facilities more than 40%. Here, capacity—difficult to define and measure — means something different than it did in World War II. One company, for example, may still have the capacity to produce 10,000 World War II-type planes a year. But it may need to spend millions on new facilities before it can turn out 5,000 jet-propelled fighters today. Today's larger, more complicated planes require new equipment, and in many cases, new buildings.

The electrical and general machinery industries have similar difficulties. Their products have become heavier, higher-powered, and with much more precise control equipment. The chemical industry has seen its products multiply, adding to the difficulties of measuring capacity.

Building Boom

The boom in industrial building which developed in 1950 promises to continue at a high level, according to the survey. In the manufacturing industries, at least, business plans to spend 79% more on construction in 1951 than in 1950. The rise here is slightly larger than the 66% rise indicated in total expenditures, suggesting that a larger share of the investment dollar will go into buildings. Again, construction expenditures under today's plans will rise most sharply in the industries expanding most rapidly.

Great as is the upswing in investment plans, businessmen expect defense needs will force still greater expenditures. The survey was made in January, soon after the Chinese armies entered Korea and while the Administration was presenting its defense budget for fiscal 1952. At that time, more than half the business leaders surveyed expected additional defense orders would force them to raise their plans for new plants and equipment later in the year.

Committees Named by Phila. Secs. Ass'n

PHILADELPHIA, Pa.—Franklin L Ford, Jr., E. W. Clark & Co., President of the Philadelphia Securities Association, has announced the appointment of Association Committees for 1951 as follows:

Arrangements Committee: Newton J. Aspden, Aspden, Robinson & Co.; Charles L. Barndt, Baker, Weeks & Harden; Francis M. Brooke, Jr., Brooke & Co.; Harold F. Carter, Hornblower & Weeks; Llewellyn W. Fisher, Sheridan Bogan Paul & Co.; John C. Graham, A. C. Allyn & Co.; Robert L. Gray, Jr., Land Title Bank & Trust Co.; Arthur Horton, Penington, Colket & Co.; William A. Lacock, E. W. Clark & Co.; Edwin P. McCausland, Eastman, Dillon & Co.; James J. Mickley, Corn Exchange Natl. Bank & Trust; Harry B. Snyder, Yarnall & Co.; Harold J. Williams, Boenning & Co.; Willard M. Wright, Jr., Butcher & Sherrerd; John D Foster, Chairman, DeHaven & Townsend, Crouter & Bodine.

Directory Committee: George T. Francis, Jr., Swain & Co., Inc.; Theodore M. Hughes, Standard & Poor's Corp.; Bert T. Lynch, Smith, Barney & Co.; Raymond E. Groff, Chairman, Brown Bros. Harriman & Co.

Educational Committee: Clifton D. Bunting, First Boston Corp.; Paul Denckla, Stone & Webster Securities; J. Brooks Diver, Mackey, Dunn & Co., Inc.; Herbert F. Gretz, Fidelity-Phila. Trust Co.; Robert E. Daffron, Jr., Harrison & Co., Chairman.

Membership Committee: H. Townsend Bongardt, Tradesmens Natl. Bank & Trust Co.; Russell M. Ergood, Jr., Stroud & Co.; Henry L. Hood, Fidelity-Mutual Life Ins. Co.; Osborne R. Roberts, Schmidt, Poole & Co.; Henry W. Wessels, Butcher & Sherrerd; Wm. A. Lacock, Chairman, E. W. Clark & Co.

Public Relations Committee: Sidney S. Blake, H. M. Byllesby & Co., Inc.; Paul W. Bodine, Drexel & Co.; R. Conover Miller, E. W. & R. C. Miller & Co.; R. Victor Mosley, Stroud & Co., Inc.; H. Clifton Neff, Schmidt, Poole & Co.; Howard York, III, Doremus & Co.; Russell M. Ergood, Jr., Stroud & Co., Chairman.

Speakers Committee: S. Steward Alcorn, Jr., Eastman, Dillon & Co.; Edwin J. Hicks, Beneficial Saving Fund Society; DeLong H. Monahan, Provident Mutual Life Ins. Co.; Wm. H. P. Townsend, E. W. Clark & Co.; John H. Webster, III, Provident Trust Co.; Newlin F. Davis, Jr., Kidder, Peabody & Co., Chairman.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—John J. Lucas is now affiliated with Waddell & Reed, Inc.

Appointed Directors

E. C. Geier, Chairman of the board of directors of The Duplan Corporation, has announced the appointment of Ralph E. Case, William R. Kaelin and Mason H. Bigelow as directors to replace three directors who have resigned.

Mr. Case is a senior partner of Stevenson, Jordan and Harrison, Inc., management engineers. Mr. Kaelin is a partner of Baker, Weeks and Harden, stock brokers. Mr. Bigelow is senior partner in the law firm of Gould & Wilkie, corporation counsel for Duplan.

With Consolidated Invests.

SAN FRANCISCO, Calif.—Morris R. Rosenman has been added to the staff of Consolidated Investments, Inc., Russ Building.

Keep Public Informed On Money Supply!

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of the U. S.

Mr. Parkinson asserts it is clearly the duty of newspapers to keep people informed about the state of the money supply and the unfortunate results to everyone of continually increasing it.

No greater service could be rendered by the newspapers of this country than to keep their readers constantly informed about increase in our money supply and the reasons for it. It is this increase in our money supply which is the core of our present inflation, and which will serve as the foundation of even greater inflation in the future.


T. I. Parkinson

Our money supply consists principally of bank deposits and paper currency in circulation. The total money supply on Dec. 31, 1950, as shown in the last issue of the Federal Reserve Bulletin, reached the new high mark in our history of $184 billions. The similar figure at the end of 1949 was $177 billions. Even that was an excessive money supply, and its increase during 1950 by seven additional billions greatly contributed to the rise in prices and wages during that year.

Of course, we may have a large outstanding money supply without spectacular rises in prices if the people are cautious about exchanging their present liquid funds for commodities or services which are not immediately essential to them. However, when this cautious holding of liquid funds is for any reason replaced by active spending, we have a turnover of the money supply which, in the absence of extraordinary increases in production, is bound to produce increases in prices and wages.

During 1950, we in this country did not exactly abandon caution in favor of optimism with respect to the future. What we did was to abandon caution in the acquisition of things, and because of the fear of higher prices of scarce items in the future we used our money to make purchases in advance of needs. This was not limited to individuals; it ran through the whole business structure and was equally true of the government. Moreover, toward the end of the year, the fear of higher prices and scarcities threatened further depreciation of the purchasing value of the dollar and drove many people to exchange their money for things, not because they needed or expected to need the things, but because they did not want to hold on to money the value of which was constantly falling. The increase in the money supply which took place during the year 1950 simply fed the flames of inflation by increasing the amount of money which was available for advance buying or which the people wanted to convert into more substantial things.

It may be that some of us think these are very technical matters and not within the understanding or interest of the ordinary citizen. That is far from true. The average citizen is rapidly learning from experinece that every dollar in his pocket is decreased in its value to him by the process of inflating the money supply or, as it has sometimes been described, by adulterating the dollar. Every housewife now knows that the cost of living is up, and every wage-earner knows that he needs more wages to keep up his standard of living. It certainly is a matter of vital interest to every citizen, and it could readily be brought within his understanding, that these detriments to him flow directly from the increase in the number of dollars which make up our money supply. Perhaps if he knew the reason for that increase, something might be done about it.

We have repeatedly recommended two major steps to combat inflation: first, to abandon the Federal Reserve pegging of the government bond market, and second, to refinance into longer term bonds the $50 billions of short term government paper which matures during this calendar year. Recently the Treasury has taken steps in this direction, modifying its policy with respect to the pegged bond market, and with the offer of 2¾% bonds removing to a degree the pressure of sales on the peg. However, the eventual goal of a full removal of the peg and a widely attractive long term 3% bond is still far from being attained. Accordingly, the inflationary pressure that has been building for more than 10 years is only slightly abated.

Certainly these matters are little understood by the general public. Indeed, the discussion of them is too often either technical or inaccurate. Nevertheless, the core of the whole matter could and should be made clear to the average citizen. That core is the money supply — the number of dollars available to the people. We all see that prices have risen and that the cost of living is soaring.

If this were due to lack of production or to extraordinary demand for things, that demand would explain the rise in prices, but today the rise in prices is due in large part to the uncontrolled increase in the number of dollars, which decreases the purchasing value of each. That is inflation of prices due to inflation of the money supply.

Clearly it is the duty of the newspapers of the country to keep the people informed about the state of the money supply and the unfortunate results to everyone of continually increasing it.

*A statement by Mr. Parkinson distributed by the Continental Press Syndicate, Brightwaters, N. Y.

Toronto Dealers to Hold Dinner

TORONTO, Ont., Canada — A dinner for the Toronto members of the Investment Dealers' Association of Canada is to be held at the King Edward Hotel on Wednesday evening, May 9, at which the guest speaker is to be the Hon. Lester B. Pearson, Secretary of State for External Affairs.

John White Partner in Hopkins, Harbach & Co.

LOS ANGELES, Calif.—John M. White has been admitted to partnership in Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. White has been with the firm for some time in charge of the sales and Philippine departments.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The uncertainty that shrouds the whole money market is being reflected in a defensive government market, with somewhat heavier volume. Buyers are on the cautious side, to say the least, and while there are some scale purchases, these are being spaced more widely than was the case a short time ago. Sellers have been appearing throughout the list, with the principal concentration, nonetheless, in the restricted obligations which are getting the protection of an "orderly market." There is considerable talk now about what will happen to the "orderly market" if the confused conditions continue for long. Although it is reported the exchanges of the June and December 1967/72s for the new 2¾s by institutional owners have been very good, there has been nevertheless quite a bit of liquidation in these bonds by those that are not in a position to take advantage of the conversion offer. Also, the turning in of the longest tap 2½s has brought some selling into the other ineligible obligations.

Yield spreads (both before and after taxes) between various issues are being watched very closely and it is indicated that when the market shows signs of settling, there is likely to be considerable switching going on.

Tightening of Reserve Credit

The adjustment in the government market carries on, because the effects of the monetary authorities' action in making reserve credit more difficult to obtain are still in the earlier stages. The new policy of making access to Central Bank credit more risky and costly is the focal point of the new program. It is not the increase in interest rates that is the important factor, but the stopping of the "engine of inflation," and this will be done, at least in some measure, by making accessibility and availability of reserve credit more costly and risky. Higher interest rates will not accomplish this, but the unpegging of government bond prices should help to bring this about, together with more restrictive credit measures, whether voluntary or involuntary.

With the limiting of reserve credit through the unpegging of prices of Treasuries naturally comes the question as to how far the government bond market will have to adjust its position before the purposes of the monetary authorities are accomplished. The extent of the adjustment will depend in no small way upon the results of the recently inaugurated voluntary credit limiting program. It is always more satisfactory to do things in this fashion than to have to resort to involuntary measures. Nevertheless, there will be a lessening of the accessibility of reserve credit, whether it comes about the easy or the hard way. It may be that the unpegging of prices of government obligations will be sufficient to keep those that have made great use of reserve credit in the past, for loans, from using it as freely in the future. Time will answer this one.

The extent to which quotations of government obligations will have to recede, in order to curtail the use of reserve credit, is purely a matter of conjecture, because it is nearly always impossible to pick limits as to where prices will go, whether on the up side or the down side, due to the immeasurable psychological factor. Nonetheless, the recession in quotations so far has been sizable enough to retard to some extent the liquidation of Treasury obligations in order to get funds that have been employed for other purposes. A point or so loss, in long governments, and about the same to lesser ones in the shorts, makes those that would like to put to use reserve credit think more than once now before they take losses in the Treasury issues in order to get funds for other loans.

The point where the sale of Treasury obligations at a loss is beginning to hurt is already at hand, but there may have to be some further adjustment because in our way of doing things we are not satisfied unless we go to extremes. Therefore, while the atmosphere is decidedly on the blue side, it is not so black that it is not possible to find rays of light here and there. Despite some further unsettlement, which is characteristic of such periods, the shrewdest followers of the money markets are still sticking to the opinion that the 98½ to 97½ level will be the bottoming-out area for the longest maturities of the marketable Treasury obligations. This may be taking something for granted because they may never get that low.

Bank Issues Under Pressure

The bank issues, both the taxables and the partially-exempts, have been under moderate pressure from the standpoint of somewhat increased offerings, reluctance of bidders to stick their necks out, and the usual quoting down, which is quite prevalent in an uncertain market like this one. Nevertheless, there has been and still is more than a passing amount of scale buying, which will eventually have a cushioning effect upon the market for these securities. Funds with which to acquire the eligibles have not been too plentiful and those which have been available have been going mainly into the near-term end of the list because of the desire to get into the issues that have the greatest liquidity and the minimum amount of risk. The middle and longer bank obligations, it is believed in some quarters, will have to have some further adjustments unless the whole tone of the market is changed. The uncertain and shaky position of the municipal market is having an effect upon the partially-exempts. However, at the same time the attractive yields, after taxes, that are obtainable in the shorter taxable governments, are likewise detracting purchasers from the more distant partially-exempts.

Switches and swops, which have been in evidence in fairly sizable volume among the restricted issues, seem to have slowed down quite a bit, because most of the attention at present is on the exchange offer. Secretary of the Treasury Snyder announced that more than $11 billion of the June and December 1967/1972s had been turned in (as of last Monday) for the non-marketable 2¾s. The total included $5.365 billion exchanged by Federal and Treasury investment accounts. Subscription books will close at midnight tomorrow. A very successful conversion is now assured.

Arizona Security Dealers Organize


Joseph E. Refsnes



Henry E. Dahlberg Kenneth A. Ellis

PHOENIX, Ariz.—At a meeting held March 31, 1951 at the Kiva Club, in the Westward Ho Hotel, the security dealers of Arizona organized the Arizona Securities Dealers Association. A committee consisting of Chairman William Kidd, Joseph Refsnes, Kenneth Ellis and Henry Dahlberg, presented a set of by-laws to the new club members which were immediately adopted.

The following officers were unanimously elected to serve in 1951:

Joseph E. Refsnes of Refsnes, Ely, Beck & Co., President; William E. Kidd of E. F. Hutton & Co., Vice-President; Kirk C. Dunbar of William R. Staats Co., Secretary and Treasurer; Henry E. Dahlberg of Henry Dahlberg & Co., Tucson; and Kenneth A. Ellis of Ellis & Yarrow were elected directors.

The purpose of the Arizona Securities Dealers Association is to promote the general welfare of the securities business, establish and maintain standards of ethical conduct of the securities business and to further the practical benefits to be derived from personal acquaintance of its members.

The new organization voted to

apply for membership in the National Security Traders Association, which has 28 affiliates throughout the United States and a total membership of over 3,800 men.

The following are charter members of the Arizona Securities Dealers Association:

James Anderson; Fred C. Andlaur; Anthony J. Armbrust; Paul D. Beck, Refsnes, Ely, Beck & Co., Phoenix; John W. Chappell, E. F. Hutton & Co., Tucson; Fred A. Cuthbertson; Henry Dahlberg, Henry Dahlberg & Co., Tucson; Kirk C. Dunbar, William R. Staats Co., Phoenix; Kenneth A. Ellis, Ellis & Yarrow, Phoenix; Sims Ely, Jr., Refsnes, Ely, Beck & Co., Phoenix; Albert Ficks, Jr., Benton M. Lee, Ficks & Tompane, Phoenix; Alvin W. Galloway; Samuel A. Ginsburg.

Harold G. Hanchett, Refsnes, Ely, Beck & Co., Phoenix; John L. Hay, Jr.; Roland J. Hicks, Shields & Co., Tucson; Leonard E. Jones; Henry H. Kaufman; W. E. Kidd, E. F. Hutton & Co., Scottsdale, Ariz.; Benton M. Lee, Benton M. Lee, Ficks & Tompane, Phoenix; Ed Murray, Ed Murray & Co., Phoenix; F. A. Nathan; James M. Ovens, E. F. Hutton & Co., Phoenix; John G. Owen; K. I. Perrine.

Joseph C. Quinn, Merrill Lynch, Pierce, Fenner & Beane, Phoenix; Joseph E. Refsnes, Refsnes, Ely, Beck & Co., Phoenix; J. L. Refsnes, Refsnes, Ely, Beck & Co., Phoenix; F. C. Rogers; J. P. Sena; Randolph E. Soranson; Eugene F. Tompane, Benton F. Lee, Ficks & Tompane, Phoenix; Vick Traux; A. L. Tripp; Peter Ver Cruisse, Marache, Sims & Co., Phoenix; Kirby L. Vidrine, Kirby L. Vidrine Co., Phoenix; Arthur I. Webster; Malcolm C. Woodward; Henry Dahlberg & Co., Tucson; Paul Yarrow, Ellis & Yarrow, Phoenix; Arthur J. Zuber.

One of the first functions of the ASDA will be a cocktail party and dinner in honor of Wallace H. Fulton, Executive Secretary of the National Association of Securities Dealers, and Howard Buhse, Chairman, Board of Governors, National Association of Securities Dealers to be held at Jokake Inn, April 11, 1951.

Estabrook & Co. 100th Anniversary

In observance of the firm's 100th anniversary, the current Investors' Almanac, published by Estabrook & Co., reviews briefly the background of the company and discusses "The Job Ahead for Investment Banking."

The booklet notes that Estabrook & Co. was originally established in Boston on April 1, 1851, by John Brewster and Charles A. Sweet as a partnership under the name of Brewster, Sweet & Co., to conduct a stock exchange and banking business. In 1874, when Arthur F. Estabrook was admitted to the partnership, the firm name was changed to Brewster, Basset & Co., and in 1883, to Brewster, Cobb & Estabrook. Since 1896, it has been Estabrook & Co.

Looking to the future, the Almanac observes that:

"In our judgment, close and friendly relations between business and the public must be further strengthened, if anything like freedom of enterprise is to be preserved in this country. We look to see the time when every corporation will conduct its affairs on the assumption that any major business enterprise is affected with a public interest. We hope to see the day when practically every major corporation will be owned by hundreds of thousands of small stockholders. Public ownership of enterprise, certainly—but ownership by millions of free individuals rather than by one all-powerful state. That, we suggest, will be America's answer to the socialist systems of Europe.

"To promote the mutual interests of business and its customers, and to keep the public correctly informed regarding the facts and opportunities of investment, must be one of the main functions of the investment banking business in the modern world. Successful accomplishment of this task could mean increasing, by five or ten times, the number of individual investors in corporation securities. It is a large order, but by no means an impossible one. We aim to do our share of the job, in the years that lie ahead."

The Almanac also lists all partners of the firm through its hundred years of operation. Present partners include Richard Pigeon, Orrin G. Wood, Archie M. Richards, Philip M. Stearns, Robert J. Lewis, Henry H. Newell, Stedman Buttrick, Jr., G. Norman Scott and Orin T. Leach. Messrs. Richards, Lewis, Scott and Leach are in the company's New York office.

Clarke Appointed By Texas Eastern

Jack Clarke has been appointed Director of Public Relations for Texas Eastern Transmission Corporation, George T. Naff, Executive Vice-President of the company, announced. In this position Mr. Clarke will supervise all public relation activities of the corporation, including financial and stockholder relations, publications and advertising.

Mr. Clarke was formerly assistant to the Chairman of the Board of Lion Oil Co., El Dorado, Arkansas, where he was in charge of public relations. He has been closely associated with the oil and gas industry since January, 1938, when he joined Lion Oil Co.'s Budget-Statistical Department. He became manager of this department in 1941 and later was assistant to the president.

The GOP and U.S. Foreign Policy

By HAROLD E. STASSEN*
President, University of Pennsylvania
Former Governor of Minnesota

Prominent Republican Party leader reviews disagreements and splits in Republican Party over our national foreign policy, but points out the party is solidly united on eleven major issues in opposition to policies and actions of current Democratic Administration. Sees no war with Russia probable in next three years.

May I at the opening of my remarks express concisely my firm conviction that our America and the nations cooperating with us will win a victory for civilization and freedom over Communist imperialism in the world-wide struggle in which we are now engaged. I am optimistic, furthermore, that the odds are that this victory can be won without the devastation and horror of a third world war.

Harold E. Stassen

Before proceeding to discuss the reasons for this conviction and this optimism, may I say, in a lighter vein, that I am aware of the fact that all of the men of Chicago have not always agreed with me on foreign policy. I will not gloss over that disagreement. I believe that you are entitled to hear a frank and forthright discussion of it, and this is what I will do, with complete recognition of the right of those who disagree with me to do so, and with respect for their sincerity in their views.

Disagreements in Republican Party

Speaking straight from the shoulder, there have been four great issues of foreign policy in the past 12 years on which there has been a deep division of opinion within the Republican Party. Some brief background of this is desirable before we proceed to talk over the present policy problems and before I respond to such questions as you may wish to ask from the floor.

The first of these major disagreements came in 1940 and 1941.

Some of our Republican leaders then felt that Hitler was not a menace to the United States, that he was all-powerful and invincible in Europe, that England would capitulate under his pressure, that the United States should remain neutral, should not rearm, and should bargain with Hitler when he had finished his European conquests.

Others of us in the Republican Party disagreed. We considered that Hitler's ideology of Nazi domination of slave races, his ruthless liquidation of civilian peoples who opposed him, and his delusions of grandeur, were a real threat to the United States. We believed that if he carried out his goal of domination of all of Europe, England, Africa and Arabia, the result would be desperately dangerous to America. We considered him to be powerful, but not invincible. We did not believe England would surrender and we believed that we could and should defeat Hitler. Thus we supported rearmament, lend-lease, and the repeal of neutrality. We considered that the best hope for the future freedom of our children rested then, as now, in the two great nations, Britain and America, standing stalwart together.

The second major difference arose in the same period. Some Republican leaders believed that the Japanese had no designs antagonistic to the United States, that they should be permitted to take over Asia, that they would never attack the United States, that if they did we would defeat them in six weeks.

Others of us disagreed. We considered that the Japanese militarists' domination of all Asia, including the tin and rubber and other resources of the Southeast, would be a menace to the United States, that their intricate spying on the American Navy meant that they intended some day to fight it, that they were tenacious fighters, that they were a grave concern to us.

Thus we urged and supported a two ocean navy, we backed aid to China against the Japanese invaders, we pleaded for alertness in the Pacific, we supported Dr. Walter Judd in his eloquent appeals.

The third difference arose in 1947.

Some of our Republican leaders of Republican advice and Republican recommendations on these critical points is the major reason for the very bad postwar record in American foreign policy and for the world peril to our country today.

The Current Policy Problem

Now let us take up the current policy problem.

There are those among the Republican leaders who believe that Western Europe will not fight for its own defense, that it cannot be successfully defended on the ground, that France cannot be depended upon at all, that a world war with Russia is practically inevitable, that American troops in Western Europe will be massacred when that war comes, that America will be bankrupted if it maintains sizable troops in Europe, that America can and should withdraw to a Gibraltar or fortress of this hemisphere with outposts on the two oceans.

I respect the viewpoint and the men who present it. But I cannot follow it.

I believe that if this policy was followed it would be interpreted throughout the world as a timid and cowardly retreat by America in the face of Communism, it would demoralize free people everywhere, it would be an abdication of the leadership of America which has been won by superb production, great accomplishment, brave fighting, and much sacrifice.

As a result the odds would be that the Communists would take over nation after nation in the next five years without firing a shot. Before many years they would control the Ruhr and all of Europe, the Near East oil and the Far East rubber and tin, the Congo uranium and the African gold, and they would dominate and enslave two-thirds of the people on the face of the earth.

Gibraltar-America would then be put to its test. It might yet survive. And there would be no doubt about where American boys were fighting and dying. It would be in their own backyards, along with millions of their families and their neighbors.

I submit that this desperate and defeatist policy is based on an over-estimate of present Communist strength, on an under-estimate of American and other free nation strength, and on a frightened approach to the combined misappraisal.

Careful study convinces me that if the Soviet Union starts a war tomorrow or at any time in the next three years Russia will be destroyed at home by American air and atomic strength and will face a counter-revolution of many millions of the people now imprisoned in her empire.

The Kremlin leaders know this, and therefore I place the long odds on no world war in the next three years.

The real danger arises from the Soviet concentrated endeavor to protect itself against this air attack and against this resistance at home. Strenuous efforts are being made in Russia to perfect a jet interceptor missile which will automatically fly to and destroy a bomber just as a nail is attracted to a magnet. There is considerable possibility scientifically that this can be done, and if it is perfected and installed on a large scale, successful strategic bombing from airplanes may become a thing of the past.

The Soviet is also busy putting key war industries under the mountains in the Urals to protect against air attack. The Communist Kremlin is increasing its ruthless effort to wipe out resistance groups throughout its vast regions.

Before these efforts are far along, it is vital that the free nations should build their armed strength on the ground around the outside of the Communist borders so that if an attack comes it can be thrown back while the people inside Russia get a chance to revolt.

I believe the free nations of the world can and should be able to place in the field throughout the world 190 excellent well armed divisions within three years. America can and should furnish approximately one-eighth of this manpower and supply about one-fourth of the modern arms for these forces of the free nations. Eighty of these divisions should be under General Eisenhower's program in Western Europe of which approximately 16 should be German, 16 French, 10 American, 10 Spanish, 8 British, 8 Yugoslavian, and 12 of Scandinavia, Canada, Belgium, and Holland combined.

Forty divisions should be in the Near East-Mediterranean-South Asia area of which not more than two should be American and these two should be at the strategic air bases.

Sixty divisions should be in the Western Pacific, of which 15 should be Japanese, 15 Formosa Chinese, 5 Philippine, 4 French, 4 British, 4 Indonesian, 4 Australian, 1 New Zealand, 1 Canadian, 4 American and 3 South Korean.

Ten divisions in South America, none of which should be of the United States. These divisions should stabilize and secure the southern half of this hemisphere.

Total American divisions should be approximately 24 of which 8 would be on duty at home and the balance of 16 divisions would be at these outposts of danger for our own American security.

Behind these 190 divisions in being, and not too far behind, an equal force in inactive reserve should be established. With modern weapons we can then have confidence notwithstanding the reports of 250 divisions in the Soviet Empire.

I am convinced that the manpower, the production, and the courage is in America and in the free nations of the world to accomplish this result.

With it America should give top priority to its air and atomic strength, keeping out front in air research and in air design.

With it also America and Britain should maintain a strong navy to keep control on, over, and under the sea.

Of equal importance, an extensive program to assist and encourage the millions within the Soviet empire who want more freedom and independence should be carried on with ingenuity and determination. This counter-revolution force inside the Red Empire, with its worthy desire to establish freedom and independence for the Ukraine, Latvia, Lithuania, Estonia, a Moslem Turkestan, Armenia, and the Balkan countries, is a powerful deterrent to the Communist Kremlin and a worthy ally of the free nations.

Through it all we must and can keep our economy sound at home by firm steps against inflation, by cutting down sharply on non-defense spending, and by expanding our production through the greatest economic system in history, our American free system.

If these things are done and we resolve not to be fooled nor frightened by the Communists, I am optimistic that we can come through the dangerous decade ahead without a world war and that the Communist centers will begin to deteriorate and fall, or change and evolve in the direction of freedom.

Thus I do support firmly and outspokenly, the American program in Western Europe now being conducted by the able, patriotic, experienced leader, General Dwight D. Eisenhower.

Thus I reemphasize that the long-range objective of American foreign policy should be to win a victory, for civilization and freedom, over Communist imperialism, without a world war.

This "victory without war" should be our high goal. With faith in God, with courage and confidence, we can, we must, we will win through!

believed that America had done all that it should for other nations, that the Western European countries would waste anything sent to them, that they were hopelessly on the way to complete Socialism or Communism, that further economic aid was assinine.

Others of us disagreed. Long before the Marshall Plan was proposed, we urged that this nation in its position of riches and plenty could not ignore the suffering and misery left in the wake of war in the nations which were the ancestral homes of our own people, that the bitterness abroad and the moral guilt at home from such a narrow, selfish policy would be terrific, that we could and should organize an extensive economic aid program, that it should be administered by a competent business executive not under the State Department, that the drift to Socialism and Communism in Western Europe could be halted.

Thus we supported the Marshall Plan, backed Paul Hoffman, tried to get conditions against further socialization included in the grants, and took the lead against the socialization of the Ruhr.

The fourth difference occurred in late 1947 and early 1948.

Some Republican leaders believed that the Russian Communist threat was being exaggerated, that they were a weak nation, that their Communist parties were very minor, that the Russians had no mechanical ability.

Others of us disagreed. We felt that the world Communist parties were an ominous hazard, that with the East German and Balkan production added to their own the Soviet Union would build sizable armed forces, that the Communist Kremlin's intentions were definitely dangerous to us.

Thus we urged legal action against the Communist parties in all free countries, including our own, as being subversive agents of a foreign power, we pleaded for a ban on all shipments of war materials, atomic devices, electronic apparatus and machine tools to the Soviet Union and its satellites, we called for the prompt building of a larger American Air Force and for an extensive military training program.

Republicans United on 11 Issues

On the other hand there were 11 major issues on which our Republican Party was solidly united and on which we vigorously opposed the policies and actions of the Democratic administration.

(1) We abhorred the State Department's undermining of General MacArthur after the war, their ignoring of his advice, their weakening of his leadership in Asia.

(2) We opposed the administration's coddling of Chinese Communists, their appraisal of Mao Tse-tung as an agrarian reformer, their holding back on aid to Chiang Kai-shek when World War II ended.

(3) We were against the partitioning of Europe under the Potsdam Agreement and fought against the Morgenthau Plan for making Germany a pasture vacuum open to the Communists.

(4) We tried to remove the absolute veto from the United Nations, which was placed there as a result of the Yalta Conference. Failing that we won the inclusion of Article 109 so that the Charter could in the future be rewritten, and Article 51 so that the peace-desiring nations could work together in self defense despite a veto.

(5) We pleaded for a strengthening of the weak and wobbly "Voice of America." We insisted that it should be a real champion for freedom, on an enlarged basis, separate from the State Department.

(6) We attacked the infiltration of Communists and their fellow travelers in key positions in the Federal government. We exposed Alger Hiss and William Remington and by investigation drove many others out of the government.

(7) We insisted that Formosa should not be abandoned, that it was a vital wedge in America's exterior line of defense between Japan and the Philippines.

(8) We exposed the evil instructions to the American 7th Fleet which have helped the Chinese Communists by preventing the Formosa Chinese from supplying guerrillas on the mainland, from blockading the Communist coast, and from harassing the Communist armies.

(9) We demanded that shipments of war materials to the Chinese Communists should be stopped and revealed the amazing transhipments of copper and petroleum to Communist China.

(10) We contended that socialization must stop if defenses were to be made effective and the economy at home was to be strong.

(11) We urged that moral leadership in the world should begin with a clean-up of corruption in government at home and that honor and integrity should be required in public positions in America.

In all of these matters our Republican Party has been virtually united. The Democratic disregard

*An address by Mr. Stassen before the Executives Club of Chicago, Chicago, Ill., March 30, 1951.

Mesirow & Co. to Be Formed in Chicago

CHICAGO, Ill.—Mesirow & Co. will be formed as of April 6 to engage in the securities business from offices at 135 South La Salle Street. Partners in the new firm will be Norman Mesirow, member of the New York Stock Exchange, and Albert Cahn, general partners, and Abraham J. Freiler, limited partner. Mr. Mesirow has been active as an individual dealer in Chicago.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The most important news last week in the field of bank stock investments was the announcement of the National City Bank of New York setting forth its intention to raise capital funds of the Bank by $40 million through the sale of 1,000,000 shares of capital stock.

Stockholders are to be asked to approve the proposal at a special meeting to be held May 2, 1951 for this purpose. If this action is approved, shareholders will be offered additional stock at $40 a share in the ratio of one new share for each 6.2 shares held. Any unsubscribed shares would be sold to the First Boston Corporation as principal underwriter.

When this sale is accomplished the number of outstanding $20 par shares will be increased to 7,200,000 from the 6,200,000 at present. $20,000,000 of the proceeds will be allocated to capital and a similar amount to surplus. Capital would thus be increased from $124,000,000 to $144,000,000 and surplus from $136,000,000 to $156,000,000. Total capital funds of National City including the $59,000,000 of undivided profits shown at the end of March would be in excess of $359,000,000. These totals exclude the capital funds of the City Bank Farmers Trust Co. which amounts to approximately $30,707,000.

According to present plans, shareholders upon approving the program will be mailed subscription rights about May 14th to holders of record May 8th. Rights would expire on or about June 4th. The present price of the stock indicates a value for the rights of something over $1.00 a share.

While the 16.1% increase in the number of shares will result in some dilution of the per share income, the statement issued by National City indicates the bank expects earnings will be sufficient to continue payment of the present $2.00 annual dividend on the increased number of shares.

In this same connection the quarterly statement of National City for the period ended March 31st shows a favorable earnings record.

Net current operating earnings of the banks including those of its affiliate, City Bank Farmers Trust, were $5,731,258 against $5,029,166 in the first quarter of 1950. Per share results amounted to 92 cents in 1951 compared with 81 cents in the previous year. Profits on securities for the quarter amounted to $188,499, equal to 3 cents a share as against $739,837 or 12 cents a share in 1950. Total per share earnings were thus equal to 95 cents as compared with 93 cents for the same period of 1950.

Other New York City banks which have shown favorable earnings for the first quarter of the year include Manufacturers Trust, Irving Trust, Chemical Bank & Trust, and Public National Bank & Trust.

Manufacturers Trust reported net earnings for the period equal to $1.18 a share compared with $1.12 a share in the first quarter of 1950. Figures for both periods have been computed on the basis of 2,519,500 shares of capital stock now outstanding.

The Irving Trust also showed an increase in earnings per share, reporting net operating income equal to 37 cents in 1951 as compared with 35 cents a year before. Chemical Bank showed net operating earnings for the first quarter equal to 81 cents a share compared with 72 cents in 1951 on a slightly fewer number of shares outstanding.

The Public National reported net earnings for the quarter ended March 31st amounting to $1.13 a share as compared with $1.06 for the same period of 1950.

The statements of other New York City banks which have not yet published their operating earnings, indicate good results for the period. Considering the fact that operating expenses have been increasing and the banks along with other corporations have been faced with higher taxes, the showing made in the first quarter is viewed as favorable.

Although there are a number of uncertainties in the current outlook, including the prospect of higher taxes, the present indications are that the New York City banks will be able to maintain earnings at least equal to those of last year. Of primary importance in this matter is that the banks have a larger percentage of their assets invested in loans. These loans yield a considerably higher return than government securities and although there has been some increase in reserve requirements, higher deposits combined with a hardening of interest rates and a greater volume of loans should enable the banks to continue to show a good level of earnings.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert B. Cunningham has joined the staff of First California Company, 647 South Spring Street. He was previously with Shearson, Hammill & Co. and Marache, Sims & Co.

Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—James R. Boyer has become connected with Thomson & McKinnon, 406 Franklin Street.

Joins Staats Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William S. Patterson has become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

Peter L. Murphy

Peter L. Murphy, an officer of Aerial Products, Inc. and formerly associated with Paine, Webber, Jackson & Curtis, passed away at the age of 61.

Augustin H. Parker

Augustin H. Parker passed away at his home at the age of 75 after a long illness. Prior to his retirement in 1935 he had been a partner in F. L. Dabney & Co. of Boston.

Joins Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert R. Peace has been added to the staff of Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

The monetary authorities in both Canada and the United States have resorted to ill-timed manipulation of interest rates in a desperate attempt to arrest the apparent menace of inflation. Little effort was made immediately following the outbreak of the Korean war to curb the ensuing scramble for what the public was led to believe to be a declining volume of available goods and materials. In fact, the emphasis placed by both the Bank of Canada and the Federal Reserve Board on the necessity to raise interest rates forced the liquidation of securities to the central banks, and thus increased inflationary pressures. In this way the government bond markets indeed became "engines of inflation." But this need not have occurred had not the monetary authorities in both countries deliberately undermined market confidence. This was achieved partly by lowering the official support levels but mainly by the prosecution of an intensive propaganda campaign in favor of higher interest rates.

It is remarkable in view of past experience of the stultifying influence of high interest rates that the advocacy by the Federal Reserve Board and the Bank of Canada of a hard money policy has met with such widespread approval. There is apparently a deep-rooted feeling that possibly from a moral point of view an easy money policy is necessarily an economic evil. The fact remains that in both the United States and Canada the periods of greatest economic progress and highest living standards have occurred at times when easy money policies have engendered confidence in stable bond markets and a consequent willingness to take the market risks inherent in the financing of the needs of an expanding economy. It is only necessary to look back to the war years when, as a result of U. S. Treasury policy, not only were the tremendous war expenditures of this country and its Allies financed in a smooth and efficient fashion, but at the same time the productive capacity of the country was markedly stimulated. A similar policy was followed by Canada with equally beneficial economic results.

Now it would appear that the Federal Reserve Board and the Bank of Canada are willing to take the risk of abruptly applying the brakes to check the impetus of the hitherto smoothly running economic machines. The wisdom of the potentially powerful check on expanding economies caused by unnecessary manipulation of interest rates is all the more debatable in view of its inopportune application. Nothing is more desired by the opponents of Western freedom than the disruption of the North American capitalistic system. By the inducing of vast rearmament programs which can only be financed on the basis of an ample volume of credit availability, it is hoped that an inflationary boom will be succeeded by an economic break. The obvious counter to this tactic is to control but not destroy the boom and thus avoid at all costs the anticipated depression.

Notwithstanding the current revulsion of sentiment in favor of purportedly sound finance, it must be borne in mind that the enviable high living standard of this country and its remarkable powers of both production and consumption have been created solely on the basis of easy credit conditions. It would thus appear that as far as this country and Canada are concerned, controlled easy money can stimulate the economy without giving rise to disastrous after effects.

Undue emphasis is now placed on the deteriorating influence of an easy money policy on the value of the dollar. This might be true in the cases of the static and in some instances declining economies of Europe, which are now cited as appropriate examples, but conditions in North America are by no means comparable. The productive potentials of both Canada and this country are still so enormous that inflationary pressures can be readily offset. Throughout history the purchasing power of all currencies has steadily declined, especially during periods of prosperity. Whenever this process is reversed it is invariably during a period of depression. Recent fears concerning the standing of the dollar have been accentuated largely as a result of the current inflationary propaganda and the failure of the monetary authorities to take timely appropriate action to check the reckless growth of consumer credit and the building up of excessive inventories. Furthermore, in the absense of an effective gold standard the recent undermining of confidence in the standing of government bonds only contributes to the doubts concerning the value of the dollar in its various paper forms.

It is difficult on the other hand to perceive what constructive results have been achieved by the recent abrupt reversal of monetary policy here and in Canada. It is all the more difficult to understand why greater support has not been given to U. S. Treasury views which are based on the appreciation of the undeniable facts that the expanding economy of this country was built on the basis of easy credit facilities and confidence in their continuance, and that loss of confidence in the sustained strength of the government bond market jeopardizes the successful financing of the national debt and provokes its monetization.

During the week business in the external section of the bond market was at a virtual standstill. The internals on the other hand were quite active and there was evidence of liquidation of positions taken last fall in anticipation of dollar revaluation. This liquidation created a moderate pressure on the Canadian dollar which again declined to nearly 5% discount but the offerings appeared to be well absorbed. Stocks failed to establish any definite trend and the most notable feature was the continued strength of Western oils.

Bond Club Field Day To Be Held June 8

Plans for the 27th annual Field Day of the Bond Club of New York have been announced by Clarence W. Bartow of Drexel & Co., President of the Club. The outing will take place this year on Friday, June 8, at the Sleepy Hollow Country Club, Scarborough, N. Y. P. Scott Russell of Glore, Forgan & Co., has been named Field Day Chairman. He will be assisted by four general chairmen—Edward D. McGrew, of the Northern Trust Company of Chicago; William M. Rex, Clark, Dodge & Co.; Edward Glassmeyer, Jr., Blyth & Co., Inc.; and Charles L. Bergmann, R. W. Pressprich & Co.


P. Scott Russell

Fourteen committees have been appointed to direct the various sports and entertainment activities at the outing. These committees, and their respective chairmen, are: Attendance & Transportation—W. Scott Cluett, Harriman Ripley & Co., Inc.; Baseball—C. Russell Lea, Reynolds & Co.; Bawl Street Journal—William B. Chappell, First Boston Corp., Chairman, John A. Straley, Hugh W. Long and Company, Inc., Editor; Bawl Street Journal Circulation—Robert G. Johnson, Johnson & Bailey; Dinner & Beverages — Ernest J. Altgelt, Harris Trust & Savings Bank; Entertainment, Music and Side Show—George R. Waldmann, Mercantile - Commerce Bank & Trust Co.; Golf—Gustave A. Alexisson, Granbery, Marache & Co.; Horse Race—Jansen Noyes, Jr., Hemphill, Noyes, Graham, Parsons & Co.; Horseshoes — Arthur D. Lane, Chase National Bank; Indoor Sports—Robert W. Fisher, Blyth & Co., Inc.; Publicity—William H. Long, Jr., Doremus & Co.; Tennis—G. H. Walker, Jr., G. H. Walker & Co.; Trophy—Earl K. Bassett, W. E. Hutton & Company.

George Murdock Heads Dept. for Savard Co.

MONTREAL, Que., Canada—Savard, Hodgson & Co., Inc., have announced that George E. Murdoch, member of the Montreal Bond Traders' Association, is now in charge of their trading department, replacing Arthur H. Webb who has resigned from their firm.

Sees Mobilization Endangering Small Business

James M. Mead, Federal Trade Commission Chairman, says program is placing strain on free enterprise system and is increasing threat of monopolistic controls and unfair trade methods. Advocates aids to small business.

Maximum utilization of small business will not only contribute to the immediate needs of the defense mobilization program but will also protect our free enterprise economy by preventing acceleration of the trend toward concentration of economic power, Chairman James M. Mead of the Federal Trade Commission told a group of Syracuse (N. Y.) businessmen on March 26.


James M. Mead

In an address before a luncheon-meeting of the Advertising and Sales Club of Syracuse, former Senator Mead declared that the mobilization program "is placing a strain upon our free enterprise system and increasing the threat of private monopolistic controls and unfair trade methods." Intensive vigilance is needed, he said, to prevent "the accelerated growth of the concentration of economic power experienced in World Wars I and II" and to assure small business "opportunity to survive and offer real competition." He added:

"The small companies are a part of our national capacity. Their output is a part of our national strength. An equal opportunity for them to produce is essential if we are to use all our muscle.

"Thus there is harmony rather than conflict between the immediate needs of industrial mobilization and the longer run needs of a free enterprise economy. Competitive private enterprise is . . . one of the fundamental expressions of our freedom and one of the fundamental supports as well.

"To keep private competitive enterprise we must preserve small business along with large business. We must avoid a long run trend toward even greater concentration of economic power, or we shall jeopardize the survival of our competitive enterprise system. . . .

"Harnessed together for the duration, small and large enterprise will make an unbeatable team. If this is done, we shall emerge from this gigantic undertaking without injury to our free enterprise system."

The FTC Chairman pointed out that in industrial mobilization for military purposes there is a strong tendency to rely upon big companies more than upon small companies. "The strains and stresses of this mobilization period, if uncontrolled," he said, "reinforce this tendency by increasing the size and power of large enterprises and by subjecting small enterprises to special risks and difficulties."

After reviewing the factors that lead to these results, and showing how a large proportion of the country's total productive capacity is thus prevented from contributing to the country's economic strength, Commissioner Mead told his audience that "we can mobilize the maximum resources of small business if we want to do it and if we take the necessary steps soon enough." Some of these steps he listed as:

"Making and bringing up to date periodically a study of the nation's idle productive capacity and idle manpower, with special reference to small business and small communities, and then shifting orders from over-used to underused facilities and from localities where labor is short to localities where it is more plentiful.

"Setting up special machinery for placing government contracts directly with small enterprises and for assuring, as far as possible, that subcontracts placed by large concerns go to small enterprises.

"Encouraging expansion of small enterprises by making available to them loans and tax amortization privileges.

"Making research grants to small companies with appropriate research facilities, and requiring that technology which has strategic value and which has been financed by government be made available on reasonable terms without undue restrictions to concerns that will use it for mobilization purposes."

The FTC Chairman said that the Commission, in addition to handling special projects for the defense mobilization agencies, must continue to deal with such problems as "restraint of trade and other monopolistic conditions stemming from industrial combinations, and the use of deceptive practices and unfair methods of competition."

"Because their harmful effects upon our economy are more deeply felt in times of emergency than in normal competitive periods, the Commission's task is more urgent," he said. He noted that the FTC staff has been directed to be on the watch for "opportunists in the business world who may seek to exploit consumers and the government during the national defense emergency."

In the contest between free competitive enterprise and regimented totalitarianism, Mr. Mead said, "we must not only harness to the task our productive capacity to its fullest potential, but we must also see to it that private business, which serves us all, is not pushed, or allowed to drift, into the clutches of private monopoly.

"Trade must be carried on under principles of scrupulous practices, to the exclusion of methods which injure competition by deceiving or exploiting the consumer or undermining the confidence of the people in the integrity of business."

Paying tribute to the role played by advertising in both peace and war, Mr. Mead pointed to the opportunities for service offered by present conditions. But he warned that FTC will continue to be alert to prevent "that type of presentation which would deceive or mislead, or which would seek to take undue advantage of the people under the stress of emergency."

Advertising in the emergency, he said, needs to be "scrupulously fair." He added:

"If, for example, substitute materials have had to be introduced in well-known products, it becomes highly important for the advertiser to exercise care in seeing to it that the buying public have reasonable opportunity to avoid misunderstanding.

"Moreover, we all need to be especially alert to the business opportunists who pervert and soil the good name of advertising by dishonest copy or unconscionable short cuts."

Boe With H. Hentz

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William A. Boe has become associated with H. Hentz & Co., 120 South La Salle Street. He was formerly cashier of Apgar, Daniels & Co.

Britain's Raw Material Crisis

By PAUL EINZIG

Dr. Einzig calls attention to growing shortage of certain raw materials in Britain and points out, despite improved coal situation, serious large-scale unemployment is threatened unless some supplies can be obtained from United States. Says unemployment in Britain could cause dangerous discontent and may handicap ability to resist Communist infiltration. Urges U. S. authorities to revise attitude toward stockpiling.

LONDON, Eng.—Britain's raw material situation is viewed in London with growing concern. Until recently the danger of a crisis through lack of essential materials was merely a matter of statistics. The figures indicating the decline of stocks were viewed with uneasiness, but in most lines industry had enough materials to carry on. In recent weeks, however, various industries have begun to find themselves short of the required materials, or at any rate acute shortages came to appear imminent. The sulphur position in particular has become very perturbing. Until a month or two ago hardly anybody outside the industries directly concerned realized that sulphur or sulphuric acid plays a vital part in a wide variety of industries. Today, the British public is essentially sulphur-conscious. Any reference to sulphur is displayed prominently in the press. It has become a matter of general knowledge that, should Britain exhaust her stocks of sulphur and sulphuric acid, a large number of industries would have to come to a standstill, no matter how well supplied they may be in all other essential materials.

Dr. Paul Einzig

There are other potential bottlenecks. The position regarding materials the existence of which was ignored until recently by all but a handful of experts is now discussed in the press, in Parliament, in clubs. Although Britain has succeeded in averting a fuel crisis, the comfort derived from the improvement in the coal position is dimmed by fears that a situation might arise in the near future in which industry will be unable to make use of its coal allocation for lack of some key raw material.

Indeed, the development of large-scale unemployment is freely envisaged. Until recently it was assumed by most people that full employment has come to stay forever. Anybody who ventured to express doubts on this point was denounced as a defeatist. Today, members of Parliament representing industrial constituencies are reminded every day that, unless action is taken, there is bound to be large-scale unemployment in their constituencies in the near future. Ministers with inside knowledge of the overall supply position, and with a responsibility for ensuring an uninterrupted flow of essential materials can offer very little comfort to them.

The only ray of hope to be able to avert large-scale unemployment lies in the prospects of obtaining some supplies from the United States. It is true, the government has laid its long-range plans of achieving economy in the use of materials which are at present in short supply. Industrial research departments are working overtime to devise new methods for producing such materials or for inventing acceptable substitutes. All this is bound to take time, however, and long before these efforts can be expected to bear fruit many factories may have to stop work for lack of some material, unless relief allocations are received from the United States.

To most people the realization that even now, nearly six years after the termination of the war in Europe, Britain remains dependent on American support has caused bitter disappointment. The improvement of the gold position in 1950 and the termination of Marshall Aid gave rise to general satisfaction, since it was believed that at last Britain is able once more to stand on her own feet economically. Now it appears that unless the United States decides to come to the rescue Britain will have to face a crisis of first-rate gravity. The only difference is that this time it is not dollars that are wanted, but goods unobtainable in sufficient quantities outside the United States.

What is worse, it is realized that the United States are more reluctant to part with key materials than with dollars, because current supplies are barely sufficient to meet American domestic requirements. The only possible way of averting the crisis would be if the United States were to abstain from further stockpiling of the scarce materials and if they were to release some of their strategic reserves of such materials.

As far as it is possible to ascertain here, British negotiators engaged in urging the Washington Administration to adopt this course are encountered by American demand for a reduction of the price of goods the current supply of which is controlled largely by the British Commonwealth. The British answer to this demand is that the only way in which producers of rubber, tin, wool, etc., could be persuaded to accept less than the price justified on the basis of the relation between supply and demand would be by offering them long-term contracts. Producers realize that the present high prices will not last, and would be prepared to accept lower prices in return for guaranteed markets for a long period.

The American complaints about excessive prices of imported raw materials are countered also by the answer that cotton and other American products have for years been much higher compared with prewar prices than rubber or tin. Finally, it is argued that, were it not for excessive American stockpiling purchases, prices would not be nearly as high.

While the argument is proceeding the British stocks of essential materials are running down. The possibility of having to curtail civilian production in order to ensure the execution of the rearmament program is now freely envisaged. This would mean not only unemployment but also acute shortages of consumer goods and a sharp rise in the prices of such goods. Together with unemployment, it would cause widespread discontent, and it would swell the ranks of the British Communist party. Industrial unrest would considerably weaken Britain's ability of resisting Communist aggression or infiltration.

It might be well worth while, therefore, for the American authorities to reconsider their attitude towards stockpiling. The additional military strength represented by the increased stockpiles would be much more than offset by the weakening of the strongest ally of the United States.

Walston, Hoffman Adds

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, announce that Charles W. Costello and Thomas J. McGann have become associated with the firm as registered representatives, the former at the firm's principal office at 35 Wall Street and the latter at its office at 1370 Broadway.

William N. Bannard Joins American Securities

American Securities Corp., 25 Broad Street, New York City, underwriters and distributors of investment securities, announces that William N. Bannard has become associated with the firm's sales department.

Phila. Secs. Ass'n To Hear W. F. Hahn

PHILADELPHIA, Pa. — Walter F. Hahn, Railroad Security Analyst for Smith, Barney & Co., will be guest speaker at the Philadelphia Securities Association luncheon to be held Thursday, April 12, 1951.

Join Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — George D. Dufresne and Robert F. Swinney have become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Securities Salesman's Corner

By JOHN DUTTON

Collin, Norton & Co. of Toledo, members of the New York Stock Exchange, had an exhibit at the "Toledo Blade" Home and Travel Show, held during the week of March 10 to 18, which might be used by other brokers and dealers to good advantage when such an opportunity arises in their community. (Pictures of the exhibit appear on this page.—Editor.)

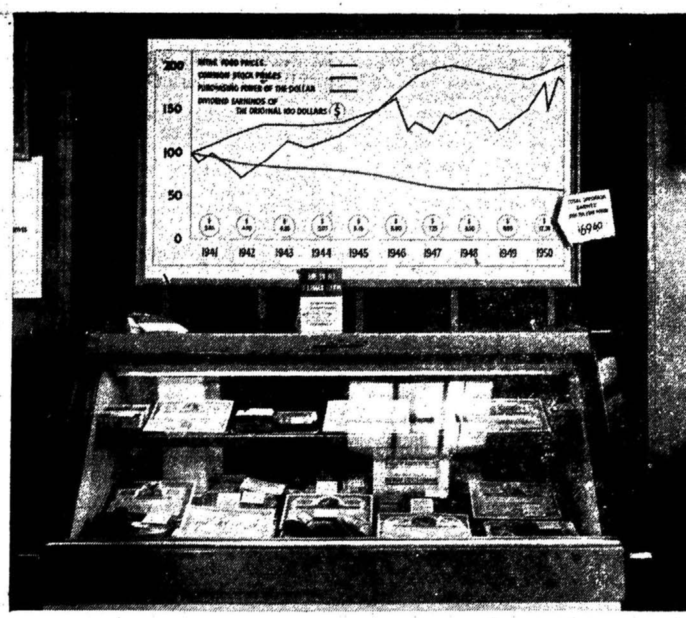
In an attractive booth, headed by the caption, "Securities For Sale—The Public Is Welcome," was placed a butcher's display case. In this case the prices of meats and other foods were given for the years 1941 and currently, and beside the foods a stock certificate of a leading company was displayed with 1941 prices and today's market values also indicated.

A special folder was used for this occasion which carried the title "How To Buy A Larger Income"—through ownership of investment securities. This continued the theme that sound investment not only produces more income that can be used to provide better living; but also if you "had $100 in 1941 and did not invest it, you would have purchasing power of only $59 in 1951. On the other hand, if you invested that original $100 in a common stock and the stock followed the average increase in value, you would have $175 in value plus the total of the yearly dividends paid you." A chart showing the trend of retail food prices, common stock prices, purchasing power of the dollar, and dividend earnings of the original $100, for the years 1941 through 1950 was included in the pamphlet, as well as in the display.

The pamphlet is one of the most easily read I have ever seen. It does not talk in terms of statistics and professional lingo. It tells people that the firm of Collin, Norton & Co. is an old reliable one, founded in 1920, willing to help plan an investment program, and that everyone is welcome there. The idea stressed is that uninvested dollars have depreciated and that if you want to put idle money to work there is a place where it can be done without fuss, bother, or a heavy expense.

On the back page of the folder is the caption, "Ladies are always welcome at Collin, Norton & Co." And it goes on, "Buying securities is as simple as doing you market shopping. No special skill or knowledge is needed to own dividend producing securities. There is no mystery about the price of stocks. They are priced each day just the same as your butcher prices his meat, based upon the same law of supply and demand."

"Securities For Sale—The Public Is Welcome." Isn't this the right approach? Why should there be any mystery about securities when all you have to do is to eliminate technicalities and tell people your story in a straight, simple manner. If it takes a butcher's case to do it, then all to the good. This is something not only the wives understand but their husbands too.



Public Utility Securities

By OWEN ELY

South Carolina Electric & Gas Company

South Carolina Electric & Gas was a subsidiary of General Public Utilities until it became an independent company in 1946. It serves electricity to a population of three-quarters of a million in 23 counties of South Carolina—about half the area of the state. In addition to the electric service the company has bus and gas business, each of the latter amounting to about 9% of total revenues. In 1948 the company purchased from Commonwealth & Southern for $10,200,000 cash all the common stock of South Carolina Power Company and the two companies were merged about a year ago, greatly increasing the size of the system. The two largest cities in this area are Charleston and Columbia which, with their suburbs, have estimated populations of 155,000 and 115,000, respectively; 290 other cities and communities are served.

The more important industries in the territory served by the company are cotton manufacturing, cottonseed oil production, stone quarrying, ice manufacturing, flour milling, lumber milling, clay and concrete pipe manufacturing, fertilizer manufacturing, clay and sand mining, metal alloy manufacturing, tobacco processing, wood preserving, clay and concrete brick manufacturing and shipbuilding.

Earnings and dividends on the common stock have been as follows in the past decade:

Years	Share Earnings	Dividends Paid	Years	Share Earnings	Dividends Paid
1950	$0.70	$0.60	1945	$0.21	---
1949	1.36	0.45	1944	0.61	$0.67
1948	1.33	0.50	1943	0.93	0.28
1947	0.74	0.50	1942	0.87	---
1946	0.80	0.25	1941	0.85	---

The sharp fluctuations in earnings are due to the fact that the company is largely hydro-electric, and greatly dependent on rainfall in the area. Hydro capacity is 178,000 kw. and steam (at the end of 1950) was 136,000 kw. Moreover, only 45,000 of steam capacity (including 22,500 installed last year) was modern and low-cost. A third difficulty has been that the company sells power at wholesale to other utilities under contract. These factors have resulted in erratic costs for producing power, with resulting effects on electric net income.

This situation is being gradually improved, however. The second unit in plant Hagood went in last May and a 50,000 kw. unit at that plant is scheduled for completion in September this year. The company is beginning construction on a 75,000 kw. steam unit in the Columbia-Aiken area to be in service late in 1952. Eventually the company may get its costs under control and establish a more normal earning power for the common stock.

Last year's earnings reflected low water conditions which probably carried through into early 1951. Inflow into the reservoir of the Saluda hydro plant (which has about 85% of system hydro capacity) was 30% below normal. This made it necessary to use old steam units with very high production costs of 1.1 cent per kwh. (twice as much as at modern stations). Unfortunately, even if normal water conditions prevail in 1951 some part of the water will have to be used to rebuild storage at Saluda. However, better than normal water would improve the earnings picture considerably.

Another earnings obstacle in 1950 was the redemption of the 5½% preferred stock, forcing conversion into common stock.

The company is benefiting, of course, by continued rapid growth of industry in the Carolinas. Also the Atomic Energy Commission has publicly announced the proposed construction of a Hydrogen Plant in that area. While it is uncertain whether the company will supply any power for this project, nevertheless it should prove a stimulus to the state economy.

Last year the company earned operating income of only $3,622,000 against an estimated rate base (net plant account including intangibles, plus allowance for working capital) of about $95 million—an indicated return of less than 4%. This would seem to suggest that the company is entitled to rate relief, particularly on its industrial electric sales, on which it averaged less than 1 cent revenue per kwh. in 1949—less than the operating cost of some power. Earnings on gas and transit business were not very lucrative in 1950. A rough estimate seems to indicate that the gas business earned only about 2% while bus operations resulted in a fair size deficit.

Continued from page 2

The Security I Like Best

WILLIAM G. KAHLERT

Partner, Jamieson & Company, St. Paul, Minn.

Northern Pacific

If you will get a quotation on Chicago, Burlington & Quincy common stock, you will find that it is 115 bid and offered at 119 (as of 3/26/51). As of the same date Northern Pacific common is selling at $33 per share. Northern Pacific owns slightly more than one-third share of Burlington common for each share of Northern Pacific (830,179 shares of Burlington against 2,479,826 shares of Northern Pacific). At 115 bid that one-third share of Burlington is worth at least $38 but you can get it, plus 6,899 miles of Northern Pacific Railway and 2,250,000 acres of land all for $33 by buying Northern Pacific stock. I am unable to find another stock on the whole New York Stock Exchange where obvious values are selling as cheaply as in Northern Pacific common.

William G. Kahlert

During the depression Northern Pacific was able to pay the interest on the bonds issued to buy Burlington stock, although the Burlington paid little or no dividends on the stock in some of those years.

On its land are worthwhile deposits of coal, iron ore and good stands of timber. Some petroleum and natural gas are being produced on its land. Some large areas lie in Montana south of the great Alberta oil fields and some day the Northern Pacific may be ranked with Atchison, Union Pacific and Southern Pacific with oil furnishing an important part of revenues.

As Northern Pacific pays out only a small part of its earnings and Burlington follows the same policy, there is a double-acting leverage building up assets back of Northern Pacific common. Since 1933 Northern Pacific has earned over $55 per share after allowing for the deficit incurred in 1938 of $1.74 per share. Dividends have totaled $10.50 per share, permitting about $45 per share to be ploughed back. In 1950 there was earned $7.87 per share and $2 paid. The stock is now on a 50c quarterly basis which would mean a return of 6% on the current price of 33. It is expected that this year's earnings will at least equal those of last year and that $1 extra may be paid to bring total dividends up to $3 for the year and a yield of 9%. That would still leave about 60% of $8 per share earnings being ploughed back.

Pennroad Corp. has been unusually shrewd in making investments and has been buying substantially of Northern Pacific while selling other rails. I have been advised by a good source that an independent oil company has been accumulating Northern Pacific, but cannot verify this information. Northern Pacific has a book value of $215 and on the basis of assets, earnings and prospects appeals to this writer as an outstanding bargain.

Roadblocks of Unrealistic Regulations

By GEORGE P. SWIFT*
President, American Cotton Manufacturers Institute
President, Muscogee Manufacturing Co., Columbus, Ga.

Reviewing the new systems of economic controls, executive of large textile trade organization attacks some phases of Federal tax and fiscal policies. Says unwise taxes can be highly inflationary and a safe pay-as-you-go basis can be accomplished only by reducing non-essential government expenditures. Sees some of new regulations, together with new taxation hampering incentives and weakening defense program. Holds public, as investors, and not banks, should absorb government loans.

Some of those who are high in our government have indicated that next to the steel industry, the textile industry is first from the standpoint of defense needs. This is not a surprising statement when we realize that the textile industry furnished the armed forces in World War II more than 11,000 different types of items. These ranged from tents for use in tropical climates, to arctic uniforms, gun covers and towels.

Geo. P. Swift

No man can say at this time whether or not we are to be plunged into the horrors of a complete and total war, but we do know that for the troops in Korea that war is already a reality. Our task—the task of all of us—is to produce the goods necessary to win the limited war in which we are now engaged and to insure our victory in any future war. During the years since World War II, the textile industry has replaced much of its worn-out equipment and has streamlined its activities. There are no more patriotic people in the world then the hundreds of thousands of people who can make the looms, the spinning frames and the other equipment in the textile industry, and it is my belief that their patriotic response will be of the same high quality that it was in 1942.

For textile management I believe I can voice the pledge that we will exert every effort to meet the country's military needs and its essential civilian needs. It must be our objective that no American soldier, seaman or airman shall go into battle with insufficient equipment because of any negligence on our part.

In order that our country may meet this third threat in less than 35 years, it must have a sound economy and a high productive rate. It has been pointed out on other occasions, that to win the Battle of Korea and to lose the Battle of Inflation, might mean the ultimate defeat for a free America.

Thrown Into a System of Controls

To fight this battle, we have thrown into action a system of controls, under the command of the Office of Defense Mobilization. One arm of this command is the Defense Production Administration; the other arm is the Economic Stabilization Agency.

Under the Defense Production Administration, which has many subdivisions, controls have been set up governing the use of scarce raw materials; a system of priority extensions has been established in connection with defense orders; stockpiling of strategic materials is being expanded; building operations have been restricted and consumption credit has been tightened.

Under the Economic Stabilization Agency, is the Wage Stabilization Board, which has not yet functioned with notable success, and the Office of Price Stabilization, the new counterpart of the old OPA.

The first act of OPS which directly affected our industry was a knockout punch which stabilized us in a horizontal position for many weeks. The Ceiling Price Regulation of Jan. 25 closed the cotton futures exchanges, stagnated the spot markets, and virtually stopped the sales of cotton goods. For an industry which prices and sells its products from three to six months in advance of delivery, it is hard to see how a delivery period can logically be used as a reference standard for price-making. It is not only wrong logically, but becomes wholly unreasonable when the long-time interval between sales and deliveries is filled with rapidly rising material and labor costs.

Even if rising costs had not occurred in such degree as to make our first ceiling prices unrealistic, the transaction of new business in any considerable volume would still have been impossible.

On Jan. 26, the industry was already sold through the second quarter for the most part, and for some lines well into the third quarter. Only to the degree of these sales was the industry covered on its cotton requirements. Any important new business would require the purchase of more cotton or the fixing of prices on cotton already contracted for. But the machinery of cotton marketing was paralyzed. Very little spot cotton could be bought, no prices could be fixed on cotton previously contracted for and no hedging of any kind could be done either by mills or shippers.

After they were closed on Jan. 26, it took 40 days to reopen the cotton markets and the futures exchanges, which the Bible tells us was the length of time it rained to produce the Great Flood.

From time to time additional changes will be needed in price schedules, in material allocations and in DO priority extensions.

With all the earnestness at my command, I wish to urge those charged with these responsibilities, not to make decisions which will upset our economy and throw roadblocks in the way of production. It seems to me in this hour of need, the path of production should be smoothed rather than made more difficult.

This country has demonstrated that it can out-produce any other country in the world and, in so doing, has become strong and prosperous, with the greatest freedom and highest standard of living ever known. Let's keep this thought ever before us and not so regiment and straitjacket our economy that in the end our standard of living will be lowered and our freedom jeopardized by bureaucratic controls.

But the program to strengthen our military force and to control inflation extends far beyond the devices of ESA and OPS, which I have referred to. The Administration is asking for a "pay-as-we-go" policy during the emergency, which is something it didn't do prior to the emergency. This change of attitude, though belated, is most welcome and I am sure that all good citizens agree with it in principle since our present national debt is $260 billion.

But it happens that this principle is not the only one involved in the financial policy of our government. We should look at it in its relationship to certain other things and permit its acceptance only under certain, well-defined conditions.

The Pay-As-We-Go Budget

The Administration's "pay-as-we-go" budget for the next fiscal year is in excess of $71 billion. Present Federal taxes are about $55 billion. The indicated increase is about $16.5 billion. This increase would bring Federal taxes alone to 23% of the total national income, the highest percentage ever known. The highest figure reached in World War II was 18%. With state and local taxes added to the proposed Federal taxes, the total would amount to $90 billion, which is one-third of the national income.

A recent history of taxation by one of the world's best economists reveals that no nation has long prospered under a tax burden greater than 25%.

In the light of these facts, it is apparent that we can safely pay as we go on the emergency program only by reducing to the utmost the nonessential expenditures of the government. Such expenditures are estimated to be about $9 billion. If nonessential expenditures are cut back to the level of 1948, $8 billion can be saved. The figures indicate that at least one-half of the budget and taxation increases demanded by the President can be made wholly unnecessary by a reasonable reduction of needless and wasteful spending.

But some tax increases will have to be made and unless they are carefully devised, they can do untold damage to our whole economy. People have been led to think that all taxes are anti-inflationary and help to keep prices down. Nothing could be further from the truth.

Some taxes, when extended beyond a certain point, are highly inflationary by contributing directly to price increases. Others are indirectly inflationary by discouraging production and so reducing the supply of available goods.

Loss of Private Incentives

The true purpose of the Preparedness Program is to strength-

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*Presidential address by Mr. Swift at the Convention of the American Cotton Manufacturers Institute, White Sulphur Springs, W. Va., March 29, 1951.

Railroad Securities

New York Central

Bulls on New York Central got another severe shock with the release last week of earnings for February and the first two months of 1951. It had been taken for granted that February results would be poor. The road is one of the largest in the country, with particularly extensive terminal operations and a substantial passenger commuter business. Thus it was natural to expect that the strikes of railway employees in February had hit the road hard. The full impact of these adverse developments on earnings had not, however, been foreseen.

Freight revenues for the month were quite substantially higher than in the like period a year earlier when coal strikes were such a retarding influence. Passenger receipts were off only slightly, as were express revenues. Overall, gross expanded $6,632,027 from the level of a year ago. Some 86% of this increase in gross was absorbed by the rise of $5,702,260 in transportation costs. The transportation ratio, consistently a sore spot in the Central picture, jumped to 54.9% compared with 50.5% in February 1950 which, in itself, had not been a satisfactory month. Maintenance outlays were also up. As a result, the company sustained a net loss of over $10 million for the single month.

From an operating standpoint the opening month of the year had shown some improvement. Gross was up almost 22% from a year earlier. Transportation costs and maintenance outlays were also up but at a slower pace and the operating ratio was cut three points. The rise in net operating income of nearly $2.5 million, however, was just about fully offset by lower accruals of non-operating income. There was left only a modest net income of $716,000 for the opening month of the year. For the full two months' period through February, then, there was a net loss of $9,363,132. This was just about double the net loss sustained in the first two months of 1950.

New York Central is traditionally a high cost producer. Eliminating the war years, when passenger and allied services showed handsome profits contrasted with normal heavy losses, its transportation ratio is generally one of the highest among the major Class I carriers. Similarly, its profit margin is consistently among the lowest in the industry. There are a number of reasons for the high cost of operation of New York Central. To a considerable degree the contributory factors are inherent in the nature of the business transacted and the territory served and are, therefore, of a more or less permanent nature. Moreover, developments since the end of the World War II have aggravated many of these weaknesses.

New York Central is a large terminal carrier. Also, it carries a substantial volume of short haul freight—its average haul is less than that of the considerably smaller Nickel Plate. Obviously terminal handling costs are just as high for a shipment moving 50 miles as for a shipment moving 200 miles and producing four times as much revenue. Aggravating this situation, terminal costs have increased at a more rapid rate in recent years than have road haul costs. Also, railroads have found it much more difficult to offset mounting terminal costs through technological advances than it is to offset the higher road haul and maintenance costs. New York Central also handles a substantial volume of l. c. l. freight, which is generally considered as unprofitable business by the railroads, and operates a relatively large amount of low density branch and feeder lines.

Aside from these burdens in the freight end of the business, New York Central has a large stake in passenger business, including substantial commuter services. This also is very expensive to handle. It is doubtful if commuter traffic can ever be made to pay its own way even on an out-of-pocket expense basis. With this background, most railroad analysts find it extremely difficult to work up any enthusiasm for the longer term outlook for New York Central stock. On a purely speculative temporary basis, however, the stock has quite a few friends. Largely this is based on the hopes that under a defense economy the large passenger service deficits of recent years may be eliminated and perhaps even be changed into sizable profits. This was one of the characteristics of the road's performance during World War II.

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FHA's Current Operations and The Home Mortgage Industry

Housing Act that have been proposed.

A new Title IX would provide a new FHA plan of mortgage insurance for privately-financed defense housing. This would be used as a supplement to existing FHA programs in defense areas as an incentive for the production of privately-owned housing required in connection with the national defense.

The new title would be available only in critical defense housing areas designated by the President as having, or about to have a substantial shortage of housing for immigrant workers at defense plants or installations. Furthermore, the maximum number of dwelling units to be insured in each locality by the FHA under this title would be programmed by the Administrator of the Housing and Home Finance Agency in conformity with the need of specific defense activities in the locality.

The program is primarily designed to produce rental housing and priority of occupancy would be given to workers in defense activities.

To give flexibility to the program, provision is made for the insurance of mortgages on both one- and two-family structures, as well as multi-family projects. Terms for such insured mortgages would not exceed 90% of FHA appraised value but certain flexibility would be provided in maximum mortgage amounts, depending upon number of rooms, etc. Additional insurance authorization is also provided.

The mortgage ceilings would be intended to provide an incentive to build accommodations within the paying capacities of those intended to be served.

FHA insuring authority under Title VIII for mortages on military housing would be extended from July 1, 1951 to July 1, 1953, and amended to include housing serving Atomic Energy Commission installations.

Section 207 would be amended to permit up to $8,100 per unit for projects averaging four rooms or more per family unit. Also the term of debentures under Section 207 as well as 213 would be fixed at 20 years.

The owner-occupancy requirements of Section 203 would be modified for the benefit of mortgagors entering into military service subsequent to the filing of the mortgage insurance application when the mortgagor expresses an intent to occupy the property upon his discharge from military service.

Whether the proposed amendments become law or not the times ahead are not going to be easy for any of us. We can be sure of that. The best we can do is to think as logically as we can about what the coming months may bring forth, and to make our plans on the basis of past experience and current facts.

A period of national emergency can be expected to work hardships on all peacetime enterprise, including the normal production of housing. But housing, in addition to being a peacetime industry, is vital to defense and national production. For this reason it cannot be a casualty of the emergency, but rather will find it necessary to convert its efforts to producing in accordance with the needs of the emergency.

Recommendations to Lenders

Despite the fact that we cannot know what new conditions and circumstances are coming, I should like to conclude by presenting the following suggestions for your consideration:

(1) that special scrutiny be given to need, particularly in the lower price and rental ranges;

(2) that location is of increasing importance;

(3) that continued study be given to new methods and materials;

(4) that we examine our organizations with the view of increasing efficiency;

(5) that lending practices which encourage advance buying will produce unnecessary strain on production and should be avoided.

These are, I believe, important guideposts for the present.

I have confidence in the home mortgage industry of this country—that you can and will meet the new emergency with which we are faced.

FHA's role is to help you.

Alfred E. Loyd

Alfred E. Loyd passed away March 8 and is buried in the family plot in Greenwood. He had been in poor health for some time. Mr. Loyd at one time was Secretary of the New York Security Dealers Association. In the past he did business from White Plains, N. Y., under the name of Alfred E. Loyd & Co., his firm specializing in making a market in the stocks of country banks.

Facts to Ponder

"The thing [inflation] the Administration is striving to check was not merely sponsored by it but in large part created by it. The sum of several Administration policies has resulted in 'an unbeatable mechanism of built-in inflation'—the apt and vivid phrase is in a recent report by a Congressional committee headed by Senator O'Mahoney of Wyoming. . . .

"What the people seek anxiously to learn now is whether Mr. Truman will be able to destroy the Frankenstein monster he created. To do so he must go counter to groups he in the past has favored and depended upon politically. In his speech accepting the Presidential nomination in 1948 he flagrantly reminded farmers and labor of being under obligation of gratitude to the Democratic party, by strong implication he promised those groups occasion for still more gratitude, and in his campaign speeches made the promises specific and glaring. He got the gratitude, conspicuously from the farm vote, and he won the election.

"Policies and attitudes of the Truman Administration that gave advantage to farmers and labor have been the dynamic parts of the inflation mechanism."—Mark Sullivan.

These are certainly facts for the American people to ponder.

And we suspect that they are giving some of the official family uneasy moments, too.

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A Balance Sheet of The Stock Market

diate impact of government spending has been over-estimated.

(4) Further, many of the danger signals which were present at previous bull market tops have reared their ugly heads in the past few months.

Inasmuch as ours is an inexact science, let me give you the background reasoning which led to each of these generalizations—the assets and liabilities, as it were.

The Assets

(1) Psychologically, the nation has been through so much the past 20 years that the mere fact we've started the second half of the 20th Century can be the excuse for optimism. All you need do to discover that we're tired of being emotionally upset, is compare the tone of the 1949 and 1950 year-end annual business reviews with those of previous years. With so large a percentage of our national income spent for goods and services that aren't necessities, confidence is a very important factor in the business equation.

(2) This is a vigorous country—and our inventive genius, which is constantly developing new products that create new businesses, can really flower when it has half a chance. Take a look in your kitchen and you'll probably find such things as a detergent for the dishes, plastic curtains, fluorescent lighting, aluminum spice shelves, copper-bottomed pots and pans, etc. None of these were made before the war. Then go into the living room and turn on your television set. You're looking at a new, multi-billion dollar industry.

(3) Contrary to the thought so often expressed in the '30s, ours is a growing rather than mature economy. Even if we're not manufacturers of baby carriages or children's clothes, we can't help but benefit from the fact that the population has grown from 130 million to 150 million people in the past decade. This increase is bigger than that experienced in any other 10-year period in our history, and means a new consumer market as big as the State of Illinois. In short, there's a new scale of demand on which industry can capitalize.

(4) For better or worse, the New Deal probably marked the end of the era in which the government was a passive onlooker to the industrial scene—when its activities were dependent solely upon what happened in business. We're living in an era of a managed economy—and this means that the Administration in power will take an aggressive part in attempting to shape business trends. The direction in which the Administration will apply its efforts is obvious—for the government has a vested interest in the maintenance of prosperity. Thus, the P for politics has injected something permanently new into the economic equation.

(5) Last July, New York State followed the lead of Massachusetts and adopted the Prudent Man Rule which in effect permits up to 35% of a trust fund to be invested in common stocks. And a bill permitting life insurance companies chartered in New York State to purchase an estimated $1.5 billion of common stocks recently was signed by Governor Dewey. The next revision in the law probably will apply to the savings banks—for they are on record as favoring the investment of a small portion of their assets in common stocks. All of which points to one conclusion: The current and prospective demand for securities is, and will be, in good part from semi-permanent buyers—contrary to the bull market of the '20s which fed on margin speculation.

(6) In addition to the foregoing, 1950 saw the creation of another important type of fiduciary demand for securities: The investment of pension plan funds. While many pension plans are funded with insurance companies, a multi-billion stream of new capital must still be invested each year. Contrast this demand potential with the fact that the market value of all common stocks listed

on the New York Stock Exchange currently is about $100 billion. And only part of this potential supply is available—witness the fact that last year only 23% of the shares listed actually changed hands.

(7) The financial community itself has done an excellent job of repopularizing the common stock idea—helped last year by management's desire to spread ownership via stock split-ups. When I speak of the financial community, I have in mind not only the aggressive advertising program of many brokerage firms, but more particularly the excellent distribution job done by the so-called open-end investment trusts and their dealers. They've brought Wall Street to Main Street, and in the process last year raised several hundred million which was directly invested in the market.

(8) As I visit different sections of the country, I'm at times surprised by the financial naivete of people one would expect to be common-stock minded. Further, I'm at times surprised by the large numbers of wealthy people who don't own common stocks—all of which points to a huge untapped market. In this connection, I note that there are E bond maturities in amount of $1.5 billion in 1951, $3.9 billion in 1952, $5.4 billion in 1953 and $6 billion in 1954.

The Liabilities

As I interpret Mobilization Director Wilson's report to the President on the progress of our defense program, it takes the edge off my premise that a soft goods and consumer durable goods readjustment is starting. In my opinion, anyone who attempts to read between the lines of Mr. Wilson's report will find ample support for the belief that the factors which led to the national spending spree of the past eight months no longer exist. But ours is an inexact science — and you may have gotten a different impression from the newspaper headlines. Hence, I'd like to spell out the background which suggests that we are witnessing at least a temporary halt to the inflation cycle.

(1) Contrary to President Truman's earlier forecast of a $2.7 billion deficit in the fiscal year ending next June, Secretary Snyder now admits there's a good possibility the nation will end up with a surplus of $3 billion. Explanation is higher receipts and slightly lower expenditures. At any rate—and remember we're comparing pre- and post-Korea—combined Air Force, Army and Navy expenditures have only increased $2.7 billion thus far in the 1951 fiscal year. All of which, in my opinion, is a far cry from popular opinion and belief that the government budget is widely inflationary; if anything, it's temporarily deflationary. Furthermore, even the estimated 1952 fiscal year deficit of $16.5 billion—which probably is much too high—compares with deficits of $51.4 billion and $53.9 billion in 1944 and 1945.

(2) The President's budget message anticipated military expenditures of $41.4 billion in the next fiscal year ending July, 1952 against close to $21 billion in the present fiscal year ending July, 1951 and actual expenditures of $12.3 billion in the 1950 fiscal year. But what does all this mean at the current level of security prices, industrial production and America's capacity to produce? Don't forget, we're talking about a 3.5 million army whereas at the World War II peak 12.3 million men and women were under arms. Even the projected 1952 level of defense spending is less than half the $83.8 billion spent in 1944 or the $84.6 billion spent in 1945. Thus, I'd like to ask you a question: Aren't we more likely to find this form of pump priming a cushion rather than a stimulus?

(3) My skepticism of the stimulus which will be obtained from defense spending stems from the following considerations: A—The theory that the government will "bail" everyone out is a little too pat—a little too widely held—to be accepted without reservation; B—I've become a little skeptical of the commonly accepted theory that a perpetual motion machine has been developed; C—I wonder if the Administration has the ability to bridge this transition period without difficulty—to bring about an accelerating defense program which **immediately** follows civilian production cutbacks enforced by material allocations or demand determinants; D—I doubt that the government can spend money as rapidly as most people anticipate; there's a vast difference between military spending and military appropriations. Even now, nine months after Korea, defense expenditures are running at only a $24 billion annual rate—and it will take another nine months before the rate doubles again. The major impact of our defense program won't be felt until early 1952. What's going to happen in the intervening months when the economy is more or less on its own?

(4) In this connection, one point deserves emphasis: Consumer durable goods production since the turn of the year has been (and probably will continue) at a relatively high level. In turn, the surprisingly large quantities of vacuum cleaners, refrigerators, television sets, suits, shoes and other items now being produced reflects a variety of facts. Key controls have been amended and eased from time to time; industry has been able to successfully utilize substitute materials, etc. Obviously, if the consumer "gets the wind up" and realizes that shortgages are more imaginary than real, it will importantly influence his current buying and spending habits. In other words, if the consumer loses his avid desire to own tangible goods, he may well retire from the retail market for the time being inasmuch as his wants have been pretty well satisfied.

(5) Apropos the foregoing, I'd like to ask another question: Have you gone shopping lately? Chances are, you'll find retailers' shelves extremely well stocked—for inventories are about 20% ahead of a year ago. Equally important, outstanding orders are up sharply. This is where the "pinch" is coming, for although sales are still recording respectable (although less impressive) increases over a year ago, retailers are now keeping a weather eye on forward orders. If the public were willing to continue to mortgage the future to buy goods, the inventory-order situation eventually would correct itself without too many adverse repercussions. But the growing number of advertisements in the daily newspapers are illustrative of the fact that Easter sales volume was disappointing — that there are signs of a retail sales slump. Which means the familiar chain reaction of order cancellations and manufacturing cutbacks has started.

(6) No question about it, we're living in an era of distortions—which means that one can't evaluate the stock market in terms of the same numbers which were used in the past. To put it simply, not only has a certain amount of inflation been permanently frozen into the price level, but industry has spent such huge sums for plant and equipment that most stocks today are statistically better value than at the lower dollar prices of past years. Yet, the market itself tells us that the bull case is on the defensive; public interest has dwindled — many of the new speculators are "locked in" with losses — the business news is following the price trend—and it will take real concessions to tempt the professional buyer.

Surplus—Or Deficit?

Quantitatively, the liabilities fall short of the assets. Qualitatively, however, I believe they have greater bearing on the intermediate price trend. In my book, there's a deficit on the scale of pros and cons—which means that the first half 1951 average highs, but not the lows, already have been recorded. If nothing else, we're in a period of indecision during which the die will be cast between those forces making for a temporary, essentially selective readjustment—and the threat of something more severe. Even if a favorable conclusion is to be forthcoming, it will take 60 to 90 days before today's uncertainties disappear—or become an established fact. And aggressive speculation for the rise is not likely to flower in this type of news background.

Yet, I can visualize a trading rally this spring during which individual issues—but not the averages—make new highs. For one thing, the turn in the tide now is out in the open—which means it's being reflected in the price level. Secondly, the latent bullish factors cited on the asset side of the stock market's balance sheet means that it will take more aggressively unfavorable news than we have yet seen to force real liquidation. Thirdly, most first quarter earnings statements will make pleasant reading, and the capital goods industries still possess important elements of strength. Lastly, the high grade bond market has been through a major readjustment, and stability seems in prospect for the time being.

Hengeveld Pres. of Curb Quarter Century Club

Christopher Hengeveld, Jr., Vice-President in charge of the administrative division of the New York Curb Exchange, and who has been on the staff of the Exchange since March 14, 1921, has been elected President of the Employees Quarter Century Club, it was announced following the annual meeting. Mr. Hengeveld, who was Vice-President of the club last year, succeeds Edwin J. O'Meara, who is director of floor supervision.

Cornelius E. Sheridan, Assistant Secretary of the New York Curb Exchange Securities Clearing Corp., has been elected Vice-President of the club. Joseph R. Mayer, Director of the finance department, has been reelected Secretary-Treasurer of the organization.

Mr. Hengeveld is the third ranking employee of the Exchange in terms of service, having been with the Exchange since 1921. He has served several terms as Secretary-Treasurer of the club.

The New York Curb Exchange Employees Quarter Century Club, organized in 1946, is composed of Curb employees who have been on the staff for 25 years or longer.

Cinti. Municipal Bond Men's Outing

CINCINNATI, Ohio—The Municipal Bond Dealers Group of Cincinnati will hold its annual spring party at the Maketewah Country Club on May 25. This outing will be preceded by a cocktail party and dinner for the out-of-town guests on May 24.

New York Stock Exchange Weekly Firm Changes

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

Gayle L. Young will retire from partnership in Jacquin, Stanley & Co. on April 15.

Charles G. Raible withdrew from limited partnershp in Prescott & Co., on April 1.

James T. Whipple retired from partnership in Tuller, Crary & Ferris on March 31.

Continued from first page

Impact of New Monetary Policy on Mortgage Market

(c) the new bonds, unlike the old ones, cannot be sold in the market and they cannot be redeemed for cash before they mature. They can be exchanged for new five-year notes bearing 1½% and the notes will be marketable.

The procedure has been calculated so that an investor who sells the marketable five-year notes in the market will have to take a discount in price at a time of inflationary pressure. Bond men with whom I have talked believe that in the present market these five-year notes will sell for about 98. The Treasury apparently thinks the penalty will be big enough to keep bondholders from selling and thus freeze the bonds. Nevertheless, it is generally believed that this refunding operation will be a success. Informed individuals estimate that at least 75% of the outstanding Victory's will be exchanged for the new bonds.

What are the reasons for these changes in monetary policy and what effect will they have on the investment market, particularly mortgages? In my talk I shall try to give you the reasons for the changes and then hazard some guesses on the effect they will have on the mortgage market.

First, however, let me quote a statement by an expert in this field. I quote, "This is the most important happening creditwise in the country in a generation." I give you this quotation because I want you to realize that this is a very fundamental change and is thus certain to have far-reaching effects.

Purposes of New Policy

As I see the picture, there were two purposes in these changes. The first is to let supply and demand in the money market work, and the second to encourage the holding of long-term government bonds in the portfolios of investors in this type of security.

Overall, the new monetary policy is a real attack on inflation because the effect is to demonetize government bonds. What is meant by the term, "demonetize government bonds?" It must be understood if we are to have a clear picture of the effect it will have on the mortgage market. Before the Federal Reserve Board pulled the peg on the price of long-term government bonds, the price for these bonds had been supported for a considerable period at not less than 100 22/32. When bonds of the long maturities dropped to this price, they were purchased by the Federal Reserve Banks. The effect was that these bonds, in reality, were the same as money in the bank except that they earned, if purchased at the support price, interest at the rate of 2.45%. Thus the investment officers of savings banks, life insurance companies and other large investors when planning their investment programs could add up as available for new investments the following items: (1) expected cash income from payoffs and amortization payments on existing securities, (2) cash, (3) growth in assets, and (4) sale of government bonds which, because of the pegged price, were the equivalent of cash. When the Federal Reserve Board discontinued rigid support of the market and long-term government bonds were permitted to change in price and yield as determined by supply and demand, these bonds fell below par; yesterday's (March 26) bid was 99 2/32 with the result that they are now out of the cash category and can no longer be considered the same as money in the bank for investment in other securities at higher yields. In other words, when the pegged price no longer existed, long-term government bonds were demonetized.

Effect on Mortgage Market

With this background I turn to what is naturally my major concern, the effect on the mortgage market. My analysis will be divided into three parts: (1) the effect on the general inflationary trend in this country, (2) the probable supply of money seeking investment in mortgages, and (3) the trend of interest rates.

1. Effect on Inflation

It is widely agreed that a major cause of the inflation we are experiencing is that our money supply has expanded at a faster rate than the supply of goods and services. One of the effective ways to reduce the supply of money is to have a rise in long-term interest rates which would freeze up many bond portfolios by decreasing bond prices, thus making investors hesitant to sell and show unnecessary losses. Actually, we are in an untenable position today in that the country, as a whole, is borrowing more money than real savings create. This is inflation. I will illustrate by giving you an estimate of the annual rates of demand and supply of credit and capital in private business based on actual figures from July 1 to Dec. 31, 1950, as prepared by Lionel D. Edie and Company.

TABLE I

(In Billions of Dollars)

DEMAND		SUPPLY	
(1) Net new mortgages	12.8	(1) Life insurance companies:	
		(a) New money	4.4
		(b) Govt. securities sold	2.8
(2) Risk assets in the banking system:		(2) Savings banks:	
(a) Commercial loans	14.4	(a) New money	0.24
(b) Securities other than Federal	2.1	(b) Govt. securities sold	1.52
(c) Other risk assets	3.2	(3) Commercial Banks	
		(a) Govt. securities sold	7.2
		(b) Adjusted demand and time deposits	19.4
(3) New capital issues:		(4) Pension trusts	1.0
Private and public (excluding		(5) Savings & Loan Association	1.1
Federal Government securities)	6.6	(6) Miscellaneous	1.6
Total	39.1		39.1

A quick review of the above under the heading "Supply" shows that the sale of government securities totaled $11.52 billion, or approximately 30% of the funds raised to supply the demand. Since, as I have said, the new monetary policy of the Federal Reserve Board will undoubtedly make it unattractive to sell government securities, it will materially reduce the supply of funds available for new investment. This change should affect the present inflation if we agree that the essence of inflation is too much money seeking to buy too few goods.

Let us now turn to the effect that the changed monetary policy will have on our own business, that of mortgages, and take up the second of my three items, namely:

2. The Probable Supply of Money Seeking Investments in Mortgages

Let us begin by examining the current position of four major types of investor in mortgage loans.

(a) **Savings and Loan Associations**—As of Dec. 31, 1950, it is estimated that these thrift organizations had the following position:

(In Millions of Dollars)

Private repurchasable capital	$14,025
Real estate mortgage loans	13,830
Percent of capital in mortgage loans	98.6

The capital of these associations increased during the year 1950 by approximately $1,565,000,000. It would be fair to assume that savings and loan associations would have payoffs and amortization payments equal to 10% of their mortgage holdings, or approximately $1,400,000,000, to add to their increase in assets which, if they are at the same rate in 1951, will give savings and loan associations total funds available for new mortgage loans of approximately $3,000,000,000.

In 1950, because of the volume of building, institutions were required to make substantial forward commitments to purchase mortgages. The experience of other types of institutions which I shall discuss later indicates that we can assume that the savings and loan associations of the country have now outstanding substantial commitments to buy. What the total of these commitments is is unknown, but it is certain that all of the $3,000,000,000 estimated funds available for mortgage loans cannot be used for new mortgage applications this year.

(b) **Commercial Banks**—This type of investor had the following position on Dec. 31, 1950:

(In Millions of Dolars)

Time deposits	$36,080
Real estate loans	12,520
Percent of deposits in real estate loans	34.7

Time deposits in commercial banks in 1950 decreased approximately $250,000,000. On the basis of trends in the past four years, it may be assumed that there will be very little, if any, growth in new time deposits in this class of institution. It is true that in a short-run period commercial bank mortgage lending has not necessarily been closely tied to changes in time deposits. For example, their net increase in mortgage holdings in 1950 was approximately $8[illegible]5,000,000 despite the decline in their time deposits. Nevertheless, commercial banks will be quickly affected by the recent changes in the government monetary policy and I would guess that commercial banks will not be large purchasers of mortgages in 1951.

(c) **Mutual Savings Banks**—The position of mutual savings banks on Dec. 31, 1950, was approximately:

(In Millions of Dolars)

Time deposits	$20,031
Real estate loans	8,041
Percent of time deposits in real estate loans	40.1

In 1950, mutual savings banks of the country made very substantial increases in their holdings of mortgages. In dollars, the gain was approximately $1,560,000,000 and in percentage of time deposits from 33.6% to 40.1%. The gain in mortgage holdings to a considerable extent came from the sale of over $500,000,000 of government bonds. Their gain in time deposits was approximately $750,000,000, about half their increase in mortgage holdings.

The largest concentration of mutual savings banks is in New York State, and we are able to get some very interesting statistics about that group of institutions from their reports to the State Banking Department on Oct. 1, 1950. A summary of these reports discloses in round figures that in the preceding 12 months New York State Savings Banks closed $1,300,000,000 in new mortgage loans for a net gain in mortgage holdings of $900,000,000. The significant part of this report is that which shows outstanding commitments to purchase mortgages. As of Oct. 1, 1950, these commitments totaled $1,500,000,000. Time deposits in mutual savings banks have not had an overall increase since the start of the war in Korea. Commitments to purchase mortgages, therefore, can only come from amortization and the liquidation of other securities.

This point is best illustrated by the report issued a few days ago by the National Association of Mutual Savings Banks, which report showed that for the month of February new deposits were exceeded slightly by withdrawals. In addition, the association disclosed that in February there was a rise of $108,000,000 in the holdings of mortgages and a cut in U. S. Government securities of $109,000,000. With government bonds selling at a discount and with commitments of $1,500,000,000 outstanding, I would guess that the mutual savings banks will be decidedly hesitant to commit for new mortgages during the balance of 1951.

(d) **Life Insurance Companies**—Data of 49 United States legal reserve life companies representing 88.7% of total admitted assets of all United States companies as of Jan. 31, 1951:

Total admitted assets	$56,874,959,000
Real estate loans	13,573,216,000
Percent of assets in real estate loans	23.9

In the preceding 12 months the 49 life companies reporting showed an increase of $2,876,174,000 in their holdings of mortgages. In the same period their assets increased $3,692,861,000. In other words, 78% of the increase in assets went into mortgages. At the same time, the reports show that the same group of life insurance companies decreased their holdings of long-term U. S. Government bonds by $2,480,163,000. In other words, it would appear that to a considerable degree low-yielding governments were replaced by higher-yielding mortgages and other types of securities.

The important figure to consider with the life insurance companies is what money will they have available for investment in 1951? Competent sources estimate this sum to be approximately $6,000,000,000. This sum represents growth in assets plus payoffs and amortization of existing loans. When I discussed mutual savings banks I gave you their approximate outstanding commitments to purchase mortgages. Accurate figures of this kind cannot be had from the life insurance companies, but from the investigations I have made I believe that two-thirds or $4,000,000,000 of the $6,000,000,000 of the funds available for investment in 1951 is now committed for mortgages and other types of securities, leaving only $2,000,000,000 available for all types of investment except by the sale of other securities.

I now come to the third item to be discussed, namely:

3. The Trend of Interest Rates

I believe it is a generally recognized fact that interest rates for all types of long-term securities are pretty much tied to the long-term government rate, and as the rate for long-term government securities goes up or down, so goes the rate for other securities. What is the historical difference between these rates? To get some perspective on this point, I will go back to 1941 and quote approximate average yields of that year.

Long-term government bonds	2.50
High-grade corporates	2.75
Mortgages—conventional (after servicing)	4.0

In other words, the historic difference in rate between long-term governments and conventional mortgages after servicing has been approximately 1.50% and between long-term governments and high-grade corporates 0.25%.

What is the difference in rate between these various types of security over the past 60 days and how has the change in the government's monetary policy affected them? I will give you comparisons on two separate dates.

Type of Security—	Yields February 8, 1951	Yields March 21, 1951
Long-term government bonds	2.45	*2.80
Moody's Average AAA Corporates	2.65	2.81
Mortgages (after servicing):		
(a) Insured by the Veterans Administration	3.50	3.50
(b) Insured by the Federal Housing Admin.	3.75	3.75
(c) Conventional secured by dwellings	4.00	4.00

*Assuming exchange.
(In (b) and (c) actual rate is lower because of premiums paid for these two types of securities.)

I give you the above comparisons to show that there has always been a historical difference in the rates of return these different types of security produce. Government bonds have gone down in price with a corresponding increase in yield. Mortgages and other investment outlets have not yet reacted as fully, but I believe it is a certainty that the rate must change unless history is to be reversed. In other words, the yield on mortgages must go up, and perhaps by more than the historical difference between government bonds and mortgages.

Summary

I shall now attempt to summarize the results of my investigation.

(1) **Supply of Money**—The mortgage market in 1950 was substantially supported by investors switching from long-term government bonds into higher-yielding mortgages. This fact was illustrated by the decrease in the ownership of government bonds by life insurance companies and mutual savings banks. The demonetization of long-term government bonds will put a substantial break on further switching from government bonds; thus, it will materially reduce the supply of money available for the purchase of mortgages that will be created in 1951 for which there are no outstanding commitments. Of course, not all the mortgages applied for this year will need to be matched against investment funds accruing this year—just as there is now an overhang of commitments from last year, there will be an overhang of commitments to be met out of next year's savings when the year ends. Nevertheless, the outlook indicates a diminished supply of mortgage funds.

(2) **Interest Rates**—Interest on long-term government bonds has risen. This rise was immediately reflected in the gain of 16 bases points in the average yield of Moody AAA Corporates. Mortgage interest rates also, in all

probability, must increase. How much, the market will tell.

Conclusions

The changed government monetary policy is inducing considerable indigestion at the present time in the market for new securities.

As to the mortgages, the long-term future is not clear. For example, Regulation X and the accompanying credit restraints on FHA and VA mortgages are expected to reduce the volume of new building from approximately 1,400,000 units in 1950 to 800,000 or 850,000 in 1951, a reduction in building of approximately 40%. If this expected reduction in building occurs, it will reduce the volume of new mortgages seeking a market by about $5,000,000,000. This reduction in mortgage volume will not occur before the latter part of 1951, as is illustrated by the number of starts in January (83,000 units) and in February (78,000 units).

On the other hand, although the demand for money for mortgages should go down in the latter half of the year, it is possible that the government, to forward the armament program, may by that time be needing to borrow more money and thus use up what might otherwise be surplus funds seeking investment. I mention these things because in forecasting I would be hesitant to estimate the course of events beyond six months. Within that limitation I shall give you my conclusions.

Supply of Money Seeking Mortgage Investments

(a) Investment managers will be very hesitant to sell securities now owned at losses unless the funds can be reinvested at yields that are so attractive that the loss in principal can be justified. The result will be that yields on all types of investments must register substantial increases to warrant a sale of presently held securities for reinvesting. The probable result will be that the amount of money seeking investment in mortgages will be restricted to that obtained from new savings, a limited supply. Mortgages in 1951, therefore, will be compelled to compete in the market for a decidedly reduced flow of money. The indications are that the market is turning to the advantage of the buyer of mortgages.

(b) Commitments already entered into by many institutions are very heavy and with an inability to favorably sell existing investments, some lenders may be forced out of the market for new mortgage investments.

Interest Rates on Mortgages

(a) **Veterans' Loans** — Before March 8 when Federal Reserve support was removed, the difference in rate between long-term government bonds and mortgages insured by the Veterans Administration after deducting one-half of 1% for servicing was approximately 1%. If this difference in rate is to be maintained, the government rate having been increased to 2.75%, the net yield on a GI mortgage must increase to 3.75%.

What does this change in rate indicate for the price of veterans' insured mortgages? Assuming a 20-year mortgage with an expected average life of eight years, at what prices will GI mortgages have to sell in order to produce the following yields? The answer works out as follows:

Yield	Price
3.70	98½
3.75	98⅛
3.80	97¾

I am reliably informed that today there are blocks of VA insured loans being offered at prices between 98 and par, indicating that the supply of these mortgages is now exceeding demand.

(b) **FHA Insured Mortgages**—Excluding premiums, FHA insured 4.25% mortgages today sell, after servicing, to produce a net yield of 3.75. Investment managers have consistently preferred FHA insured mortgages to those insured by the Veterans Administration. In a tight money market, I doubt that this preference will continue if it involves a decreased yield.

Again assuming a 20-year mortgage with an expected average life of eight years, at what prices will FHA insured mortgages have to sell in order to produce the following yields? Again, the figures are:

Yield	Price
3.70	100⅜
3.75	Par
3.80	99⅝

(c) **Conventional Mortgages**—Excluding premiums, conventional mortgages have been selling, after servicing, to produce a net yield of 5%. If the yield from this type of mortgage loan is to be consistent with its historical place, the net rate will have to increase to 4.25%, and the gross to 4.75%.

Again, let me illustrate what may happen to yields in the conventional mortgage field. We will assume a 20-year mortgage with an expected life of eight years. In this case, because we are not controlled by interest rates established by government agencies, I shall use two different interest rates, one 4½% gross, 4% net; and the other, 5% gross, 4¼% net, and then estimate the yield based upon an assumed fixed premium.

Mortgages with interest of 4½% gross, 4% net:

% Premium	Yield
1½	3.782
2	3.711
2½	3.639

Mortgages with interest of 5% gross, 4½% net:

1½	4.352
2	4.205
2½	4.133

The premium and yields I have given you indicate to me that the rate on residential conventional mortgages will go to 5% with the probability that they may command some small premium.

I now have a comment to make, a bit of advice to give, and I am through. My comment is that I do not view the possible disappearance of premiums with alarm. Many men in this room have never had the experience of consistently charging borrowers for their services in arranging mortgage loans. Those of us who have been in the business 25 years or more know that it can be done and that it is the soundest method. Competition by lenders for mortgage loans eventually becomes unsound when it revolves around either who is going to make the largest loan or who is going to pay the largest premium for it. Our business will return to a sound basis of operation when mortgage men are paid a fee by the mortgagor based upon the skill and quality of service he renders.

Now, the bit of advice. I am told that plans are being discussed whereby some lenders may offer to buy VA loans at par and get the increased yield by decreasing the correspondent's service fee. I know of one deal of this type that has been made by one of the smaller life insurance companies whereby the correspondent will service for one-quarter of 1%. Representatives of lending institutions and loan correspondents are both in this room. I would advise both of you not to permit this type of bad practice to get started. I advise this because a reduction in the servicing fee can come to nothing but grief for both principal and correspondent. A loan correspondent, if he runs any cost accounting, will know that he cannot successfully operate for a service fee of less than one-half of 1% and render satisfactory service. In turn, the lending institution that offers or accepts such a proposal is only laying up for itself future trouble because if the correspondent gives poor service or fails because of lack of income, the holder of the mortgage will be required to seek a new correspondent and then pay a legitimate service fee, thus voiding the increased yield he thought he was getting. If the tightening of the money market removes the bad practice of paying premiums for mortgages, let us not at the same time start another bad practice because we do not have the courage to face up to the changed situation.

With W. E. Hutton

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine—George C. Dow has joined the staff of W. E. Hutton & Co., DeWitt Hotel. He was previously with Clifford J. Murphy Co.

James T. Fox

James T. Fox, head of James T. Fox Co., New York City, has passed away.

Worcester County El. 3¼% Bonds Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. and associates are today (April 5) offering $12,000,000 Worcester County Electric Co. first mortgage bonds, series B 3¼%, due 1981, at 101.54% and accrued interest.

Proceeds from the sale of the series B bonds will be applied to the payment of $11,370,000 aggregate principal amount of notes due May 31, 1951; to the payment of $505,000 aggregate amount of notes to the New England Electric System; and to the cost of, or to reimburse the treasury for, additions to the company's plant and property.

General redemption prices of the new bonds run from 104.54% to par. Special redemptions may be made at prices ranging from 101.55% to par.

Worcester County Electric Co. is engaged principally in the generation, purchase and sale of electricity for light, heat, power, resale and other purposes. Electric appliances are sold by the company incidental to its business. Electric service is provided in 77 cities and towns in a territory having an area of about 1,900 square miles and an aggregate population of approximately 570,000. The territory served includes the highly industrialized city of Worcester which has a population of over 201,000.

Blair, Rollins Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John G. Coleman has been added to the staff of Blair, Rollins & Co., Incorporated, 135 South La Salle Street.

Joins Chesley Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Albin G. Swanson has joined the staff of Chesley & Co., 105 South La Salle Street. He was previously with Shillinglaw, Bolger & Co.

Philip Tallman Joins Reynolds in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. Philip Tallman has become associated with Reynolds & Co., 208 South La Salle Street. He was formerly a partner in John J. O'Brien & Co.

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As We See It

over prices and related matters, that confusion becomes worse confounded when untrained agents by the thousands are sent out to do the controlling.

Insurmountable Difficulties

But current developments are again showing a good deal more than that. They are again strongly suggesting that many of the problems facing economic managers would still be difficult, not to say insoluble, given the wisdom of seventy times seven Solomons. We should have known, indeed most of us did know quite well, that it is quite impossible to "freeze" or control one or more segments of the price structure without controlling them all. It should have been obvious that any "freeze" or fiat fixing of all prices at levels prevailing as of a certain date would create fully as many problems as it solved. Even cursory knowledge should make it clear in advance that what is known as the economy is a restless, ever-changing thing, and that at any moment in time changes just completed force other changes within a very short period of time, and that to ordain that from a given moment henceforth no further changes are to be allowed, except as ordained by some cumbersome control mechanism, must inevitably be largely ignored or be the cause of endless confusion and difficulty.

It is not strange that farm prices should be one of the major hurdles at the present moment. It is not strange, of course, when it is recalled that the farmers of the nation have welded themselves into one of the most powerful vote-controlling segments of the population. To the economist it is no stranger that much of the current trouble is centering in this segment of the nation's business. It will be readily recalled that one of the very first "freezes" or attempted "freezes" and the one which has enjoyed the longest-lived support, was the farm price parity plan. It was, of course, a plan for a "roll-back" plus a freeze of the resulting relationships between farm prices and other prices. It was an effort to turn back the hands of the clock to some pre-World War I period, requiring that the price position of the farmer in these earlier days vis-a-vis the general price structure in other segments of the economy be restored and then forever after maintained by one device or another.

Those Farmers!

A somewhat broader concept was later developed which required that the income of the farmer, when related to other income in the so-called base period, be restored and maintained. Of course, neither scheme has succeeded, or is likely to succeed, except at very heavy cost to the entire nation—if it succeeds at all. Nor is there the slightest reason why it should be desired. These relationships prior to the first World War were the result of economic factors then present. They reflected the net of many factors of supply and demand throughout the country and the world. It is now a well-known fact that the people of the world do not want the same things in the same old proportions as in the days of old. Their habits of living have changed; many products not then existing now bid for the consumer's income, some of them very directly competing with the products of agriculture. Advancing technology has rendered it easily possible for fewer individuals and fewer acres of land to produce a great deal more of most of the staple crops. It has been evident for years past that a substantial number of farmers would better serve themselves and the world by entering other pursuits—or, perhaps, to express it more precisely, that many who from year to year enter the business of farming would do better to enter some other branch of business.

It is thus clear enough that the farm parity system now in effect is not only a stumbling block to the officials and others who are now charged with controlling or stabilizing prices, but has long been a burden to the American people generally and will remain a burden quite without regard to whether we are rearming or, for that matter, fighting a major war. It owes its origin in large part to political pressure—quite typical of any sort of managed economy. We can not afford this type of thing in peacetime any more than we can in a rearmament or war period.

And Labor, Too

The labor aspect of the current situation is analogous. It is true, of course, that representatives of the wage earners have not gone back into ancient history for a standard. They are, however, insisting upon a set of relationships which undertake to fix their position with relation to other factors in the economy in a way which is about as infeasible as the farmers' plan. They want to be assured that their rates of pay will move up as fast as "consumers' prices," so-called, rise. As a matter of fact this appears to be a minimum with which they will be satisfied even for the time being. Such a position seems difficult to reconcile with any sort of "sacrifice" in the present emergency as the President and the others are repeatedly demanding. Let two facts not be lost to sight: One of them is that taxes (other than personal income taxes) paid by the consumer are a "consumer price" when the current BLS index is computed. The other is that it is the rate of pay—not weekly earnings, which are swelled by fuller employment, overtime and "up-grading" of workers—which must keep pace with what used to be called the cost of living. In view of the monopolistic position of labor unions and their powerful political position in the country any position such as this taken by them must be regarded as part of a managed economy of the day.

We can only hope that lessons will be learned from this "emergency" and that they will not be forgotten when times are again "normal."

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Roadblocks of Unrealistic Regulations

en our economy, to expand our production, to enlarge our industrial facilities in those activities where we need greater defensive power. To realize this purpose, personal initiatives must be sharpened, individual incentives must be stimulated, the flow of capital investment encouraged, the provision of new plant and machinery facilitated, at the same time keeping within bounds the volume of civilian consumption. The latter is necessary in order to keep prices down and to make easier the satisfaction of military requirements.

Each one of these objectives is to a large degree dependent upon the kind and extent of taxes we have. If corporation taxes, whether income or excess profits, are put too high, the result, as we learned in the last war, is to discourage production economies, encourage unnecessary expenditures and diminish incentive. The effect is inflationary, both on the side of higher unit costs and on the side of fewer goods.

If individual income taxes are too high and graduated upward too sharply as incomes increase, a whole flock of evils results. Private savings which are needed to provide capital funds are discouraged generally and in many cases made impossible. It increases the difficulty of selling government bonds to the public, which is the most important form of anti-inflationary borrowing. Carried too far, it even forces many people to liquidate the bonds they already have. We have also discovered that excessively high income taxes tend to create an irresistible pressure for general wage increases.

As in the case of corporations, private individuals also suffer a loss of incentive from steeply graduated income taxes. We had ample evidence of this even in the lower income brackets during the last war. Outside the fixed income groups, it becomes increasingly evident in those cases where a man's income is closely related to his personal effort and assumption of personal risk. As he moves up the ladder, each step costs him a higher tax rate until he finally reaches the point where further effort and risk are too great for the compensation he is allowed to keep.

Capital Gains Tax

With respect to the capital gains tax, it seems apparent that an increase in the rate, or a reduction of the time period, would be a deterrent to investment activity and so handicap the basic expansion of industry.

The types of taxes which I have discussed are subject to definite and inherent limitations, and these limitations have been reached, or almost reached. To go beyond them would create difficulties either in the form of greater inflation or of diminished production.

It appears, therefore, that the most fruitful source of new revenue is the extension of excise and sales taxes. These taxes are non-inflationary, do not directly bear upon production costs and incentives, cannot be pyramided as they pass to the consumer, and yet at the same time they serve better than any other tax to encourage economical consumption.

What I have tried to show is that we should not support blindly a program of increased taxation without knowing what we are doing.

Likewise important in the battle of inflation is the kind of credit policy our government adopts, both as regards public credit and private credit. It is dangerous and foolish to urge that credit in general should be restricted. Only some kinds of credit should be restricted; other kinds should be expanded and liberalized.

For example, government borrowings to the greatest extent possible should be in the form of bonds sold to the general public, to the insurance companies and to agencies administering trust funds. Such borrowings are anti-inflationary. They soak up surplus spending power and do not, under stable conditions, serve as a basis of commercial credit expansion. Bond sales to the Federal Reserve Banks and commercial banks are, on the other hand, highly inflationary.

In the field of private credit, loans for industrial expansion of the type needed to strengthen our economy should be encouraged. Under present conditions it is, of course, proper that loans for non-essential and speculative purposes should be curtailed.

The restrictions which have so far been imposed upon consumption credit seem fair and reasonable.

Our thinking on credit, as in the case of taxes, should not be in general terms, but should be based on specific situations and cases.

I have talked at some length on tax and credit policies, because they affect us as businessmen almost to as great a degree as do the policies of OPS. They merit our closest attention as individuals and certainly should not go unrecognized by the Institute.

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Canada's Investment Opportunities

turally rich prairies will further promote the mechanization, and consequently, the production of food stuffs in areas where grain-growing production-records have already become, you might say, routine business.

In closing it is right and proper to touch on and give due credit to Canada's superb banking system which, in this past century, has played such a vital part in the constructive development of the country. The general character of our branch banking system is, I believe, known to you; it is flexible and has proven adaptable to the Canadian picture as a whole. The very competent manner in which our banking system has been administered has given us a great stabilizing force, the true value of which was demonstrated when, during the great depression between the wars, no banking failure or bank difficulty of any kind developed in Canada.

The Bank of Canada was incorporated in 1934, commenced operations on March 31, 1935, and was firmly established and functioning smoothly by the time Canada entered World War II in September of 1939.

This central bank, in liaison with the Foreign Exchange Control Board (which came into being on Sept. 15, 1939), worked in closest harmony with Canada's chartered banks, and all formed a team which worked most efficiently and harmoniously throughout World War II. They collectively and individually played efficient parts in assisting Canada to assume an important role in that war, and, also, because of relentless war pressure they promoted the development of Canada as an *industrial* nation, with the result that today she probably ranks seventh in the world in manufacturing output; and with this development Canada has, also, grown in the field of foreign trade to the rank of third largest world-trader.

But in no aspect of all this growth and development is any more heart-warming circumstance to be found, than in the fact that throughout this past century a truly remarkable degree of harmany, friendship and good-neighborliness has prevailed between the people of Canada and the people of this great Republic, where, under these very pleasant circumstances, it has been my privilege to meet with you today.

Howard E. Spencer Joins duPont, Homsey & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Howard E. Spencer has become associated with duPont, Homsey & Company, 31 Milk Street, members of the New York and Boston Exchanges. He was formerly for many years with R. H. Johnson & Co. Prior thereto he was an officer of Russell Dean & Co.

With Coffin & Burr

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George H. Pushee is now affiliated with Coffin & Burr, Incorporated, 60 State Street, members of the Boston Stock Exchange. He was formerly with A. W. Smith & Co., Inc.

With Chas. W. Scranton

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—William B. Church, Jr., is now connected with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

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What Is a Dollar?

to our dollar resulting from innumerable and inexcusable abuses, to mistakes of our government "planners," and to seemingly deliberate manipulations to weaken the dollar. Due to their inability to prevent these monetary abuses and manipulations by constantly testing the integrity of the dollar by traditional and practical means, they are converting their monetary assets into securities in the stock market, and are exporting liquid assets to Canada, Mexico, and to other Latin American countries. Today refugee capital is flooding Uruguay, over $200 million having been sent there in recent weeks. This flight from the dollar—from bank deposits, from government securities and from doubtful monetary assets—is so serious we are faced with the question, what is a dollar? How can we protect its integrity and restore the confidence of the American people in it before it is too late?

The late Professor Frank D. Graham has thrown light on this problem. He wrote:

"Properly handled paper currencies might perhaps be the most stable form of money . . . Under metallic monetary standards there are physical limits to the possibility of expansion of the currency. In the case of inconvertible paper there are no such objectively imposed restraints and self restraint has generally proved so inadequate as to have led to monetary disorders sufficient to make metallic standards seem like stability."[7]

Our inability to apply any "objectively imposed restraints," a four-fold increase in our monetary and credit "assets," the ability to monetize our huge national debt, and the indifference of many bankers and insurance executives to the increasing threats and dangers to our dollar are all factors with which we must now reckon.

Even the iron constitution of George Washington yielded in death to the constant bleedings by the doctors in his day. Similar "bleedings" can destroy the integrity of our dollar by our modern "monetary and fiscal doctors" if we do not face realities quickly.

The late Professor E. W. Kemmerer stated the controversy as follows:

"All in all, under present day economic and political conditions in America, a price level anchored to a commodity of universal demand, such as gold, is likely to be much more stable and dependable than a price level controlled by any such mechanism as that of the commodity dollar. Such a dollar may work in a model state of a distant utopian future. It would have hard sledding in the United States of today."[8]

The Question of Convertible Currency

In view of current developments the statement seems to be questionable that the "inability to redeem our paper currency" and deposits in gold today is not causing "uneasiness with respect to the acceptability of such currency."

Professor Walter E. Spahr states in his pamphlet, "It's Your Money":

"The gold dollar is the ultimate and legal standard monetary unit for the United States . . . In thinking of the volume of our money in connection with prices, one must think also of the volume of deposits being used, of the velocity with which money and deposits are being employed, and, of course, of the volume of goods and services which is being exchanged for this currency . . . often velocity is a more important factor than volume."

In another pamphlet, "Our Irredeemable Currency System," Professor Spahr points out that "all our domestic money and deposits are linked definitely, but indirectly, to gold at the statutory rate of $35 per fine ounce." He then agrees with Gregory that "the functions of a gold standard, of gold money, and of a redeemable currency have never included that of preventing business or price fluctuations. To advance such an unwarranted assumption would be analogous to an assertion that laying good steel rails on a railroad bed would prevent wrecks despite the quality of the rolling equipment and the behavior of the operating personnel. . . . The greatest fluctuations that the world has ever seen have been those associated with irredeemable currencies."

Lord Keynes agreed with Lenin that "there is no subtler, no surer, means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction. . . . By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens."

We Have a Dishonest Currency

Through mismanagement of our monetary and fiscal system, by subtle changes in our yardstick or standard of value—by inflation—our government ever since 1933 has forced upon the American people a dishonest currency. The inevitable result is the continuing loss of confidence in the dollar and in its integrity. The awful consequences are at last becoming obvious to "the average citizen," who has thus far found it so difficult to comprehend the ultimate effects of "a rubber dollar."

Mr. Leffingwell has stated it thus: "Inflation is the most deadly of all economic diseases. There is no way to make it painless. As with drink, the cure is to stop it."

The most certain way to "stop it" is to restore confidence in the dollar as a certain and honest standard of value, whose integrity is beyond reproach. Professor Theo Suranyi-Unger writes the author that he wants a dollar that is "a just regulator and reliable yardstick of all market relations."

In a plea, "Defend America's Dollar!" the National Association of Manufacturers points to the fact that "a sure road to demoralization and despair is the steady depreciation of a nation's money and the disappearance of the material and moral benefits of sound money."

In its "Graphic Facts—How Much Is a Dollar?" the Institute of Life Insurance sets forth in startling form the rapid and steady loss in purchasing power of the dollar, the loss being 40.9 cents in 1949 in terms of the 1939 dollar which was a 59.06-cent dollar in terms of the gold dollar prior to 1933. The year 1951 finds it an even cheaper dollar.

Former Chairman Thomas B. McCabe of the Board of Governors of the Federal Reserve, in an address on Nov. 15, 1950, warned the American people that whereas "the horde of wage, price and other direct controls may restrain inflation, they conceal its source. . . . The source of every great inflation has invariably been in the money supply. . . . Direct controls are not a substitute for strong fiscal, monetary and credit measures. They only supplement them. . . . We still need vigorous measures to stimulate production."

In such statements there is hope. At last the seriousness of our plight is causing some light to break through the clouds that have obscured the real factors that have been steadily destroying the integrity of our dollar. Perhaps Congress, too, will come to realize in this hour of crisis that if the dollar as our standard of value loses its integrity, then our economic and political system is doomed. As Mr. McCabe stated: "The battle is worthy of all we have—to win the victory."

The present incongruous and conflicting policies are becoming obvious to all who seek a solution to our monetary and fiscal ills. Day by day, the incompatibility of the divergent forces becomes more serious.

Conclusions

Only lack of space prohibits the author from "piling up additional evidence" to substantiate the facts that seem evident from this discussion.

First: Our standard of value has been and still is a dollar which today, by Act of Congress, consists of 13.714 grains of pure gold.

Second: Even a reasonable stabilization of the purchasing power of the dollar is a very complex and increasingly difficult problem in the dynamic world of today. Complete stabilization is theoretically possible only in a static society.

Third: The domestic convertibility of our currency and bank deposits into gold in the past contributed greatly to reasonable stability in the value or purchasing power of the dollar.

Fourth: A modern managed gold standard within our domestic economy would do much to restore the integrity of our dollar and give us once more an honest money.

Basic to such management is the necessity for recognition of the fact, known apparently to almost everyone except our "planners," that gold is still the unquestioned standard of value in all countries of the world. This is true even in the totalitarian nations where personal freedom is unknown. And throughout all the world the United States gold dollar of 13.714 grains of pure gold is the standard of value that measures the exchange value and the purchasing power of every currency in every country. It measures their successes and their failures—their stability and their instability. But in the United States the gold dollar is denied the opportunity to function, under proper management, in order that it may make its maximum contribution to the stability of the purchasing power of our currency.

In terms of football, we have fumbled the ball on the five-yard line in the coffin corner. It seems inevitable that our opponents—the powerful forces of inflation—will score on our defensive team as it is now constituted. Our best "guard" is being kept on the bench. With him in the game the defensive ability and morale of the other ten players would be greatly strengthened. Even a successful goal line stand could result.

Confidence of the public in the team—in its integrity—would be greatly augmented. Regardless of any prejudices the coach may have or of any embarrassment to his own plans, logic and common sense tell us to demand the use of this powerful "guard" now sitting on the bench, who has thus far been ignored. Furthermore, the emergency calls for a return to "fundamentals"—a certain decision for a football team that has been fumbling the ball continuously and suffering disaster after disaster.

All eyes in the monetary stadium of the world move restlessly —questioningly—from the bench to the clock. Time is running out very fast.

7 Encyclopedia of the Social Sciences, Vol. 5, p. 592.
8 "Money" (1935), p. 116.

Ideas Wanted for 'Bawl Street Journal'

The month of April has been declared an open season on ideas for this year's Bawl Street Journal, the annual satire of Wall Street doings which is published as a feature of the Bond Club Field Day. Publication date this year will be June 8.

William B. Chappell, of The First Boston Corporation, Chairman of the Publication Committee, and John A. Straley, of Hugh W. Long & Co., editor, have sent an invitation to Bond Club members—and extended it to include any other interested members of the financial community—to take part in creating the 1951 Bawl Street Journal.

Wall Streeters are urged to tell the editors what they would like to see in the paper this year and to suggest topics they feel would be sure-fire. Ideas and material for stories, cartoons and advertisements lampooning Washington and Wall Street will be welcomed up to the deadline of May 1.

R. E. Hornberger Opens

DALLAS, Tex. — Robert E. Hornblower is engaging in a securities business from offices in the Kirby Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you're looking for wholehearted enthusiasm about this market, better turn elsewhere. It isn't that I think prices are headed for the cellar. It's because since last week they haven't shown anything to become either encouraged or discouraged about. The market simply opened at 10 and closed at 3 . . . and that was that.

* * *

Actually what's been happening almost daily is a series of slow, draggy reactions with new stocks reaching a level of what seems to be resistance points. Instead of rallying from such levels, they fall asleep, which, in present day markets, is not a bad sign.

* * *

I can give you examples but they would only clutter up your thinking and probably wouldn't convince you anyway.

* * *

The major buyers today are the investment trusts, open and closed-end. Most of the open-end outfits are daily buyers. Some of them use the formula method, some are haphazard depending on daily sales of units. Still others have delaying factors that postpone buying for anywhere from 60 to 90 days.

* * *

The major momentum, the kind of excited buying that comes out in ribbons on the tapes, that once came from heavy public or floor participation, is completely lacking. Naturally this doesn't mean that it's gone for good. But as a barometer of things to come for the immediate future, it is non-existent.

* * *

I realize that so far all this leaves you in a so-what-do-I-do position. However, I don't make markets. I try to interpret them. When markets are saying nothing, I can't make them talk.

* * *

Basically, I think prices will be higher in the near future. At the same time I think they'll be lower before they get higher. To operate in such a market requires some deliberate planning. One method is to buy part of a potential line at current prices and additional buying at a later date when prices get lower. Another is to do nothing at present but wait for the lower figures.

* * *

The latter method would be ideal if one could be sure of buying at the bottom. I can't give such assurances. Here and there are stocks which show some minor up tendencies. Technicolor is one; Cooper-Bessemer's another. I doubt, however, if either of these can do much while the general market is in a lethargic or down-state. But if you've got patience, you might look into these stocks.

[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.]

Cleveland Graphite Bronze Securities Placed Privately

The Cleveland Graphite Bronze Co., it was announced today (April 5), has placed privately with institutions $10,000,000 of 3¼% promissory notes, due in 1971, and 50,000 shares of 4½% cumulative preferred stock (par $100). An additional $5,000,000 of said notes are to be sold later. This financing was arranged by F. Eberstadt & Co. Inc. and Prescott & Co.

An additional $5,000,000 of preferred stock will be placed later if needed.

The expansion program of The Cleveland Graphite Bronze Co. calls for establishing five new branch plants as soon as possible, to be located in small communities for reasons of dispersion, security, and manpower supply. The effect of the expansion program is not expected to take full hold until 1952, according to James L. Myers, President of the Cleveland company.

With Robert G. Lewis

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Robert E. Crumb has become affiliated with Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange.

Continued from page 4

How Do We Keep Our Economy Strong?

over prices and wages. The fundamental, constructive measures that would have been necessary if we had decided **not** to impose price and wage controls are still necessary. Price and wage controls alone, if they did not break down altogether, would merely suppress the inflationary pressure that underlies the economy, and we would once again see a great upward surge of open inflation as soon as the controls were removed. Fortunately, the outlook for the adoption or continued use of the fundamental weapons against inflation is pretty good.

CED's Program

The CED has proposed a five-point program for fighting inflation. No one of the five points can do the whole job, but each is essential to an adequate program. In sum, the five points add up to a balanced program. Here is the program:

First: We must increase production in every way possible.

Second: Drastic steps should be taken to reduce government expenditures.

Third: Taxes should be raised sharply and promptly, to restrain consumers' expenditures as well as to increase Federal revenues.

Fourth: The expansion of bank credit should be checked.

Fifth: A national program to courage savings should be inaugurated.

Both for fighting the menace of communism and for curbing inflation, we need a program for the expansion of production. Plant capacities should be increased. New workers should be attracted into the labor force and there should be an expanded training program for both new workers and old. Hours of work should be lengthened. We should encourage the use of substitutes for scarce materials. And we should increase our imports in order to take advantage of foreign countries' capacities to produce things we need. Higher production will enlarge the supply of goods available, bringing it closer to demand. But this takes time; the increase of production is essentially a long-range program. By itself, it cannot do the job of curbing inflation. We also need short- and long-range financial policies.

The second point in the CED program has to do with the Federal budget. We have just released a policy statement called "An Emergency Tax Program for 1951" in which we outline a program to carry out a "pay-as-you-go" policy in the Federal budget for the fiscal year 1952, which begins on July 1. I should like to dwell at some length on the second and third points of our program.

The CED thinks expenditures can and should be reduced by some $6 billion from the $74 billion proposed for fiscal 1952 in the President's budget. The inflation I have described has occurred in spite of the fact that we were enjoying a surplus in the cash budget. Now we face a shift this summer to deficit financing. According to the President's budget, the cash deficit in fiscal 1952 will be about $13 billion if we do not cut expenditures and raise taxes above their present levels.

I noted that CED thinks expenditures should be cut about $6 billion. They should. But it may be unrealistic to expect that this cut will be made. Experience says otherwise. Rather than risk a deficit by proposing to raise taxes only enough to balance the budget with the full amount of desirable expenditure reduction, we recommend raising taxes enough to balance the budget after a minimum allowance for expenditure cuts. If we are successful in cutting the budget more than this minimum amount, so much the better. Then we will have an anti-inflationary budget surplus. It seems to us that a minimum goal for expenditure cutting would be to lop $3 billion off of the $74 billion proposed by the President.

Taxes Should Be Increased

This leads me to our third proposal, which calls for a prompt tax increase. The CED recommends that the Federal cash budget be at least balanced in the coming fiscal year. On the basis of the $3 billion minimum expenditure cut, CED recommends prompt enactment of a $10 billion tax increase, which would balance the cash budget for fiscal 1952 as a whole. If it is promptly enacted it will prevent a deficit this spring and summer when we are struggling to achieve stability in prices and to strengthen confidence in the value of the dollar.

As the CED looks at the tax situation, one problem dominates all others. How can taxes play their necessary part in restraining inflation without at the same time seriously impeding the growth of production? This problem has been with us for many years. But now it has become acute in view of our greatly enlarged defense requirements.

The CED believes that the key to this problem lies in two facts. First, taxes are only one element in the necessary program for controlling inflation. The five-point program we propose assigns to high taxes their necessary role in checking inflation in a period of rapidly rising defense expenditures. But it does not expect high taxes to compensate for failure of the government to tighten its own belt, as the rest of us will have to do, or to control credit or to promote private savings. Second, different kinds of taxes differ greatly in their effects upon inflationary pressure and upon production. The kinds of taxes that are imposed this year will have a great effect on the impact of taxes against the growth of production.

Tax Objectives

Where should we raise the money? In deciding on its tax recommendations, the CED set three objectives. There should be a fair distribution of the tax burden. There should be minimum restraint on production and maximum restraint on inflation. Finally, to be most effective in checking inflation, the 1951 tax program should exert its main impact on restraining consumption expenditures.

In the light of these objectives, and after considering the alternatives, our Committee came up with a combination of tax increases that we think would best serve the emergency needs for temporary additional revenue.

First: For the individual income tax we recommend an additional 5% tax on the taxable income that remains after present exemptions have been taken and the present tax has been paid. This would raise $3.85 billion. This is a simple and fair way to take account of the fact that what is now available for further taxation is the income that is left after the present tax has been paid. A flat increase in the rates of tax in each bracket would be extremely harsh for the upper income groups, who already pay a large share of their income into the Treasury.

Second: For the taxation of corporation incomes, we recommend a new Defense Profits Tax which would bring the combined income tax rate on profits in excess of $25,000 to 50%, as compared with the present 47%. The excess profits tax would be in addition to this new defense tax. This recommendation, if enacted, would bring in $1 billion of additional revenue.

CED's **third** recommendation has to do with excise taxes. In sum, we call for $5¼ billion of new revenue from excises. $1.1 billion would be obtained by raising the present manufacturers' excise tax on automobiles from 7% to 20%, and by raising from 10% to 25% the tax on refrigerators, television sets and radios, and other household durable equipment. Output of these products will have to be curtailed because of heavy defense requirements for the materials used in their manufacture. Higher excises on them will help reduce demand for the remaining civilian supplies. Another $1.4 billion would be raised by increasing the excise taxes on liquor, tobacco and gasoline, the main revenue producers among the existing excises. In addition, we recommend a new tax of 5 on retail sales of items not now subject to Federal excises. This tax would exclude such necessities as food, housing, fuel, utilities and certain other items that are difficult to tax. The main categories of goods which would be affected by this tax would be clothing and house furnishings. The tax would also be applied to second-hand goods sold at retail. This new sales tax would yield the government $2¾ billion.

Finally, we believe that there should be further study and action to plug the loopholes in our tax system that favor some taxpayers as against others. The higher taxes get, the greater the inequity these loopholes produce. If this study would take too much time, however, we believe the rest of the program should be enacted promptly, with loophole plugs to come later.

This tax program takes into account the fact that corporate taxes, which actually fall with unequal weight on the real people who actually pay them, are bad by nature, and are close to the limit of safety already. The $1 billion we recommend as an addition to the burden is justifiable only by the existence of an emergency. We have also taken note of the fact that the danger to incentives of higher marginal rates on personal incomes is severe. The Treasury estimates that only about 37% of the total personal income expected in 1951 will be subject to income taxation. Excise taxes can tap the huge remainder. Because they will not apply, under our program, to the basic necessities of life, such as food, they will not affect the poor more than the rich, since the poor spend a greater proportion of their incomes on items that will remain untaxed.

Credit Control

This brings me to the next plank in the CED platform, the control of credit. In the past month the opportunities for restraining inflation by reducing the availability of credit have been enormously broadened. For the first time in 12 years, there is flexibility in the market for government securities. The Federal Reserve System, which has the responsibility for carrying out monetary policy, has had its hands tied by a commitment to support government bond prices. This commitment has fortunately been modified. Through effective control of credit, the Federal Reserve can check the increase in the supply of money, which is one of the primary sources of inflation. Until the recent agreement between the Treasury and the Federal Reserve, the possibilities for controlling private borrowing were severely limited. Selective credit controls on instalment buying and real estate were about the only controls over borrowing that were in effect. Desirable as they are, they can do only a small part of the job at hand.

Now, the broad control of credit in general can be a potent force for economic stability. When the Federal Reserve was forced to support the prices of government securities at par or above, by buying securities in the open market when there was selling pressure, each purchase of a government security from a bank increased the reserves of the banking system. Now the Federal Reserve System is no longer under an obligation to provide rigid support for the bond market. If selling pressure develops, the prices of the bonds will fall. Interest rates will rise as prices drop, and the bonds will become more attractive holdings. If credit expansion persists despite the decline of bond prices, the Federal Reserve has the power to sell from its own holdings more government securities. To the extent that these are bought by the banks, bank loans will be restrained.

Monetary Flexibility

Monetary policy has the great advantage of flexibility. It takes a long time to enact a tax program, and even longer for the effects of the taxes to be felt in the economy. But changes in monetary policy can be made quickly. For example, if a sudden change from inflation to deflation should develop, the appropriate monetary policy could be immediately established. Monetary policy shares with tax and budget policy the virtue of impersonality. Unlike direct controls, these indirect and more fundamental controls have a permanent place in the free economy. They do not dictate the terms of the multitude of individual decisions that makes up the market. Instead, they establish a climate in which these decisions may be made freely. They encourage or discourage financial expansion, but they do not prescribe the channels through which economic activity shall flow. The CED has always believed that the basic tools for economic stabilization are these non-coercive indirect controls. I think it is too early to say flatly that monetary policy will now come into its own, but the developments of the past month are most encouraging.

The Federal Reserve Board recently issued a plan for the voluntary control of credit. Under this program bankers, insurance companies and investment bankers are called upon to avoid making loans that are not essential to the defense effort or to the needs of commerce, agriculture and industry. I believe that an effective program of voluntary credit control can be a useful supplement to the more basic general control of credit I have just outlined. It can help prevent the granting of inflationary loans.

Differences of opinion about monetary policy and the management of the national debt have persisted for a number of years. The disagreements in the field have hampered effective operation of monetary policy, and the public has been left confused. In 1948 the CED recommended the establishment of a National Monetary Commission. We have again made this proposal in our latest policy statement. We believe that such a commission, established by Congress and including both public members and qualified private citizens, would now be very useful in studying both current and long-range policy questions. Objective study, leading to greater public understanding of the issues involved, can contribute to more effective monetary policy in the present inflationary situation and in the more distant future.

The fifth point in the CED's recommendation for a balanced financial program is a national campaign to encourage savings. Anti-inflationary policy requires an effort to keep the community as a whole from trying to buy more goods and services than are available. In this effort the government has certain clear responsibilities. It must economize in its own expenditures, raise taxes and tighten credit. But the action of private individuals can make the difference between success and failure in this effort.

Savings Must Be Encouraged

A national program of education is needed to bring home to the people their responsibility to save. We should enlist community leaders to help in this program. The government should start an aggressive savings bond drive. But savings bonds are just one of many forms of saving devices. The national savings program should encourage all forms of saving.

To make the program a success, more than an educational program is needed, however. We need a clear, consistent and balanced national policy against inflation, a policy that will convince the public that all of the necessary weapons against inflation are being brought to bear. For the public has learned through experience that inflation erodes the value of the past savings it worked so hard to make.

Our efforts to mobilize quickly our economic strength will succeed only if we fully understand the power of the forces which could defeat us. Fortunately, our economy is resilient and flexible enough to be placed under the stress of sudden changes of direction. This has been demonstrated time and time again, and it gives us confidence that our economy can not only do all that is expected of it, but more.

The big enemy at home today is inflation. Instability is a continuing problem of a democratic society and a constant threat to the strength of our economy. For the past decade or so, the threat to stability has come from inflation, and as we enter the mobilization period, it is clear that our efforts to fight inflation must be redoubled. I have discussed the CED's five-point program for checking inflation. If the program is put into effect, I believe that the nation will make a great stride toward greater economic stability.

But this program cannot operate in a vacuum. It will be adequate only if the government and the public meet other, largely non-economic responsibilities. The American Government is responsive to the expressed will of the people. That is the key to the greatness of our democracy. But today our society has become highly institutionalized. Large organized groups exert pressure directly on government. The result of these social and political developments is a failure of the mass of men to make their wishes heard and to understand what is happening in the complex modern world.

When the real voice of the people is not heard, it is high time to make some changes. The highly publicized petty and sordid developments in certain parts of the government itself, and the revelations of corruption outside of government have put the American people on edge. These developments, of course, apply to only a small fraction of the nation. But there is a new awareness that something is wrong. This is the ideal time to fill the void. There are several things, spiritual as well as economic and political, to be done. This will take time, but it will be time well spent.

Another responsibility of the public has to do with pressure groups. Pressure groups are beneficial as long as they operate in the interest of the public at large as well as that of their own members. Today, however, many pressure groups are thinking of nothing but their own short-run interest. They are demanding more than it is reasonable for them to expect to get, and they are unyielding in their demands. This is having a harmful effect on the whole nation. In the present situation it is essential for all of us to make sacrifices. Instead, we find many groups seeking to improve their positions at the expense of other groups. Everyone seems to be willing for others to make the sacrifices.

Restraint by Pressure Groups

What is needed is restraint on the part of pressure groups and a more vocal and economically educated general public. The vital decisions that are made by the men in government should be made of general interest, with no unreasonable concessions to any one part of the public. The long-run effect of this sort of mature cooperation will be beneficial to all of us.

There is a special job here for you gentlemen. An advertisement gets to the public directly. Advertisers know the people to whom they speak. They have a responsibility to publicize more than the products they have to sell. No group is better equipped to bring to the public a better understanding of our economy, our society, and our political institutions. Advertising is done by business. However, of all groups in the nation, business is probably the least understood by the public, and the least trusted. This is a situation that advertisers can do a great deal to change.

The goal of economic stability will be reached much sooner if we have an alert and educated citizenry. We are not looking for complete stability. Our goal is rather to achieve as much stability as we can without damaging the incentives for economic and social prgress that have made us the strongest nation in the world, and without impairing the freedom of our people which has made this incentive for improvement possible. Within these limits, it is in our power to meet any goals we set for ourselves.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standings as of March 30 are as follows:

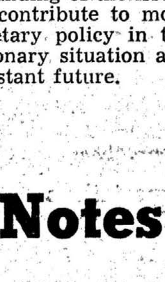
TEAM	Won	Lost
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	15	9
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	15	9
Goodman (Capt.), Casper, Valentine, M. Meyer, H. Frankel	15	9
Donadio (Capt.), DeMaye, O'Connor, Whiting, Workmeister	14	10
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	13	11
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	12	12
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	12	12
Leone (Capt.), Krasowich, Nieman, Pollack, Gavin	10	14
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	10	14
H. Meyer (Capt.), Smith, Farrell, A. Frankel, LaPato	10	14
Serlen (Capt.), Gersten, Gold, Krumholz, Young	9	15
Krisam (Capt.), Bradley, Montanyne, Weissman, Gannon	8	16

Jack Sullivan (Merrill, Lynch, Pierce, Fenner & Beane) had high game of 221.

The Second Half race is being hotly contested and the result as of today is a triple tie for first place.

BOND CLUB OF LOUISVILLE

Thomas Graham, The Bankers Bond Co., Louisville, Ky. has received the first award made by the Mose Green Club as the "Man of the Year" who has contributed most to the Democratic Party during the year 1950. Mr. Graham is a past President of the National Security Traders Association and has served as a governor of the Investment Bankers Association of America. He is an active member of the Bond Club of Louisville having served as its President in the past.



Thomas Graham

Continued from page 5

The State of Trade and Industry

of placing all programs on a DO-rated basis, is expected to be pretty much determined by that time.

Steel Output Scheduled to Drop Moderately This Week

Whispers of inventory trouble, barely audible a few days ago, have risen to a steady murmur this week, according to "The Iron Age," national metalworking weekly. The biggest trouble spot in the metalworking field is in consumer durable goods. Bulging inventories of television, radios, appliances and hardware have been noted for several weeks. Early hints of an inventory recession were based on fear of what might happen as a result of over-extended credit.

For a long time it has been known that dealers and distributors were buying goods faster than they were selling them. They were insuring themselves against shortages expected later this year. Many of them borrowed money to do this and now find their shelves loaded while manufacturers are still turning out a torrent of consumer goods, this trade authority adds.

It is true that consumer buying in recent weeks has been disappointing to some, but it is still at a pretty good level with improvement expected in the months ahead—spurred by defense spending now at the rate of $5.5 billion per month.

Inventory fear in some consumer lines is not reflected by any slackening of demand for basic materials such as steel and nonferrous metals, this trade magazine points out. Consumer pressure for more is still intense. Even manufacturers making products reported to be overstocked have shown no inclination to turn down their quotas of scarce metal.

The controversial DO-97 priority for maintenance, repair and operation is now practically inoperative as applied to steel—a victim of its own excesses. The National Production Authority has advised steel producers to refer DO-97 orders calling for excessive tonnages to the Iron & Steel Div. of NPA. Several mills already groaning under the weight of these orders have indicated they are doing just that.

Steel people consider NPA's action a stopgap to extricate itself from an impossible situation pending draft of a new MRO order. Some of these orders were remarkably strange, to put it mildly. One mill received an order for 1,500 tons of nails; another was shocked when asked to take an order for hot-rolled sheets equal to the recent increase in DO set aside (from 17% to 25%).

A careful check of steel consumers indicates that they are generally not being hit as hard by the defense program as some people believe. It is true that regular steel quotas of many consumers have been slashed more than half, but most of these consumers have been able to obtain some defense or essential civilian work, "The Iron Age" observes.

Overall employment figures and steel production and shipment data show that metalworking activity is still at a very high level, although they don't reflect the uncertainty facing many manufacturers.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 102.4% of capacity for the week beginning April 2, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 103.5% a week ago, or a decrease of 1.1 points.

This week's operating rate is equivalent to 2,047,000 tons of steel ingots and castings for the entire industry, compared to 2,069,000 a week ago. A month ago the rate was 101% and production yielded 2,019,000 tons. A year ago it stood at 96.8% of the old capacity and amounted to 1,845,300 tons.

Electric Output Dips Further the Past Week

The amount of electrical energy distributed by the electric light and power industry for the week ended March 31, 1951, was estimated at 6,767,344,000 kwh., according to the Edison Electric Institute.

The current total was 80,442,000 kwh. below that of the previous week, 855,408,000 kwh., or 14.5% above the total output for the week ended April 1, 1950, and 1,389,682,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Move Moderately Higher

Loadings of revenue freight for the week ended March 24, 1951, totaled 743,804 cars, according to the Association of American Railroads, representing an increase of 3,439 cars or 0.5% above the preceding week.

The week's total represented an increase of 31,545 cars, or 4.4% above the corresponding week in 1950, and an increase of 152,475 cars, or 25.6% above the comparable period of 1949 when loadings were reduced by labor troubles in the coal fields.

Auto Output Rises on Increased Assemblies at Chrysler

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 181,769 units, compared with the previous week's total of 174,671 (revised) units.

Ward's said that although labor troubles hindered DeSoto output, other Chrysler divisions increased production substantially over last week when Good Friday absenteeism and labor disputes interrupted assemblies. Saturday work at Ford was a possibility again this week, it added.

Total output for the current week was made up of 137,661 cars and 33,938 trucks built in the United States and a total of 7,575 cars and 2,595 trucks built in Canada.

For the United States alone, total output was 171,599 units against last week's revised total of 167,200 units, and in the like week of last year 133,413. Canadian output in the week totaled 10,170 units, compared with 7,471 units a week ago.

Business Failures Drop Further in Latest Week

Commercial and industrial failures fell to 136 in the week ended March 29 from 170 in the preceding week, Dun & Bradstreet, Inc., reports. Near the lowest level reached this year, casualties were down sharply from the comparable weeks of 1950 and 1949 when 198 and 216 occurred, respectively. Failures dropped 56% from the comparable level in prewar 1939.

Failures with liabilities of $5,000 or more numbered 104 of the week's total. This size group declined from 127 in the previous week and 166 a year ago. Small casualties, those having liabilities under $5,000, dipped to 32 from 43, but were the same as in 1950.

Food Price Index Registers Further Mild Dip

A further mild dip in the Dun & Bradstreet wholesale food price index last week brought the March 27 figure to $7.21, from $7.23 the week before. This marked the lowest level in eight weeks, or since Jan. 30 when it stood at $7.17. Although down 1.4% from the post-Korea high of $7.31 on Feb. 20, the current figure is still 21.0% above the pre-Korea war level of $5.96, and 24.5% above the year-ago index of $5.79.

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 Lifted Mildly Upward

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., held in a narrow range during most of the past week, but turned higher at the close to finish at 325.63 on March 27. This was a slight rise over the 324.67 of a week ago, and compared with 250.47 on the like date a year ago, or an increase of 30.0%.

Activity in grain markets was on a sharply reduced scale last week. Following irregular movements, most grains turned upward in closing sessions and finished with moderate net gains for the week. There was a continued lack of moisture in the Southwestern Winter wheat region and dust storms were reported in many parts of the belt. Flour prices were slightly firmer at the close; shipping directions lagged and new bookings continued small as most users still held fairly good stocks. The actual cocoa market was firm; futures were slightly easier in the absence of buying support. The domestic raw and refined sugar markets were quiet during the preholiday period with prices mostly steady. Coffee futures trended higher during the week; the spot market also displayed a firmer tone. Trading in lard was considerably slower last week; prices averaged somewhat lower despite strength shown in vegetable oils. Hog prices fluctuated unevenly with a late rally failing to wipe out early sharp declines. The cattle market was somewhat firmer on relatively light receipts, while slaughter lambs continued their upward trend to reach new all-time high prices.

Cotton futures moved irregularly with most deliveries closing below the levels of a week ago. Spot prices remained unchanged at the ceilings. Activity in spot markets increased slightly. Reported sales in the ten markets totaled 114,000 bales, against 111,300 the previous week and 87,700 in the corresponding week a year ago.

The easiness shown in late dealings was attributed to hedge selling, profit taking and liquidation stimulated by reports of beneficial rains over a large portion of the belt.

Continued favorable war news from Korea and reports of consumer resistance to current prices for cotton goods also tended to hold prices in check. Mill buying of the staple was only moderate. Export demand was good with a fair volume of sales reported.

Daily average mill consumption of cotton during February, according to the Bureau of the Census, amounted to 45,487 bales. This was the third largest monthly total on record, being exceeded only in the months of April and May, 1942.

Demand for cotton textiles generally continued active.

Trade Volume Proves Disappointing as Easter Sales Fall Below Expectations

Consumer spending remained largely unchanged in the period ended on Wednesday of last week as an expected last-minute Easter rise in shopping failed to materialize. The early appearance of the holiday plus generally prevailing unseasonal weather were deemed partly responsible, states Dun & Bradstreet, Inc., in its current summary of trade. The total dollar volume of retail sales was noticeably above the level for the similar period in 1950.

In apparel, children's wear was uppermost in dollar sales in many retail outlets during the week. A general interest in quality dresses and silk goods was also apparent. The number of coats and suits sold decreased from that of the prior week in scattered communities. The demand for men's furnishings was about steady, except for footwear, which rose somewhat.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 10 to 14% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and East +8 to +12; South +10 to +14; Midwest and Southwest +13 to +17; Northwest +9 to +13; and Pacific Coast +14 to +18.

There was a further slight decline in wholesale ordering in the week, reflecting a continuation of well stocked inventories in many lines. The total dollar volume of orders was moderately above the level for the comparable week in 1950. The number of buyers attending various wholesale centers, while very slightly above the prior week, was sharply below the level of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended March 24, 1951, advanced 9% from the like period of last year. This compared with an increase of 11% in the previous week and 14% for the four weeks ended March 24, 1951. For the year to date department store sales registered an advance of 20%.

Retail trade in New York last week reflected a sharp contraction in sales volume, dropping about 20% to 25% below the like week of 1950. A decline had been expected, since the 1950 period was the second week before Easter.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of March 24, 1951, advanced 9% from the like period of last year. In the preceding week an increase of 10% was registered above the similar week of 1950. For the four weeks ended March 24, 1951, an increase of 13% was recorded over that of a year ago, and for the year to date, volume advanced 19% from the like period of last year.

Continued from page 16

Snyder Reports Improved Fed. Finances

year 1952 expenditures may be less than estimated in January.

"The government agencies concerned assure me of three compelling facts: (1) that the reduction in 1951 defense expenditures below January budget projections is the result of changed timing of payments and not due to any reduction in the program to which our revenue planning must be geared; (2) that from now on the government will be spending at a faster rate than it will be collecting unless its revenues are increased by additional tax legislation; and (3) that defense costs in fiscal 1952 will be far greater than those for 1951 and that they will not reach their peak before some time in fiscal year 1953. These growing expenditures will generate inflationary pressures which an adequate tax policy can help to restrain.

"The tax legislation required now should provide for the needs that are unfolding. The full needs were not known on Feb. 5 and they are not known today. The overall requirements for additional taxes under the defense program can be determined only as time goes on. Our financial preparedness, however, must go forward and the tax legislation required now should not be postponed.

"This Committee is well aware of the emphasis I have placed on the financial strength of the government during my period of service in the Treasury. A combination of circumstances has enabled the government on net balance to have collected enough to cover its disbursements since the end of the war. Much is at stake in continuing this policy through the mobilization period. Timely and adequate taxation lies at the heart of the economic stabilization program.

"Our present situation calls for foresight and determination of the kind demonstrated by your Committee and the Congress last year in adopting two revenue measures in the months immediately following the Korean aggression.

"The prudent course now is the prompt enactment of the tax rate increases already recommended by the President. The increases in the corporation and individual income taxes and the excise taxes which I discussed with you on Feb. 5th represent the basic changes in the tax structure that are now desirable.

"I know, gentlemen, that you are in complete sympathy with my desire that our financial stability be protected. Your timely action last year is proof of this. My considered judgment can be stated briefly: Defense expenditures will increase so rapidly in the period ahead that the Treasury's present budgetary surplus will disappear quickly. While the exact course of defense spending cannot now be blue-printed, it is all too clear already that within the coming fiscal year we shall need at least the $10 billion minimum program recommended by the President. No one can know what lies ahead, and it would be most imprudent to delay the legislation required now for our financial preparedness."

Weeden & Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Warren A. Lewis has been added to the staff of Weeden & Co., 24 Milk Street.

With D. J. St. Germain

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Hector J. Lord is now associated with D. J. St. Germain & Co., 1490 Main 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)	Apr. 8	102.4	103.5	101	96.8
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 8	2,047,000	2,069,000	2,019,000	1,845,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Mar. 24	6,037,500	6,042,750	5,945,150	4,848,100
Crude runs to stills — daily average (bbls.)	Mar. 24	†6,418,000	*6,401,000	6,524,000	5,469,000
Gasoline output (bbls.)	Mar. 24	20,028,000	20,341,000	20,815,000	17,839,000
Kerosene output (bbls.)	Mar. 24	2,619,000	2,628,000	2,632,000	2,338,000
Gas, oil, and distillate fuel oil output (bbls.)	Mar. 24	8,951,000	8,792,000	10,545,000	6,870,000
Residual fuel oil output (bbls.)	Mar. 24	9,720,000	9,473,000	9,471,000	8,171,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 24	141,239,000	*141,007,000	136,870,000	135,406,000
Kerosene (bbls.) at	Mar. 24	13,032,000	13,084,000	12,527,000	12,950,000
Gas, oil, and distillate fuel oil (bbls.) at	Mar. 24	43,626,000	44,966,000	48,764,000	40,086,000
Residual fuel oil (bbls.) at	Mar. 24	37,327,000	37,753,000	38,995,000	42,546,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 24	748,804	745,365	734,794	717,259
Revenue freight received from connections (number of cars)	Mar. 24	702,406	708,312	729,311	672,739
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 29	$414,878,000	$159,761,000	$352,081,000	$258,901,000
Private construction	Mar. 29	246,377,000	59,776,000	274,560,000	155,521,000
Public construction	Mar. 29	168,501,000	99,985,000	77,521,000	103,380,000
State and municipal	Mar. 29	82,285,000	83,330,000	52,501,000	71,419,000
Federal	Mar. 29	86,216,000	16,655,000	25,020,000	31,961,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 24	10,120,000	*9,920,000	10,090,000	12,765,000
Pennsylvania anthracite (tons)	Mar. 24	516,000	412,000	933,000	1,138,000
Beehive coke (tons)	Mar. 24	142,900	*149,300	156,500	93,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Mar. 24	304	292	274	279
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 31	6,767,344	6,847,786	6,822,098	5,911,936
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 29	136	170	170	198
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 27	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Mar. 27	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	Mar. 27	$43.00	$43.00	$43.00	$28.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 28	24.200c	24.200c	24.200c	18.200c
Export refinery at	Mar. 28	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Mar. 28	134.000c	134.000c	182.000c	76.500c
Lead (New York) at	Mar. 28	17.000c	17.000c	17.000c	10.500c
Lead (St. Louis) at	Mar. 28	16.800c	16.800c	16.800c	10.300c
Zinc (East St. Louis) at	Mar. 28	17.500c	17.500c	17.500c	10.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 3	99.50	99.53	101.14	103.08
Average corporate	Apr. 3	112.37	113.12	115.43	116.22
Aaa	Apr. 3	115.82	116.61	119.20	121.25
Aa	Apr. 3	115.04	115.82	118.00	119.82
A	Apr. 3	111.25	112.37	114.85	115.82
Baa	Apr. 3	107.62	108.34	109.79	108.88
Railroad Group	Apr. 3	109.24	110.15	112.56	111.62
Public Utilities Group	Apr. 3	112.37	113.31	115.24	117.20
Industrials Group	Apr. 3	115.43	116.22	118.60	120.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 3	2.53	2.53	2.41	2.27
Average corporate	Apr. 3	3.04	3.00	2.88	2.84
Aaa	Apr. 3	2.86	2.82	2.69	2.59
Aa	Apr. 3	2.90	2.86	2.75	2.66
A	Apr. 3	3.10	3.04	2.91	2.86
Baa	Apr. 3	3.30	3.26	3.18	3.23
Railroad Group	Apr. 3	3.21	3.16	3.03	3.08
Public Utilities Group	Apr. 3	3.04	2.99	2.89	2.79
Industrials Group	Apr. 3	2.88	2.84	2.72	2.64
MOODY'S COMMODITY INDEX	Apr. 3	522.1	526.2	527.4	356.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 24	188,865	245,852	201,026	186,128
Production (tons)	Mar. 24	247,011	250,490	251,715	210,897
Percentage of activity	Mar. 24	105	106	105	95
Unfilled orders (tons) at	Mar. 24	687,531	751,036	663,339	355,062
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Mar. 30	154.4	154.5	153.9	121.7
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	Mar. 17	40,423	33,189	32,547	28,413
Number of shares	Mar. 17	1,173,540	958,212	973,779	830,869
Dollar value	Mar. 17	$50,552,440	$41,738,785	$42,436,272	$35,514,604
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 17	33,794	30,559	31,825	31,491
Customers' short sales	Mar. 17	465	340	240	181
Customers' other sales	Mar. 17	33,329	30,219	31,585	31,310
Number of shares—Total sales	Mar. 17	984,004	840,359	890,110	870,826
Customers' short sales	Mar. 17	17,660	12,418	9,157	6,677
Customers' other sales	Mar. 17	966,344	827,941	880,953	864,149
Dollar value	Mar. 17	$40,109,761	$34,100,807	$37,516,646	$32,497,863
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 17	280,410	260,730	257,770	262,550
Short sales	Mar. 17				
Other sales	Mar. 17	280,410	260,730	257,770	262,550
Round-lot purchases by dealers—					
Number of shares	Mar. 17	424,470	355,510	331,300	267,600
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Mar. 27	183.9	182.9	183.0	152.9
Farm products	Mar. 27	203.8	204.6	201.5	159.8
Grains	Mar. 27	188.3	188.1	189.3	167.3
Livestock	Mar. 27	273.6	272.9	266.3	199.2
Foods	Mar. 27	187.3	187.9	188.6	155.9
Meats	Mar. 27	275.4	273.6	273.2	213.9
All commodities other than farm and foods	Mar. 27	172.3	172.1	171.2	146.3
Textile products	Mar. 27	185.1	185.1	182.2	137.1
Fuel and lighting materials	Mar. 27	139.0	139.0	138.1	131.9
Metals and metal products	Mar. 27	189.3	189.3	188.7	168.6
Building materials	Mar. 27	227.7	227.7	227.9	194.0
Lumber	Mar. 27	358.9	358.9	‡	‡
Chemicals and allied products	Mar. 27	145.5	*145.6	148.5	116.8

*Revised figure. ‡Not available. †Includes 451,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons) Month of February	62,740	67,954	50,443
Stock of aluminum (short tons) end of Jan.	14,445	12,942	17,885
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of February (000's omitted):			
All building construction	$781,384	$707,673	$564,435
New residential	426,292	376,142	292,641
New nonresidential	280,717	250,616	216,190
Additions, alterations, etc.	74,375	80,915	55,604
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of February (in millions):			
Total new construction	$1,980	$2,068	$1,618
Private construction	1,545	1,571	1,262
Residential building (nonfarm)	864	901	717
New dwelling units	800	830	655
Additions, and alterations	47	54	51
Nonhousekeeping	17	17	11
Nonresidential building (nonfarm)	383	376	252
Industrial	134	128	70
Commercial	122	122	77
Warehouses, office and loft buildings	46	47	27
Stores, restaurants, and garages	76	75	50
Other nonresidential building	127	126	105
Religious	36	37	29
Educational	27	28	22
Social and recreational	17	18	18
Hospital and institutional	31	30	26
Miscellaneous	16	13	10
Farm construction	74	69	75
Public utilities	219	220	209
Railroad	15	22	16
Telephone and telegraph	31	29	32
Other public utilities	173	169	161
All other private	5	5	9
Public construction	435	497	356
Residential building	29	29	26
Nonresidential building	205	214	154
Industrial	37	34	7
Educational	108	110	79
Hospital and institutional	31	37	38
Other nonresidential building	29	33	30
Military and naval facilities	25	27	9
Highways	65	105	55
Sewer and water	49	52	46
Miscellaneous public-service enterprises	8	10	10
Conservation and development	49	54	49
All other public	5	6	7
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 3	23,143,000	23,201,000	23,264,000
Spinning spindles active on March 3	20,885,000	20,900,000	20,417,000
Active spindle hours (000's omitted) March	10,394,000	13,273,000	9,181,000
Active spindle hours per spindle in place Mar.	562.8	541.8	496
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of February:			
Contracts closed (tonnage)—estimated	200,788	*286,178	117,664
Shipments (tonnage) estimated	154,783	*176,862	129,628
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of January (000s omitted):			
Ordinary	$1,340,000	$1,442,000	$1,131,000
Industrial	395,000	370,000	402,000
Group	333,000	1,142,000	212,000
Total	$2,068,000	$2,954,000	$1,745,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of January (millions of dollars):			
Inventories:			
Durable	$16,083	*$15,592	$13,396
Nondurable	19,140	*18,571	15,874
Total	$35,222	*$34,163	$29,270
Sales	23,037	*21,775	16,005
MONEY IN CIRCULATION—TREASURY DEPT. —As of Jan. 31 (000's omitted)	$27,045,000	*$27,741,000	$26,941,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOC.)—Month of Feb.:			
Total number of vehicles	618,321	*606,833	475,465
Number of passenger cars	505,865	*478,589	385,361
Number of motor trucks	111,935	*127,583	89,971
Number of motor coaches	521	*661	133
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of January (in billions):			
Total personal income	$239.2	*$241.0	$214.6
Wage and salary receipts, total	155.2	*154.3	132.2
Total employer disbursements	158.7	*157.2	135.0
Commodity producing industries	70.1	*70.0	56.7
Distributive industries	42.9	*42.4	39.5
Service industries	19.7	*19.4	17.9
Government	26.0	25.4	20.9
Less employee contributions for social insurance	3.5	2.9	2.8
Other labor income	3.5	3.4	3.0
Proprietors' and rental income	49.2	*47.0	43.5
Personal interest income and dividends	18.8	*24.7	17.5
Total transfer payments	12.5	11.6	18.4
Total nonagricultural income	219.1	*221.9	195.2
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1914=100—As of January 15:			
Unadjusted—			
All farm products	300	286	235
Crops	275	258	219
Food grain	240	233	218
Feed grain and hay	214	202	170
Tobacco	442	436	382
Cotton	347	339	222
Fruit	192	202	185
Truck crops	324	211	261
Oil-bearing crops	374	366	228
Livestock and products	323	311	249
Meat animals	391	360	286
Dairy products	286	272	254
Poultry and eggs	203	249	158
UNITED STATES EXPORTS AND IMPORTS— BUREAU OF CENSUS — Month of Jan.: (000's omitted):			
Exports	$972,000	$1,063,000	*$741,000
Imports	1,022,300	*864,105	*623,443

*Revised.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital.

American Dairy Products Corp., N. Y.
Feb. 16 filed 300,000 shares of preferred stock (par $4) and 390,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and 1.3 shares of common stock. **Price**—$5 per unit. **Underwriters**—Emanuel, Deetjen & Co. and Barrett Herrick & Co., Inc., both of New York. **Proceeds**—To acquire plant, to pay indebtedness and for working capital.

American Gas & Electric Co.
Feb. 28 filed 339,674 shares of common stock (par $10), offered to common stockholders of record March 30, 1951, on basis of one share for each 15 shares held, together with an oversubscription privilege; rights to expire April 17. **Price**—$52.25 per share. **Underwriters**—None. **Proceeds**—To be invested in equity securities of operating sugsidiaries as part of the System's plan for financing its large construction program. Statement effective March 19.

• American Television & Radio Co., St. Paul, Minn.
March 30 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Underwriter**—George F. Breen of New York. **Proceeds**—For working capital. **Office**—300 E. Fourth Street, St. Paul 1, Minn.

• American Yarn & Processing Co., Mount Holly, N. C.
March 22 (letter of notification) 452 shares of common stock (par $1). **Price**—$16 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

• Arden Farms Co., Los Angeles, Calif.
March 22 (letter of notification) 10,000 shares of preferred stock (par $25) and 10,000 shares of common stock (par $5) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Underwriter**—None. **Proceeds** — For working capital. **Offices** — 727 West Seventh Street, Los Angeles 17, Calif., and 415 North Ninth Avenue, Phoenix, Ariz.

Artloom Carpet Co., Inc. (4/25)
March 27 filed 78,556 shares of common stock (no par), to be offered to common stockholders of record April 25 on basis of one share for each four shares held, with oversubscription privileges. **Price**—$10 per share. **Underwriter**—None. **Porceeds**—For working capital.

• Beaute' Vues Corp., North Burbank, Calif.
March 28 (letter of notification) 33,200 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For corporate purposes. **Office**—3333 San Fernando Road, North Burbank, Calif.

Black, Sivalls & Bryson, Inc., Kansas City, Mo.
March 15 filed 120,000 shares of common stock (par $1), to be offered for subscription by common stockholders at rate of one share for each three shares held. **Price**—$12.50 per share. **Underwriter**—F. S. Yantis & Co., Inc., Chicago, Ill. **Proceeds**—To acquire stock of Zenite Metal Corp.

Brad Foote Gear Works, Inc., Cicero, Ill.
March 19 (letter of notification) 150,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Underwriter** — Gerhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1309 So. Cicero Avenue, Cicero, Ill.

Bristol Silver Mines Co., Salt Lake City, Utah
March 2 (letter of notification) 1,633,124 shares of common stock being offered for subscription by stockholders of record March 15, 1951, at rate of one share for each two shares held (with an oversubscription privilege); rights to expire on or about April 28. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—For development of ore. **Office**—218 Felt Bldg., Salt Lake City 1, Utah.

• Broad Street Investing Corp., New York
April 2 filed 250,000 shares of capital stock. **Price**—at market. **Underwriter**—Broad Street Sales Corp., New York. **Proceeds**—For investment.

Brown Co., Berlin, N. H.
Jan. 25 filed 144,151 shares of $5 cumulative convertible preference stock (no par) and 144,151 shares of $3 cumulative second preference stock (no par), together with voting trust certificates representing the same, offered in exchange for 144,151 shares of $6 cumulative convertible preferred stock on basis of one share of each class of preference stock for each share of $6 preferred stock; offer extended from March 26 to April 30. George-son & Co. soliciting exchanges. Statement effective Feb. 21.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

• Calby Chemical Corp., Baker, Ore.
March 19 (letter of notification) 300,000 shares of common stock. **Price** — $1 per share. **Underwriter** — None. **Proceeds**—To construct and operate a liquid and dry ice plant. **Address**—Box 12, Baker, Ore.

• Carr-Consolidated Biscuit Co.
March 30 filed 434,604 shares of common stock (par $1), of which 384,604 shares are to be offered for subscription by common stockholders at rate of one share for each two shares held (with a right of oversubscription). The remaining 50,000 shares are to be sold to certain employees. **Price**—To be supplied by amendment. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., New York. **Proceeds**—For general corporate purposes.

Celanese Corp. of America (4/11)
March 22 filed 1,000,000 shares of cumulative convertible preferred stock, series A (par $100), to be offered to common stockholders of record April 11, 1951, at rate of six shares for each 35 shares held; rights to expire on April 25. The opportunity to exchange 7% second preferred stock for new preferred stock is to be given to existing holders. **Price** — Plus dividend rate, to be supplied by amendment. **Underwriter** — Dillon, Read & Co., New York. **Proceeds**—To retire $44,100,000 of first preferred stock, and for capital additions to plants and facilities.

Celanese Corp. of America
March 22 filed $100,000,000 of sinking fund debentures due April 1, 1976. **Price**—Plus other details, are to be supplied by amendment. **Underwriter** — Dillon, Read & Co. Inc., New York. **Proceeds** — To refund $75,908,750 funded debt, for capital and additions to plants and facilities and for general corporate purposes. Statement withdrawn.

Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are being offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share held as of record March 13. This offer will expire on May 1. The remaining 35,497 common shares are reserved for possible future issuance and sale by the company to holders of common stock then outstanding. **Underwriter**—None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock. Statement effective March 12.

Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties.

• Columbus & Southern Ohio Electric Co. (4/18)
March 30 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—To defray part of the $55,000,000 cost of further construction scheduled for the three years through 1953.

Consolidated Cigar Corp., New York
March 9 filed 50,000 shares of cumulative preferred stock, series of 1951 (no par). **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds** — To prepay short-term bank loans and for working capital. Offering postponed.

• Consolidated Edison Co. of New York, Inc. (5/1)
March 30 filed $40,000,000 of first and refunding mortgage bonds, series G, due May 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Proceeds**—To repay Bank loans and for additions and improvements to property.

• Consolidated Engineering Corp.
March 28 (letter of notification) 805 shares of common stock to be issued to Harold F. Wiley, upon the exercise of a stock option. **Price**—100/115th of $5 per share. **Underwriter** — None. **Proceeds** — For working capital. **Office**—620 North Lake Avenue, Pasadena, Calif.

Consolidated Textile Co., Inc., New York
Dec. 27 filed 220,000 shares of capital stock (par 10 cents), offered in exchange for 200,000 shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares) on basis of 11 shares of Consolidated for 10 shares of Bates stock. Exchange offer to expire April 30. Statement effective March 2.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

• Cuban-Venezuelan Oil Voting Trust
March 29 filed 1,500,000 units of voting trust certificates representing one share of one and two cent par common setock in 24 companies. **Price**—$2 per unit. **Underwriter**—None. **Proceeds**—For drilling and exploration expenses and working capital.

Cudahy Packing Co. (4/17)
March 23 filed $10,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To reduce bank loans by $9,000,000, and the balance added to working capital.

Culver Corp., Chicago, Ill. (4/10)
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. **Price** — To stockholders at $5 and to public at about $6.75 per share. **Underwriter**—None. **Proceeds**—For investments.

Detroit Edison Co.
March 1 filed 850,000 shares of common stock being offered to common stockholders of record March 30, 1951, on basis of one share for each 10 shares held; rights to expire April 26. **Price**—At par ($20 per share). **Underwriters** — None. **Proceeds** — For construction program. Statement effective March 26.

• Dixie Fire & Casualty Co., Greer, S. C.
March 26 (letter of notification) 6,000 shares of common stock (par $10). **Price**—$20 per share. **Underwriter**—None. Proceeds—For working capital.

• Dodge & Cox Fund, San Francisco, Calif.
March 28 filed 25,000 beneficial shares. **Price**—At market. **Underwriter**—Dodge & Cox. **Proceeds**—For investment.

Duggan's Distillers Products Corp.
Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). **Price**—75 cents per share. **Underwriter**—Olds & Co., Jersey City, N. J. **Proceeds**—To pay balance of purchase price for building ($20,000) and for working capital.

Duke Power Co. (4/6)
March 22 filed 126,255 shares of common stock (no par) to be offered to common stockholders for subscription on basis of one share for each 10 shares held as of April 6, 1951, with an oversubscription privilege; rights to expire on May 1. **Price**—$75 per share. **Underwriter**—None. **Proceeds**—For construction program.

Duke Power Co. (4/16)
March 22 filed $35,000,000 first and refunding mortgage bonds due April 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Proceeds** — For construction program. **Bids** — Expected at 11:30 a.m. (EST) on April 16.

Duncan Coffee Co., Houston, Tex.
March 20 filed 150,000 shares of class A convertible common stock (par $2.50). **Price**—Expected at $9 per share. **Underwriters**—Underwood, Nehaus & Co., Houston, Tex., and Dewar, Robertson & Pancoast, San Antonio, Tex. **Proceeds**—To H. M. and C. W. Duncan, President and Vice-President, respectively, who are the two selling stockholders.

• Eastern Cooperatives, Inc., New York
March 29 (letter of notification) $31,000 of 4% debenture bonds and 1,720 shares of class A (preferred) stock (par $25) to be issued in exchange for preferred stock, as follows; 20% of par value (1) in cash, or (2) either in bonds or class A stock; 33% of par value in 4% debentures bonds to a maximum of $31,000; and approximately 47% of par value in class A stock up to a maximum of $43,000. **Purpose**—To effect a reorganization. and decentralization of company. **Office**—c/o Dorothy Kenyon, 50 Broadway, New York 4, N. Y.

First Securities Corp., Philadelphia, Pa.
Feb. 26 (letter of notification) 200,000 shares of capital stock (par 1 cent). **Price**—50 cents per share. **Underwriter**—Corporation itself. **Proceeds**—For working capital and expansion program. **Office**—1520 Locust Street, Philadelphia, Pa.

• Fischer & Porter Co.
April 2 (letter of notification) $100,000 of 5% debentures due April 30, 1976 and an unspecified number of common shares the subscription price of which shall aggregate not in excess of $100,000, both issues to be offered for subscription by employees. **Proceeds**—For working capital. **Office**—Hatboro, Pa.

• Florence Stove Co., Gardner, Mass.
March 19 (letter of notification) 11,111 shares of common stock (no par) to be offered to 200 key employees. **Price** — Approximately $27 per share. **Underwriter** — None. **Proceeds**—For general corporate purposes. **Office**—205 School St., Gardner, Mass.

• Foote Mineral Co. (4/27)
March 30 filed 23,206 shares of common stock (par $2.50) to be offered to common stockholders of record April 27, 1951, for subscription at rate of one share for each ten shares held. **Price** — To be supplied by amendment.

Underwriter—Estabrook & Co., New York. **Proceeds**—For expansion program.

Fosgate Citrus Concentrate Cooperative, Forest City, Fla.
March 2 filed 476 shares of class A membership stock (par $100); 801 shares of class B preferred stock (par $100); 8,000 shares of class C stock (par $100); 2,000 shares of class C stock (par $50); and 4,000 shares of class C stock (par $25). **Price**—At par. **Underwriter**—None. **Proceeds**—To construct and equip plant. **Business**—To process citrus fruit juices to a frozen concentrate form.

Gas Light Co. of Columbus (Ga.)
March 9 (letter of notification) $250,000 of 6% cumulative preferred stock to be offered for subscription by common stockholders. **Price** — At par ($50 per share). **Underwriter**—None. **Proceeds**—From sale of stock, together wtih proceeds from private sale of $750,000 mortgage bonds to Northwestern Mutual Life Insurance Co., to expand natural gas distribution system. **Office**—107—13th St., Columbus, Ga.

● **General Controls Co., Glendale, Calif.**
March 29 filed 50,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co., New York, and Wagenseller & Durst, Inc., Los Angeles, Calif. **Proceeds**—For additional working capital.

● **General Discount Corp., Atlanta, Ga.**
March 22 (letter of notification) $250,000 of subordinated 5% convertible debentures, series B, due Nov. 1, 1965, of which $200,000 will be offered in exchange for a like amount of series A debentures, and $50,000 will be offered publicly. **Price**—At par. **Underwriter**—None. **Proceeds**—To retire series A debentures and for general corporate purposes. **Office**—Municipal Airport, Atlanta, Ga.

General Shoe Corp., Nashville, Tenn.
March 5 (letter of notification) 7,500 shares of common stock (par $1) to be issued to The G. Edwin Smith Shoe Co. in exchange for capital stock of The Nisley Co. **Underwriter** — None, but it is expected that Smith, Barney & Co., New York, will make a secondary offering of aforementioned shares on behalf of the Smith Shoe firm. **Offering**—Expected early in April.

Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock (par $1). **Price** — To be filed by amendment. **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For working capital and general corporate purposes. **Offering**—Deferred indefinitely.

● **Globe & Rutgers Fire Insurance Co.**
March 30 filed 30,000 shares of prior preferred stock (par $15). **Price**—To be supplied by amendment. **Underwriters**—Union Securities Corp.; Geyer & Co., and Shelby Cullom Davis & Co. **Proceeds**—Together with other funds, to retire presently outstanding preferred stocks.

● **Globe & Rutgers Fire Insurance Co.**
March 30 filed 10,000 shares of convertible second preferred stock (par $15) to be offered to common stockholders for subscription on basis of one preferred share for each 24 common shares held, with oversubscription privileges. Tri-Continental Corp., owner of 53.4% of common stock, has agreed to subscribe to its pro rata share and to purchase any shares not subscribed for by other stockholders. **Price**—To be supplied by amendment. **Underwriter** — None. **Proceeds** — Together with other funds, to retire presently outstanding preferred stocks.

● **Good Hope Placers, Inc., Boise, Ida.**
March 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—For equipment and expansion of operations and retirement of bonds. **Office**—337-338 Sonna Bldg., Boise, Ida.

Granite City Steel Co.
March 14 filed 284,114 shares of common stock (par $12.50) being offered for subscription by common stockholders of record April 3 on basis of one share for each 3½ shares held; rights to expire on April 17. **Price** $22.12½ per share. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Proceeds**—For expansion program.

● **Grayson-Robinson Stores, Inc. (4/16-21)**
March 29 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Emanuel, Deetjen & Co., New York. **Proceeds**—To reduce bank loan.

● **Greenwich Gas Co.**
March 23 (letter of notification) 60,000 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—F. L. Putnam & Co., Boston, Mass. **Proceeds**—To retire bank loans and for capital additions. **Offering**—Was expected to be made on April 4.

Gulf States Utilities Co. (4/24)
March 21 filed 200,000 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Proceeds**—For new construction and general corporate purposes. **Bids**—Expected to be received at 11 a.m. (EST) on April 24.

Gyrodyne Co. of America, Inc.
March 14 (letter of notification) 34,320 shares of class A common stock (par $1). **Price**—$5 per share. **Underwriters**—Company itself in New York, and Jackson & Co., Boston, Mass. **Proceeds**—For partial financing of anticipated military contracts and for acquisition of new manufacturing facilities. **Office**—80 Wall Street, New Fork 5, N. Y.

NEW ISSUE CALENDAR

April 6, 1951	
Duke Power Co.	Common
Pacific Refiners, Ltd.	Common
April 9, 1951	
Wisconsin Power & Light Co.	Pfd. & Common
April 10, 1951	
Culver Corp.	Common
Mountain States Power Co. 10:30 a.m. (CST)	Com.
Mountain States Power Co. 11 a.m. (CST)	Bonds
Strategic Materials Corp.	Common
Tennessee Gas Transmission Co.	Preferred
April 11, 1951	
Celanese Corp. of America	Common
Plywood, Inc.	Debentures
Warner-Hudnut, Inc.	Common
April 16, 1951	
Duke Power Co. 11:30 a.m. (EST)	Bonds
Grayson-Robinson Stores, Inc.	Common
Wyoming-Gulf Sulphur Co.	Common
April 17, 1951	
Cudahy Packing Co.	Debentures
Peabody Coal Co.	Debentures & Pfd.
Wisconsin Power & Light Co.	Bonds
April 18, 1951	
Columbus & Southern Ohio Electric Co.	Common
Denver & Rio Grande Western RR. noon (CST)	Bonds
April 19, 1951	
Illinois Central RR. noon (CST)	Eq. Trust Ctfs.
April 24, 1951	
Gulf States Utilities Co. 11 a.m. (EST)	Common
Monongahela Power Co.	Bonds
Pacific Lighting Co.	Common
Public Service Co. of Oklahoma	Bonds
April 25, 1951	
Artloom Corpet Co., Inc.	Common
April 27, 1951	
Foote Mineral Co.	Common
May 1, 1951	
Consolidated Edison Co. of New York, Inc.	Bonds
Israel (State of)	Bonds
Telegift, Inc.	Common
May 2, 1951	
Ohio Edison Co. 11 a.m. (EDST)	Pfd. & Com.
May 14, 1951	
Consolidated Natural Gas Co.	Debentures
June 5, 1951	
Georgia Power Co.	Bonds
July 17, 1951	
Mississippi Power Co.	Preferred
September 11, 1951	
Alabama Power Co.	Bonds

● **Helicopters for Industry, Inc., New York**
March 30 (letter of notification) 20,000 shares of preferred stock (par $10) and 40,000 shares of common stock (par 10 cents) of which 2,750 preferred shares and 25,000 shares are to be issued for one Hiller Helicopter and the assigning of a contract of Helicopter Utilities, Inc., with Army Map, Service. **Price**—At par. **Underwriter**—None. **Proceeds**—To buy equipment. **Office**—122 East 42nd St., New York 17, N. Y.

● **Hilton Hotels Corp., Chicago, Ill.**
March 30 filed 153,252 shares of common stock (par $5) to be offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

● **Idaho Maryland Mines Corp.**
March 27 (letter of notification) 6,500 shares of common stock (par $1). **Price**—At market (estimated at $2 per share). **Underwriter**—E. F. Hutton & Co., San Francisco, Calif. **Proceeds**—To Siegfried Bechhold, the selling stockholder.

● **Income Foundation Fund, Inc., Baltimore, Md.**
March 29 filed 2,000,000 shares of common stock (par 10 cents). **Price**—At market. **Underwriter**—Axe Securities Corp., New York. **Proceeds**—For investment.

Inter-County Telephone & Telegraph Co.
March 12 (letter of notification) 3,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($25 per share). **Underwriter**—Florida Securities Corp., St. Petersburg, Fla., and H. W. Freeman & Co., Ft. Myers, Fla.—**Proceeds**—For general corporate purposes.

Inter-Mountain Telephone Co.
March 16 filed 142,500 shares of common stock (par $10) to be offered for subscription by common stockholders on basis of one share for each two shares held on April 5, 1951; rights to expire on April 26, 1951. Of the total, 64,164 shares will be purchased by two principal stockholders, to wit: Southern Bell Telephone Co. and Chesapeake & Potomac Telephone Co. of Virginia. **Price**—To be supplied by amendment. **Underwriter**—Courts & Co., Atlanta, Ga. **Proceeds**—To reduce indebtedness.

● **International Cellucotton Products Co.**
March 23 (letter of notification) 5,000 shares of common stock (par $2) to be offered to 85 employees of company. **Price**—At market (approximately $61 per share). **Proceeds**—For working capital. **Office**—919 No. Michigan Ave., Chicago, Ill.

● **International Life Insurance Co., Austin, Tex.**
March 30 filed $1,200,000 special stock debentures to be sold in units of $500 each by regular licensed insurance agents of the company. **Price**—At par. **Proceeds**—To increase capital and surplus.

● **Investors Syndicate of America, Inc.**
March 29 filed $10,000,000 of single payment pension plan certificates, series A, and $400,000 of single payment pension plan certificates, series B (latter to be offered to employees of Investors Diversified Services, Inc.) Price—At 100%. **Underwriter**—Investors Diversified Services, Inc., Minneapolis, Minn., for series A certificates. **Proceeds**—For investment.

Israel (State of) (5/1)
March 19 filed $500,000,000 of "Independence Issue" bonds, in two types, viz: 15-year 3½% dollar coupon bonds due May 1, 1966; and 12-year dollar savings bonds to be dated the first day of the month in which issued and to have a maturity value of 150% of par. **Price**—At 100% of principal amount. **Underwriter**—American Financial & Development Corp. for Israel. **Proceeds**—For economic development of the State of Israel. **Office**—Authorized agent is located at 11 East 70th St., New York, N. Y. Statement effective March 28.

Jerry Fairbanks, Inc., Hollywood, Calif.
Feb. 16 (letter of notification) 193,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—D. Gleich Co., New York. **Proceeds**—For production of motion pictures for theatrical and television purposes and for working capital.

Jersey Central Power & Light Co.
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. **Proceeds**—For expansion program. **Bids**—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. **Offering**—Postponed indefinitely. Statement effective March 14.

Jersey Central Power & Light Co.
Feb. 21 filed 40,000 shares of cumulative preferred stock (par $100). **Proceeds**—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. **Bids**—Only one bid, from Union Securities Corp. and Salomon Bros. & Hutzler (jointly), was received March 27, which was returned unopened. **Offering**—Postponed indefinitely. Statement effective March 14.

● **Kerr-McGee Oil Industries, Inc.**
March 22 (letter of notification) 10,000 shares of common stock (par $1) to be sold to Lehman Brothers, New York, for investment. **Price**—$19 per share. **Proceeds**—To T. M. and Geraldine H. Kerr, two selling stockholders.

Lone Star Steel Co., Dallas, Tex.
March 8 filed 640,000 shares of common stock (par $1) to be offered first to common stockholders of record April 4 on basis of 3.2 shares for each 10 shares held; rights to expire on April 14. **Price**—To be supplied by amendment. **Underwriters**—Dallas Rupe & Son, Dallas, Texas; Estabrook & Co., Boston, Mass.; and Straus & Blosser, Chicago, Ill. **Proceeds**—To reimburse company for redemption of 4½% first mortgage bonds.

Lorain Telephone Co., Lorain, Ohio
March 13 (letter of notification) 6,705 shares of common stock (no par), to be offered to common stockholders at the rate of one share for each 10 shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—203 West Ninth St., Lorain, Ohio.

● **Lynchburg Madison Heights Picture Frame Co.**
March 26 (letter of notification) 100,000 pre-organization certificates for common stock. **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—To promote the company and for general office equipment. **Office** — c/o Frank D. Crichton, 1912 11th St., N. W., Washington, D. C.

Lynn Gas & Electric Co.
March 27 filed $4,100,000 20-year notes, series A, due April 1, 1971. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds** — To repay $3,800,000 2½% promissory notes due June 1, 1951, and the balance for new construction. **Offering**—Expected late this month.

M. J. and M. M. Consolidated, San Francisco, Calif.
March 19 (letter of notification) 399,923 shares of capital stock (par $1) to be offered to stockholders for subscription. **Price**—75 cents per share. **Underwriter**—

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None. **Proceeds**—For working capital. **Office**—1715 Mills Tower, San Francisco, Calif.

● **Marysville Newspapers, Inc., Marysville, Ohio**
March 28 (letter of notification) $135,000 of 12-year 5% secured debentures (in denominations of $1,000 and $500 each). **Underwriter**—The Ohio Company, Columbus, Ohio. **Proceeds**—For working capital. **Office**—131 N. Main Street, Marysville, Ohio.

Metal Products Mfg. Co. Inc.
Feb. 12 (letter of notification) 25,000 shares of class A voting common stock (par $1). **Price**—$5 per share. **Underwriter**—James T. DeWitt & Co., Washington, D. C. **Proceeds**—For organizational expenses and working capital. **Office**—Wolfe and Jackson Sts., Fredericksburg, Va.

● **Mid-Eastern Cooperatives, Inc., N. Y.**
March 29 (letter of notification) $69,000 of 4% debenture bonds and 2,280 shares of class A (preferred stock (par $25) to be issued in exchange for bonds and notes of Eastern Cooperatives, Inc., of equal face value. **Purpose**—To effect a reorganization and decentralization of latter company. **Office**—c/o Dorothy Kenyon, 50 Broadway, New York 4, N. Y.

● **Minneapolis Gas Co.**
March 30 filed 119,452 shares of common stock (par $1) to be offered for subscription by stockholders in ratio of one new share for each ten shares held. **Price**—To be supplied by amendment. **Underwriter**—Kalman & Co., Inc., St. Paul, Minn. **Proceeds**—For cost of additions to property.

Monongahela Power Co. (4/24)
March 23 filed $10,000,000 of first mortgage bonds due April 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Harriman Ripley & Co., Inc. **Proceeds**—From sale of bonds together with proceeds ($4,000,100) from proposed sale of 615,400 common shares to West Penn Electric Co., parent, will be used for property additions and improvements by Monongahela and its subsidiaries.

● **Montana-Dakota Utilities Co.**
March 30 filed 230,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To reduce bank loans and for construction program.

Morton Oil Co., Casper, Wyo.
Feb. 21 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—60 cents per share. **Underwriter**—Lasser Bros., New York. **Proceeds**—To Gordon R. Kay, the selling stockholder.

Mountain States Power Co. (4/10)
March 7 filed $5,500,000 of first mortgage bonds due April 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To repay bank loans and for new construction. **Bids**—To be opened at 11 a.m. (CST) on April 10 at company's office in Chicago, Ill. Statement effective March 29.

Mountain States Power Co. (4/10)
March 7 filed 150,000 shares of common stock (par $7.25). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Finner & Beane; Lehman Brothers; A. C. Allyn & Co. and Bear, Stearns & Co. (jointly). **Proceeds**—To repay bank loans and for expansion program. **Bids**—To be received at company's office in Chicago, Ill., up to 10:30 a.m. (CST) on April 10. Statement effective March 29.

Mountain States Telephone & Telegraph Co.
March 9 filed 215,709 shares of capital stock being offered to stockholders of record March 30 in ratio of one share for each five shares held; rights to expire on April 30. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To repay advances to American Telephone & Telegraph Co., the parent, which owns 900,801 shares, or 83.52% of outstanding stock, and for general corporate purposes. Statement effective March 28.

● **Nation-Wide Securities Co., Inc., N. Y.**
March 30 filed 300,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

National Gypsum Co., Buffalo, N. Y.
March 14 filed 68,652 shares of common stock (par $1) to be offered in exchange for 22,884 shares of National Mortar & Supply Co. stock in ratio of three shares of National for one share of Mortar. **Underwriters**—None.

New Hampshire Electric Co.
Jan. 25 filed 15,000 shares of $4.50 cumulative preferred stock (par $100) and 140,000 shares of common stock (no par). Of the latter, 129,367 shares were to be offered for subscription by common stockholders of New England Gas & Electric Association (parent) at rate of one New Hampshire share for each 12 New England common shares held. **Proceeds**—To retire $2,425,000 of 2⅞% bonds and the remainder to retire 4½% preferred stock of New England. Statement effective March 6. **Bids**—No bids were received for either issue on March 20. Statement withdrawn March 27.

New Hampshire Fire Insurance Co.
March 5 filed 75,000 shares of capital stock (par $10) being offered to stockholders of record March 26, 1951, at rate of one share for each four shares held; rights will expire on April 10, 1951. **Price**—$37 per share. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To increase capital and surplus. Statement effective March 26.

● **New Haven Pulp & Board Co.**
March 29 (letter of notification) a maximum of 12,578 shares of common stock (par $12.50) to be offered in exchange for 37,332 outstanding shares of common stock of Bartgis Brothers Co. on basis of one share of New Haven Pulp stock for three shares of Bartgis stock. In lieu of fractional shares of New Haven stock, cash will be paid at rate of $21 per New Haven share, and same rate will be effective if Bartgis stockholder wishes to complete purchase of full New Haven share. **Underwriter**—None. **Purpose**—To obtain 100% stock control of Bartgis Brothers Co. and for working capital. **Office**—259 East Street, New Haven 8, Conn.

● **Ohio Edison Co. (5/2)**
March 30 filed 150,000 shares of preferred stock (par $100) and 436,224 shares of common stock (par $8). The latter issue will be offered for subscription by common stockholders May 2, 1951, on the basis of one share for each ten shares held, with an oversubscription privilege; rights to expire on May 18. **Price**—To be named by the company. **Underwriters**—To be determined by competitive bidding. Probable bidders for preferred stock: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co.; Glore, Forgan & Co., and White, Weld & Co. (jointly); The First Boston Corp. Probable bidders for common stock: Lehman Brothers and Bear, Stearns & Co. (jointly); First Boston Corp.; Lazard Freres & Co.; Union Securities Corp., and Wertheim & Co. (jointly); Glore, Forgan & Co., and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Proceeds**—For construction program. **Bids**—To be received at 11 a.m. (EDST) on or about May 2.

Oklahoma Gas & Electric Co.
March 5 filed 215,380 shares of common stock (par $10) to be offered to common stockholders of record April 5, 1951 at rate of one share for each 10 shares held, with an oversubscription privilege; rights are to expire on April 24. Standard Gas & Electric Co. is entitled to purchase 121,009 shares and plans to purchase any of the remaining 94,371 shares not subscribed for by other stockholders. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—For construction program.

● **Pacific Lighting Corp. (4/24)**
April 3 filed 369,643 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriter**—Blyth & Co., Inc. **Proceeds**—For additions and improvements to property.

● **Pacific Refiners, Ltd., Honolulu, Hawaii (4/6)**
March 30 filed 750,000 shares of common stock to be offered for subscription by common stockholders of record April 6, 1951, at rate of one share for each share held. **Price**—At par ($1 per share). **Underwriter**—None. Unsubscribed shares to be sold at public auction in Honolulu. **Proceeds**—To retire short term promissory notes and for construction program.

Pact Gas Co., Cushing, Okla.
Jan. 8 (letter of notification) $50,000 of first mortgage serial 6% bonds due 1961-1971. **Price**—At 100%. **Underwriter**—R. J. Edwards, Inc., Oklahoma City, Okla. **Proceeds**—To retire certain capital stock and for construction. **Office**—212 East Broadway, Cushing, Okla.

Palestine Economic Corp., New York
Feb. 15 filed 200,000 shares of common stock (par $25). **Price**—$28 per share. **Underwriter**—None. **Proceeds**—For further development of Israel industry. Statement effective March 22.

Palmer Stendel Oil Corp., Santa Barbara, Cal.
March 5 (letter of notification) 1,212,200 shares of nonassessable stock (par $1) being offered to stockholders of record March 10 on a basis of five shares for each eight held; rights to expire on April 6. **Price**—20 cents per share. **Underwriter**—Burnham & Co., New York. **Proceeds**—For working capital, etc. **Office**—First National Bank Bldg., Santa Barbara, Calif.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes.

Peabody Coal Co. (4/17)
March 26 filed $6,000,000 sinking fund debentures due April 1, 1966. **Price**—To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago, Ill. **Proceeds**—For new construction.

Peabody Coal Co. (4/17)
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program.

Piedmont Natural Gas Co., Inc.
Feb. 20 filed 125,000 shares of common stock (par $1) being offered to common stockholders of record March 29 at rate of one share for each two shares held; rights expire on April 9. **Price**—$4.50 per share. **Underwriter**—White, Weld & Co., New York. **Proceeds**—To construct and operate six lateral pipe lines. Statement effective March 29.

Plywood, Inc., Detroit, Mich. (4/11)
March 15 filed $1,500,000 of 6% sinking fund debentures, series A, due April 1, 1963 (with 7-year warrants to purchase 150,000 shares of common stock attached). **Price**—To be supplied by amendment. **Underwriters**—H. M. Byllesby & Co., Inc., Chicago, Ill., and P. W. Brooks & Co., Inc., New York. **Proceeds**—To redeem 5% debentures to erect plant and install equipment.

Public Service Co. of Oklahoma (4/24)
March 12 filed $10,000,000 of first mortgage bonds, series C, due April 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. **Proceeds**—For new construction. **Bids**—To be opened on April 24.

● **Rowe (T.) Price Growth Stock Fund, Inc.**
March 27 filed 75,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment. **Office**—Baltimore, Md.

Sattler's, Inc., Buffalo, N. Y.
March 22 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To Charles Hahn, Jr., President, who is the selling stockholder. Expected week of April 9. **Offering**—Indefinitely postponed.

Seal-Peel, Inc., Van Dyke, Mich.
March 19 (letter of notification) 225,000 shares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—None. **Proceeds**—For working capital and to retire indebtedness. **Office**—11400 East Nine Mile Road, Van Dyke, Mich., or 103 Park Avenue, New York, N. Y. Placed privately with a few individuals.

● **Shawmut Association**
March 26 (letter of notification) 5,800 shares of common stock (no par). **Price**—At current market (about $17 per share). **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—To National Shawmut Bank of Boston, the selling stockholder.

Sinclair & Valentine Co., New York
March 12 (letter of notification) 16,599 shares of common stock (no par) to be offered to common stockholders of record March 28, 1951, at rate of one share for each ten shares held; rights to expire April 18, 1951. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—611 West 129th Street, New York 27, N. Y.

● **Smart & Final Co., Ltd., Los Angeles, Calif.**
March 22 (letter of notification) 12,561 shares of common stock (no par). **Price**—$7.25 per share. **Underwriter**—Pacific Coast Securities Co., San Francisco, Calif. **Proceeds**—To selling stockholders. **Office**—4510 Colorado Blvd., Los Angeles 53, Calif.

South Carolina Insurance Co., Columbia, S. C.
Feb. 28 (letter of notification) 5,000 shares of common stock (par $10) being offered to stockholders of record March 15 on basis of one share for each 10 shares held (with an oversubscription privilege); rights expire on April 15. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To provide additional capital and surplus. **Address**—P. O. Box 1199, Columbia, S. C.

South State Uranium Mines Ltd. (Canada)
Nov. 30 filed 560,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

● **Southern Bankers Life Insurance Co., Dallas, Tex.**
March 22 (letter of notification) 2,500 shares of capital stock. **Price**—$60 per share. **Underwriter**—None. **Proceeds**—To set up net and contingency reserves on policies taken from the Southern Bankers Mutual Life Insurance Co. **Address**—c/o Willis A. Naudain, Reserve Loan Bldg., Dallas, Tex.

Standard-Thomson Corp.
March 12 (letter of notification) approximately 13,750 shares of common stock (par $1). **Price**—At the market (approximately $7 per share). **Underwriters**—Lee Higginson Corp., Carreau & Co. and Reich & Co., New York. **Proceeds**—To four selling stockholders. No general public offering planned.

State Bond & Mortgage Co., New Ulm, Minn.
Feb. 5 filed $1,500,000 of accumulative savings certificates, series 1207-A at $95.76 per $100 principal amount and $15,000,000 of accumulative savings certificates, series 1217-A at $85.68 per $100 principal amount. **Underwriter**—None. **Business**—Investment. Statement effective March 29.

● **Strategic Materials Corp., Buffalo, N. Y. (4/10)**
April 3 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Hamilton & Lunt, Buffalo, N. Y. **Proceeds**—For working capital for general corporate purposes. **Office**—1330 Marine Trust Bldg., Buffalo 3, N. Y.

● **Super Electric Products Corp.**
April 2 (letter of notification) $300,000 of insecured 6% non-cumulative convertible 10-year debentures. **Price**—At par (in denominations of $100 each). **Underwriter**—Hugh J. Devlin, New York. **Proceeds**—To retire debt and for working capital. **Office**—46 Oliver St., Newark, N. J.

● **Telecomputing Corp., Burbank, Calif.**
March 21 (letter of notification) 50,000 shares of capital stock (par $1). **Price**—$5.87½ per share. **Underwriter**—Hill, Richards & Co., Los Angeles, Calif. **Proceeds**—For working capital. **Office**—133 East Santa Anita Ave., Burbank, Calif. **Offering**—Made publicly on March 28.

Telegift, Inc., New York (5/1)
March 20 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To establish and operate a "Gifts-by-Wire" service to be known as the Telegift Service, and for operating capital. **Office**—40 East 49th Street, New York 17, N. Y.

Tennessee Gas Transmission Co. (4/10)
March 7 filed 100,000 shares of cumulative preferred stock (par $100) and 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York. **Proceeds**—To repay bank loans and for expansion of pipeline.

● **Tennessee Gas Transmission Co.**
March 29 filed "constributions to be made by employees of company to the Thrift Plan amounting to $600,000 and the guarantee by company of The Thrift Plan." **Purpose**—To provide a program whereby eligible employees of company may further their own financial independence.

● **Texas Farmers Telephone Co., Inc., Belton, Tex.**
March 26 (letter of notification) 13,000 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To rehabilitate rural telephone exchanges and system.

Thompson Products, Inc.
March 14 filed 131,190 shares of common stock (par $5) being offered to common stockholders of record April 3 on basis of one new share for each eight held; rights to expire on April 17. **Price**—$31 per share. **Underwriters**—Smith, Barney & Co. and Shields & Co., New York, and McDonald & Co., Cleveland, O. **Proceeds**—For working capital and general corporate purposes.

● **Ultra-Mechanisms, Inc., Cambridge, Mass.**
March 22 (letter of notification) 57,500 shares of common stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To develop engineering in the electro-mechanical field. **Office**—31 Carleton St., Cambridge, Mass.

● **United States Glass Co., Tiffin, Ohio**
March 28 filed voting trust certificates representing 98,641 shares of common stock (par $1) to be issued under a voting trust agreement dated Oct. 10, 1950.

● **United Wholesale Druggists of Fort Worth, Inc.**
March 28 (letter of notification) 2,144 shares of capital stock (no par). **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For purchase of merchandise for resale to retail druggists and for working capital. **Office**—70 Jennings St., Fort Worth, Texas.

● **United Wholesale Druggists, Inc., Atlanta, Ga.**
March 21 (letter of notification) 1,106 shares of preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To purchase merchandise for resale to druggists and for working capital. **Office**—505 Whitehall St., Atlanta, Ga.

● **United Wholesale Druggists of St. Louis, Inc.**
March 22 (letter of notification) 1,127 shares of capital stock (no par). **Price**—$50 per share. **Underwriter**—None. **Proceeds**—To purchase merchandise for resale to druggists and for working capital. **Office**—3901 North Kingshighway Blvd., St. Louis, Mo.

Van Lake Uranium Co., Van Dyke, Mich.
March 23 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None, but company has negotiated with Titus-Miller & Co., Detroit, Mich., which "is seeking other dealers to cooperate with it in the deal." **Proceeds**—To develop uranium deposits in the Montreal River area in Algoma, Ontario, Canada.

● **Wall Street Investing Corp., New York**
March 28 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

● **War Eagle Mining Co. (Idaho)**
March 20 (letter of notification) 1,000,000 shares of non-assessable capital stock (par 5 cents). **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—For development of mine. **Location**—War Eagle Mountain, Idaho County, Idaho.

Warner-Hudnut, Inc. (4/11-12)
March 26 filed 320,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—From sale of 185,000 shares to be used to reduce bank loans to $2,000,000 from $5,400,000, the company's principal stockholder to receive the proceeds from the sale of the remaining 135,000 shares.

● **Warren (Ohio) Telephone Co.**
March 23 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) to be offered for subscription by present stockholders in ratio of 0.27695 of a share for each share held. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To reimburse the company's construction costs.

Washington Gas Light Co.
March 8 filed 122,400 shares of common stock (no par), to be offered to common stockholders of record March 27, 1951 on basis of one share for each five shares held; rights to expire April 11. **Price**—$24.10 per share. **Underwriters**—The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C. **Proceeds**—To repay short-term debt and for construction program. Statement effective March 28.

● **Wellington Fund, Inc.**
March 30 filed 2,000,000 shares of common stock (par $1). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

● **Whitehall Fund, Inc., New York**
April 2 filed 70,000 shares of capital stock. **Price**—At market. **Underwriter**—Broad Street Sales Corp., New York. **Proceeds**—For investment.

Wisconsin Power & Light Co. (4/9)
March 23 filed 10,000 shares of cumulative preferred stock (par $100), to be offered for subscription by preferred stockholders of record April 2, subject to allotment in case of oversubscription. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and Robert W. Baird & Co., Inc. **Proceeds**—For property additions and improvements.

Wisconsin Power & Light Co. (4/9)
March 23 filed 96,069 shares of common stock (par $10), to be offered for subscription by common stockholders of record April 2, 1951, on basis of one share for each 20 shares held, with rights to expire on April 23. Unsubscribed shares to be offered to employees. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co. and Robert W. Baird & Co., Inc. **Proceeds**—For property additions and improvements.

Wisconsin Power & Light Co. (4/17)
March 23 filed $4,000,000 of first mortgage bonds, series E, due April 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Glore, Forgan & Co.; Smith, Barney & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Union Securities Corp.; Equitable Securities Corp. **Proceeds**—For construction program. **Bids**—Expected about April 17.

Prospective Offerings

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

● **American Natural Gas Co.**
March 30, William G. Woolfolk, Chairman, said it is expected company will make an additional offering of common shares to its stockholders during the year to provide subsidiaries with necessary equity funds for their expansion programs. No underwriting likely to be involved.

Atlantic City Electric Co.
Jan. 15 it was stated tentative plans call for the raising of about $2,250,000 through an offer of additional common stock on a 1-for-10 basis held around May or June. Probable underwriter: Union Securities Corp. Proceeds will be used to pay, in part, construction expenditures, which, it is estimated, will total about $5,400,000 in 1951.

Atlantic City Electric Co.
Jan. 29, it was announced that the stockholders will on April 10 vote on a proposal to increase the authorized cumulative preferred stock from 100,000 to 150,000 shares. Previous preferred stock financing was handled by private placement through Union Securities Corp. and Smith, Barney & Co.

Boston Edison Co.
Jan. 30, J. V. Toner, President, announced that company plans to issue $32,000,000 of securities to aid in financing its construction program, which, it estimated, will cost $65,300,000 through 1954. He added that no common stock financing is planned until 1955.

Carolina Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

Central & South West Corp.
March 23 it was announced company plans to increase authorized common stock (par $5) from 8,000,000 to 10,000,000 shares and offer additional common stock to common stockholders. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction program. Stockholders will meet on May 15.

Columbia Gas System, Inc.
Dec. 7 it was reported that corporation may issue and sell $35,000,000 of new securities in the Spring or early summer. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). Probable bidders for common stock, in event of competitive bidding: Morgan Stanley & Co.; Goldman, Sachs & Co. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co. and R. W. Pressprich & Co. (jointly). Proceeds will be used for expansion program.

Commonwealth Edison Co.
Jan. 10 it was announced the company contemplates $181,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. Proceeds are to be used for construction program.

● **Consolidated Edison Co. of New York, Inc.**
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds**—To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967.

Consolidated Natural Gas Co. (5/14)
March 13 it was reported that early registration is expected of $50,000,000 25-year sinking fund debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Dillon, Read & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Morgan Stanley & Co. **Proceeds**—To finance construction program. **Bids**—To be received on May 14.

● **Dayton Power & Light Co.**
March 23 it was announced company estimates construction expenditures in 1951 at $22,636,100 and at $19,427,300 in 1952.

● **Denver & Rio Grande Western RR. (4/18)**
Bids will be received up to noon (CST) on April 18 for the purchase from the company $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. They must be made to the company, in care of Messrs. Sidley, Austin, Burgess & Smith, special counsel, 11 So. La Salle St., Chicago 3, Ill. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. **Proceeds**—Together with treasury funds, to redeem on June 1, 1951, $35,062,200 outstanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993. Holders of these two issue may exchange them, par for par, for the proposed new series B bonds.

Detroit Edison Co.
March 19 it was announced company plans to sell approximately $35,000,000 of first mortgage bonds early this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Proceeds**—For construction program.

Eastern Edison Co.
March 21 an amended plan of reorganization of Eastern Utilities Associates was filed with SEC which provides for the acquisition by this company (organized on Feb. 16, 1951, as Eastern Edison Electric Co.) of the properties and business of Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and all the securities of Blackstone Valley Gas & Electric Co. The surviving corporation will issue and sell to the public $28,000,000 of bonds and $12,500,000 of preferred stock and obtain a $3,500,000 bank loan (for construction purposes). Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly). Proceeds would be used to retire bonds, preferred stock and bank debt of subsidiaries and the remainder used for construction program.

Eastern Utilities Associates
See Eastern Edison Co. above.

Englander, Inc.
Feb. 19, it was reported to be contemplating new financing. Underwriter—Glore, Forgan & Co., Chicago, Ill.

● **Florida Power Corp.**
March 29 the authorized common stock (par $7.50) was increased from 1,600,000 shares to 2,500,000 shares and the authorized preferred stock (par $100) from 120,000 to 250,000 shares. Underwriters for preferred stock to be determined by competitive bidding. Probable bidders may include Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Union Securities Corp. Probable underwriters for common stock. Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

● **Florida Power Corp.**
March 29 it was stated company expected to sell $8,000,000 to $10,000,000 of new bonds this summer. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Smith, Barney & Co.; The First Boston Corp.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—For expansion program.

Georgia Power Co. (6/5)
Jan. 8 it was reported company may issue and sell $20,000,000 of new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers; Harriman Ripley & Co. Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—Tentatively expected to be opened on June 5.

Green Mountain Power Corp., Montpelier, Vt.
Feb. 23 amendment to plan for reorganization was filed. This plan, among other things, provides for sale of

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104,094 shares of new common stock (par $10) through underwriters, subject to the right of present preferred stockholders to subscribe for the new shares.

Gulf Power Co.
Feb. 6, it was reported that this company may sell securities "for new money" this year. In event of preferred stock issue, probable bidders may be Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. But definite plans have not as yet been formulated.

Idaho Power Co.
Feb. 6, it was reported that this company will raise $18,500,000 through sale of securities this year. It is believed that this financing will be through sale of mortgage bonds and preferred stock. Bond financing may be private, while preferred stock may be underwritten by Wegener & Daly Corp., Boise, Idaho. Proceeds would go toward expansion program, which, it is estimated, will cost nearly $23,000,000 for 1951.

● **Illinois Central RR. (4/19)**
Bids will be received up to noon (CST) on April 19 at the office of the company, Room 30, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $6,800,000 equipment trust certificates, series EE, to be dated April 1, 1951, and to mature in 20 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; The First Boston Corp.

● **Indianapolis Power & Light Co.**
March 26 it was announced stockholders on April 17 will vote on increasing authorized preferred stock (par $100) from 150,000 to 250,000 shares and authorized common stock (no par) from 1,500,000 to 2,000,000 shares. No imminent financing planned. Probable underwriters for common stock issue: Lehman Brothers; Goldman, Sachs & Co. and The First Boston Corp.

● **Iowa Public Service Co.**
March 23 the company's report revealed it is anticipated it will be necessary to provide about $4,000,000 new money to finance its 1951 construction program.

Kansas City Power & Light Co.
Feb. 7, Harry B. Munsell, President, announced company expects to raise $15,000,000 of new money through the sale of new securities, including from $5,000,000 to $8,000,000 preferred stock, and the remainder common stock and bonds. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock: Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co., Inc.

Kansas-Nebraska Natural Gas Co., Inc.
Feb. 15, it was announced that company plans to raise $4,200,000 through the sale of debentures or first mortgage bonds in the spring of 1951 (this is in addition to recent sale of 10,950 shares of $5 cumulative preferred stock (no par) at $105 per share plus accrued dividends and 133,812 shares of common stock (par $5) at $15 per share (the latter to common stockholders). The bond financing early last year was placed privately through Central Republic Co. (Inc.), Chicago, Ill. The proceeds are to be used for the company's expansion program.

Lake Shore Pipe Line Co., Cleveland, Ohio
Feb. 15 FPC authorized this company to acquire, construct and operate pipeline facilities which will carry natural gas into northeastern Ohio for the first time. Financing plan includes the issuance and sale of $1,075,000 in bonds to Stranahan, Harris & Co., Inc., Toledo, O., $225,000 in preferred stock and $150,000 in common stock.

Medusa Portland Cement Co.
March 20 the stockholders voted to increase the authorized common stock (no par) from 250,000 to 500,000 shares. Although no immediate issuance of the 277,583 unissued shares is planned, the company may need additional capital in connection with its expansion program, which, it is estimated, will cost $500,000.

Minneapolis-Honeywell Regulator Co.
March 27 stockholders increased authorized preference stock by 50,000 shares to 160,000 shares and the authorized common stock to 3,440,000 shares from 3,300,000 shares.

Mississippi Power Co. (7/17)
Feb. 6, it was reported that this company contemplates the issuance and sale of $4,000,000 of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co., Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. **Bids**—Tentatively expected to be received on July 17. **Registration**—Scheduled for June 15.

● **Montana-Dakota Utilities Co.**
March 30 it was announced that company proposes to issue and sell $3,000,000 of first mortgage bonds due April 1, 1976, and $2,000,000 of first mortgage serial bonds, due $100,000 each April 1 from 1952 to 1971, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. **Proceeds**—To pay bank loans and for new construction.

National Utilities Co. of Michigan, Coldwater, Michigan
March 6 company sought FPC authority to construct about 76.7 miles of pipeline, at an estimated cost of $1,500,000, to be financed by issuance and sale of first mortgage bonds.

New England Power Co.
Jan. 24 it was estimated that $32,000,000 of new financing will be required prior to Dec. 31, 1952 (including the $12,000,000 of bonds filed with SEC). Between 70,000 to 80,000 shares of preferred stock may be initially offered. Probable bidders: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co. Proceeds to be used to repay bank loans and for construction program.

New Jersey Power & Light Co.
Feb. 19 it was reported that company tentatively plans to issue and sell $2,500,000 of preferred stock to public and $1,500,000 of common stock to General Public Utilities Corp., parent. **Underwriters**—For preferred to be determined by competitive bidding. Probable bidders: Drexel & Co., Kuhn, Loeb & Co., and Lehman Brothers (jointly); W. C. Langley & Co.; Smith, Barney & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros & Hutzler. **Proceeds** — For 1951 construction program Expected late Summer and early Fall.

● **New York, Chicago & St. Louis RR.**
March 29 stockholders authorized a new issue of cumulative preferred stock which may be offered in exchange for the present $36,056,700 of $6 preferred stock. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co.

Oklahoma Gas & Electric Co.
Dec. 20 D. S. Kennedy, President, said company is considering refunding outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal amount of preferred stock with a lower dividend rate and may issue additional common stock (par $10) provided market conditions warrant such action, to finance construction program. Probable underwriters: Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

● **Panhandle Producing & Refining Co.**
April 3 it was announced arrangements have been made to sell 202,500 shares of Panhandle stock held by Atlas Corp. to a group headed by White, Weld & Co. It is understood that part of this stock is being purchased for investment and the major portion will be publicly offered after the filing of a registration statement.

Pennsylvania Electric Co.
Feb. 16 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds, $2,500,000 of preferred stock and $2,500,000 of common stock (latter to General Public Utilities Corp., parent). **Underwriter**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. Probable bidders for preferred stock: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman, Ripley & Co., Inc. **Proceeds**—For 1951 construction program. Expected late Summer or early Fall.

● **Pitney-Bowes, Inc.**
March 29 it was announced company plans to sell additional convertible preferred stock from time to time for "new money."

Public Service Co. of Colorado
Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about $7,000,000." Probable bidders for a reported issue of $15,000,000 new bonds are: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

● **Republic Steel Corp.**
April 2 company announced it has started on a $75,000,000 expansion program in Cleveland, O. Other plans for expansion, together with the company's participation in ore mine developments will result in additional expenditures of over $150,000,000.

Rochester Gas & Electric Co.
March 21 company applied to the New York P. S. Commission for authority to issue $5,000,000 of first mortgage bonds and 150,000 additional shares of common stock (the latter for subscription by common stockholders on a basis of one new share for each seven shares held). Bonds may be placed privately, with the common stock issue underwritten by The First Boston Corp. **Proceeds**—For new construction.

Sharon Steel Corp.
March 27 stockholders voted to increase the debt limit of the company to $30,000,000 from $15,000,000 and to increase authorized capital stock to 2,500,000 from 1,000,000 shares. At present, the company has 925,863 shares outstanding. The company's expansion plan, recently announced, will sharply increase ingot capacity, pig iron and coke output and finishing facilities. The additions and improvements are to be completed over the next five years.

● **Tennessee Gas Transmission Co.**
March 6 it was reported company plans to issue and sell about $45,000,000 of new bonds late this year (see previous columns for preferred and common stocks now in registration). **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Eastern Transmission Corp.
Feb. 27 company was authorized to construct facilities which will increase the daily capacity of its system by 465,700,000 cubic feet to approximately 1,206,500,000 cubic feet. This project, it is estimated will cost $96,305,118, and includes approximately 791 miles of pipeline extending from a connection with United Gas Corp.'s system near Kosciusko, Miss., through Alabama, Tennessee, Kentucky, and Ohio to a connection with Texas Eastern's existing system near Connellsville, Pa. The company's financing program includes the sale of $78,000,000 first mortgage bonds (to be placed privately), the replacing of a $10,000,000 bank loan with a new bank loan of $20,000,000, and the sale of $45,000,000 of preferred stock, $20,000,000 of which already has been sold. Traditional underwriter for preferred stock: Dillon, Read & Co. Inc., New York.

United Gas Corp.
Feb. 27 it was announced company plans to issue $145,000,000 debt securities and will loan the proceeds, together with other funds, to its subsidiary, United Gas Pipe Line Co. a total of $150,000,000 to be used for the latter's construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Equitable Securities Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The First Boston Corp.

United Gas Pipe Line Co., Shreveport, La.
Feb. 27 FPC authorized company to carry out an expansion program, which will include construction of approximately 1,000 miles of pipeline, at a total estimated cost of $111,861,749. Company will finance construction by borrowing $150,000,000 from its parent, United Gas Corp. (which see above).

Utah Power & Light Co.
March 8 it was announced company during 1951 proposes to issue and sell 200,000 shares of common stock and estimated $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); and (2) for stock: Blyth & Co. Inc.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly); Lehman Bros. & Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds** — To repay bank loans and to provide additional construction funds.

● **Victor Chemical Works**
March 30 it was announced company plans to issue and sell 100,000 shares of new convertible second preferred stock (par $50). **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—Together with funds from private sale of $4,000,000 of 20-year sinking fund notes, to be used toward expansion program.

Virginia Electric & Power Co.
March 6 directors announced tentative plans for the sale of approximately 450,000 shares of additional common stock to common stockholders at rate of one new share for each 10 shares held. **Price**—To be determined by market and other conditions. **Underwriter** — Stone & Webster Securities Corp., New York. **Proceeds**—For construction program. **Offering** — Tentatively planned for June.

● **Wagner Electric Corp.**
March 19 stockholders increased authorized common stock from 600,000 shares (499,016 shares outstanding) to 1,000,000 shares in order to make available additional stock for issuance "when, as and if it should be considered advisable."

Washington Gas Light Co.
March 8 it was announced that company may issue approximately $9,000,000 of bonds or obtain bank loans (or some combination thereof) during 1951 and apply the proceeds toward its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly). (See also registration of 122,400 shares of common stock under "Securities in Registration" in a preceding column.)

● **Wyoming-Gulf Sulphur Co. (4/16)**
March 26 it was reported sale of 260,000 shares of common stock to residents of Texas only is contemplated on April 16. **Price**—$1.15 per share. **Underwriter**—Beer & Co., Dallas, Texas.

Continued from page 5

Observations . . .

for-the-other-fellow, in a number of ways. Witness his traditional and unceasing demand—in and out of national emergencies—for the tariff device to insulate him against price competition. The insisted-on tariffs are a continuing vital element of counter-deflation.

Similarly is it *"Schizophrenic Economics"* (as termed by E. S. Genstein in a current booklet "We Can Stop Inflation," published by Kem Products Company) to continue the giving-away of goods abroad, both for our taxpayers' dollars and "for free," at a time when we are allegedly making every effort to end shortages and rising prices at home. The fetish of that "favorable" balance of trade situation assuredly is another important element of gross inconsistency, as well as extravagance, during this present alleged inflation emergency. In the field of international payments and trade the American taxpayer is in the position of actually financing inflation!

Our Reporter's Report

The sun broke through the low-hanging overcast which has kept the new debt issue market almost at ceiling-zero, this week bringing a mite of cheer to underwriters and dealers whose spirits have been quite as low as the clouds.

It is true that several of the syndicates originally organized to bid for two small bond issues which reached the deadline broke up before the bidding started.

But actual response was better than expected with three groups facing the deadline on one issue and four submitting bids for the second.

Four groups went after Worcester County Electric Co.'s $12,000,000 of new 30-year first mortgage bonds, with the successful group paying the company a price of 100.633 for a 3¼% coupon. The next bid was 100.35 for the same interest rate.

Reoffering was set subject to SEC clearance, at 101.54 to yield 3.17% to the buyer, and the issue was quickly taken.

Much the same pattern developed with the Potomac Edison Co.'s $10,000,000 of 30-year bonds. Here three groups were in the running with the winner paying 101.559 for a 3⅜% coupon.

The runners-up bid 100.459 for the same coupon. The reoffering was set at 101.421 to yield 3.30%. Here again the response was of a nature to spread cheer.

Not All Gold

But as things turned out the brisk response to the offering of the aforementioned issues actually provided less basis for cheering than might ordinarily have been the case.

The fact of the matter seemed to be that these were in the nature of "special situations." That is both were spoken for quickly by large accounts and therefore provided little in the way of a real test of investor attitude generally.

The quick disposal of the issues had little or no noticeable effect on the seasoned market where observers reported bids as still scarce for high-grade utilities.

Southern Co. Common

Despite the rather drab behavior of the equity market recently, bankers encountered a good demand for the block of 1,000,000 shares additional common stock of the Southern Co. which reached market during the week.

Offering of this block brought the company a total of five bids. the highest fixing a price of $10.9851 a share. Other bids received ranged down to $10.804.

The successful syndicate fixed a reoffering price of 11⅜ for the stock and, according to reports, the entire block promised to move out quickly.

Back to Work

Corporate bond men, who have not been favored in the manner that dealers in governments have in recent years, with the Federal Reserve Open Market Committee putting a virtual "floor" under the Treasury market, are sort of licking their chops at the moment.

They contend that now, for the first time in nine or ten years, the "government boys" as they call them, have got to get in there and pitch. Unlike the farmers, they no longer have a "fixed floor" to limit their possible losses.

Now, say the corporate traders, they must figure pretty much on a "two-way" market, same as everyone else. True the Federal still is obligated to "stabilize" the market but that does not mean maintaining a fixed peg.

Another Big Stock Deal

Another big equity transaction came into the picture this week when Pacific Lighting Corp. filed with SEC to cover a projected offering of 369,643 shares additional common stock.

The aim is to sell this stock directly to an underwriting group which, in turn, would reoffer it publicly. Unless conditions change in the interim, it is now intended that this big stock undertaking should reach the market stage around April 24 next.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Now that the Administration has officially come forward and agreed to settle 1951's tax demands for $10 billion, the fact probably is, however, that the Congress will enact at most $6 billion and the tax law will not be enacted finally before Fall.

This is always providing, of course, that the Reds don't oblige with a brand new emergency. If those hundreds of thousands of Chinese Reds suddenly break through, then Congress probably would work with speed and it might even, in a fervid emotional state, boost the total take of the tax bill.

If there is a new emergency, the rest of the Truman "build-up" program will be saved. If not, the retreat on taxes from $16.5 billion to $10 billion and ultimately to $6 billion will be marked as the first step toward back-tracking from a total program involving such a load on the economy as to call into being price and wage controls, taxes, and other measures the country, and ultimately the Congress, could not permanently stomach.

Congress has for some time been thinking along the lines of $6 to $8 billion from new taxes. When they talk those figures, it is safe to rely on the lower figure. Congress figures it can "save" $3 billion out of Truman's budget; $1 billion by failing to enact that much of Truman-recommended "Fair Deal" proposals, and $2 billion by direct cuts in appropriations.

Then Congress will figure that the Treasury is wrong in its revenue estimates by at least $1 billion underestimated, and will settle for $6 billion of new taxes. If Congress figures the Treasury is $2 billion too low for fiscal 1952, the tax bill will then aim at $5 billion.

* * *

With the attempts to reform RFC, it is beginning to look as though it were a case of too many cooks spoiling the broth.

Senator Fulbright, the chairman of the RFC Banking subcommittee, wanted the single administrator to run the works, and the abolition of the five-man, bi-partisan board. This is the plan which President Truman belatedly adopted. He submitted a proposed reorganization plan which would become effective unless voted down by a majority of the members of either House before April 20, its effective date unless vetoed.

Then the Republicans decided to oppose the reorganization plan for the express purpose of killing off RFC, and not incidentally because they wanted to keep the RFC scandal alive. It is improbable, however, that RFC can be killed. President Truman would probably veto a bill to kill off RFC, even if one could pass, and there are not likely to be two-thirds voting to override a veto.

Finally, Senator Burnet Rhett Maybank has announced that his Banking committee would like to take over RFC and operate upon it, improving the agency.

The virtue of the single administrator idea was supposed to be that a fresh gentleman of high calibre could be induced to take the job if he felt that he could completely clean house and fix up the RFC.

However, with Senator Maybank serving notice that he means to operate on RFC, Senators are saying what is the use of trying to entice a respectable individual to become single administrator when he might have the ground cut out from under him by legislation in a few months. Yet the Banking committee will be so tied up until June 20 with the Defense Production Act, it cannot play with RFC legislation until after then. So the criticized board members may stay on despite the best of intentions to reform RFC.

* * *

There has occurred something of a phenomenon in this capital, in the conversion of the majority of the Congressional Joint Economic committee to nearly 100% orthodox economics for the duration of the "build-up" period.

By an "unanimous report" this committee embraced a program which the most conservative thinker on economic matters could adopt as his own, provided he made allowances for necessary political lip service to, and relatively light criticisms of, certain "Fair Deal" programs.

Except for the readers of the occasional metropolitan daily, most newspaper readers Monday got the idea that the committee had merely backed the idea of adequate taxes at the soonest possible moment to "pay-as-you-go" for the defense program.

The JEC report, however, went much farther. It said that the level of military spending was not sacred, and that militray appropriations should not be made "unless and until" adequate tax revenues were in sight. The committee also pointed out that there was such a thing as too high taxes, and that somewhere, maybe at 20% of gross national product at the outside, there should be a limit on military spending.

In details galore, the JEC clashed with the "Fair Deal." Need for Federal aid for health services, baby tending, education, and other sundries, was deprecated. The committee criticized escalator clauses in union contracts. It said that price control should not be limited to application only when farm products reached parity prices. It opposed appropriation of a huge sum for direct construction of industrial facilities. The committee was even most doubtful of the St. Lawrence seaway.

How come this phenomenon?

Its simplest explanation is probably that Senator Joseph C. O'Mahoney and his top staff of the Congressional Joint Economic Committee have got religion about this inflation business.

With a committee of a dozen busy Congressmen, the only way a report like this gets written is when the Chairman, in this case Senator Joe, directs the staff to prepare a report along such and such lines. Then the thing is batted around to the members to get modified until it reaches a common denominator of agreement.

Hence the conservative drift in all probability originated with O'Mahoney. The Wyoming Senator has always appeared publicly in the past as one of the most aggressive of the "Fair Dealers," and certainly has gone down the party line in the past. Privately, however, Joe O'Mahoney has given the impression of being a rather good-natured cynic with a sense of humor, who had adopted the "Fair Deal" as the most salable brand of political merchandise, in his opinion.

This current report reflects genuine alarm over the dangers of inflation, so in all probability Senator Joe has become personally and politically far more interested in the prevention of inflation than in the promotion of the "Fair Deal"—at least at this time.

Then the staff members upon whom the Senator relies to put words to the music, are starry-eyed Ph. D.'s who are ardent compensatory spenders. A compensatory spender has to live and work in this capital for a year or so before he discovers that the Administrations of the last couple of decades, more or less, only adopt compensatory spending as a convenient ideological and philosophical excuse to keep on spending. And so the O'Mahoney staff is probably disillusioned, too.

In terms of practical legislative significance, the report is of little importance. The "unanimous report" was not signed, although in the past, these reports were usually endorsed by the signature of the members adhering. This in effect leaves the members somewhat free to vote in conflict with the recommendations, when pieces of the legislation come up.

Since the Congressional Joint Economic Committee has no power to initiate any legislation whatever, the report is merely "advice" to the rest of the Congress, and it probably will not change a vote.

* * *

The very existence of such a thing as the Congressional "Joint Committee on the Economic Report," the full legal title of the committee, recalls that curious theoretical endeavor, the Legislative Reorganization Act of 1947, an endeavor which most Congressmen would prefer to forgive and forget, were it not that there is a current move already afoot once more "to reorganize Congress."

The Joint Committee was supposed to review the President's Economic Report, and recommend an economic program of legislation, as though Congress would ever spotlight attention on purely economic instead of political consequences. It hasn't.

This same Legislative Reorganization Act set up a Congressional Joint Budget Committee which was supposed to adopt by Feb. 15 of each year a "budget" of total revenues and expenditures. After about one and one-half attempts to comply with this, Congress has simply, by common consent, just ignored this.

That same Legislative Reorganization Act was supposed to abolish special investigating committees and direct that all investigations be operated by legislative committees, with power to introduce and sponsor legislation to cure all the terrible evils discovered. The Kefauver Crime Committee is the most brilliant current illustration of the obsolete character of that injunction in the Legislative Reorganization Act.

Despite the fact that the Legislative Reorganization Act is about 90% a dead letter, Senator A. S. "Mike" Monroney (D-Okla.), is heading another inquiry into the possibility once more of striving to "streamline" and "introduce business methods" into Congress. He will get tremendous advice from learned scholars whose knowledge of political science is gleaned from text books written for innocent students, and to be read by one another, and perhaps also a little advice from some practical politicians.

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

BUSINESS BUZZ

"—And I just found out, Mr. Bullfangle, Sir, I didn't win in the Sweepstakes after all—I misread my number—could you find it in your heart to ignore my hasty resignation and the razzberry I gave you?"

Bankers Underwrite Thompson Products Deb. & Stock Offerings

A group of investment bankers headed jointly by Smith, Barney & Co. and McDonald & Co. yesterday (April 4) offered $15,000,000 Thompson Products, Inc. 20-year 3¼% debentures, due April 1, 1971, at 100% plus accrued interest. Simultaneously Thompson Products, Inc. is offering to common stockholders of record on April 3 the right to subscribe, at $31 a share, for 131,190 additional shares of common stock on the basis of one additional share for each eight shares of common stock held. The offering to stockholders also is being underwritten by the group headed jointly by Smith, Barney & Co. and McDonald & Co. The rights to subscribe will be evidenced by subscription warrants and will expire on April 17.

Thompson Products, Inc. is a leading manufacturer of a wide range of engine and other parts for automobiles, trucks and tractors; parts and accessories for aircraft and aircraft engines; and parts for marine engines and for industrial uses.