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EDITORIAL

As We See It

President Truman in asking for an extension and a strengthening of the Defense Production Act last week, took occasion to set forth once more a good deal of the general economic philosophy upon which the plans of the Administration are based. Some of these basic notions are sound, and we could wish that Congress would conform to them. Others are of definitely dubious validity, and our law makers would do well to study them very carefully before proceeding with legislative enactments intended to give effect to them. At still other points the President and his advisers seem to us to be hopelessly befuddled, and in consequence, in danger not only of proposing unsound legislation but of seriously misleading the rank and file.

There are several of these latter passages, and the doctrines they propound have for the most part been exposed as fallacious in these columns on various occasions in the past. These refutations cannot all be repeated at this time, of course. Neither space nor the reader's patience would hold out. However, one of the President's concepts with which he deals loosely to say the least, warrants more detailed analysis than is usually accorded it. It warrants such treatment not only because the President is fuzzy in his analysis and use of it, but also because this shortcoming appears to us to be widespread among the people of the country — yes, widespread, if we may be excused for saying so, even among economists.

We refer to the notion, or perhaps rather the term, "savings." At two points the President embodies his idea of savings into his conclusions about the proper way to conduct the rearmament

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The Outlook for Business

By BERVARD NICHOLS*

Professor of Economic Research, University of Pittsburgh

Asserting for first time in our history, we have a part-war, part-peace economy that poses new problems, Prof. Nichols gives details of current and prospective business activities. Says stock prices are still relatively low, but weak spots in business outlook are: (1) uncertainty in national debt management; and (2) difficulties in preventing inflation. Warns of a "peace scare" which might mean declining business and falling prices. Reviews means of expanding production without inflation, and looks for imposition of additional controls.

As a preface to the discussion, I should like to say that if the war in Korea turns out to be the beginning of World War III, then much of what is presented here can be disregarded. Although it may be only wishful thinking, I have felt all along that there will be no all-out war this year.

Bervard Nichols

In any appraisal of the probable business trend in the next year, it must be recognized that a booming peacetime economy was confronted late in June 1950 with an urgent need to mobilize its resources in support of the military program in the Far East and in other possible trouble spots.

Conditions were far different in June last year than at the outbreak of World War II. At the start of World War II:

The economy was just recovering from the severe depression of 1937-38; many were unemployed; most industries were working at less than 50% of capacity; prices were low; industry was eager for new orders; the national debt was relatively small and the volume of consumer credit was low.

Here is the picture at the outbreak of the war in

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*An address by Prof. Nichols at the Consumers Credit Conference of the Pennsylvania Bankers Association, Harrisburg, Pa., April 27, 1951.

The MacArthur Crisis

By DR. MELCHIOR PALYI

Dr. Palyi contrasts MacArthur's thesis with the "Middle-of-the-Road" policy of Truman and Acheson. Points out great objective of Allies is to find *modus vivendi* with Russia. Says overriding problem of Europeans is permanent security and they fear both provoking Russian aggression and resurgence of German imperialism. Sees strong anti-Americanism in Europe, despite U. S. economic aid, and desire of Europeans is to have balance of power between U. S. and Russia. Looks for greater rearmament and more inflation.

The MacArthur-Truman conflict—or is it a Marshall vs. MacArthur feud?—is a clash between the great General on the one hand and the great majority of the UN led by Downing Street, on the other hand. Washington takes the middle of the road. This is so widely recognized that a brief review may suffice.

Dr. Melchior Palyi

MacArthur's thesis is that unless we fight it out with the Chinese Reds, blockading their coast, bombing their supply lines and unleashing Chiang Kai-shek, Korea will be an endless and extremely expensive venture involving terrific hazards. He implies that the Chinese Communists either would give up if bombed and attacked on the mainland, or their regime might collapse altogether. Russia would not enter the fray (if she wanted to, would she wait for us to fully arm?). And if we are afraid of provoking the Soviets, why not get out of Korea, Formosa, Indo-China, and so forth? Indeed, the sure way to avoid war is by stopping our armaments and surrendering to fate.

The "middle-of-the-road" doctrine of Truman and Acheson is a compromise. It professes not to give up South Korea; the American public would not stand for that, or for letting Mao in on the Japanese Treaty and into the U.N., but the appeasement line is accepted to the extent of not driving the Chinese Communists out

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of the issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

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

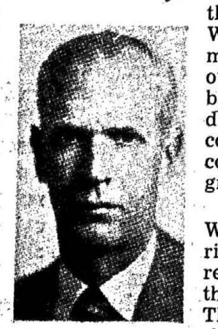
(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

EMERSON B. MORGAN
Partner, Morgan & Co.,
Los Angeles 14, Calif.

LANE-WELLS COMPANY

The selection of one's favorite stock presents quite a problem, for there are a great many excellent securities available in today's market. I have chosen the stock of a company that had its inception in this community and whose growth record has more than kept pace with the tremendous industrial expansion that has taken place in Southern California during the past decade. I refer to the common stock of the **Lane-Wells Company.**



Emerson B. Morgan

This company serves the petroleum industry in the manufacture and sale of oil tools and the furnishing of specialized services to that industry. I like the outlook for the oil industry. The increased demands for petroleum products appear most promising. It has been estimated that more wells will be drilled during 1951 than in 1950. The industry is a basic one; and whether we are in a peace or war economy, there is an ever increasing and expanding market for its products.

From a small beginning in 1932, Lane-Wells Company has enjoyed a rapid growth and development. Although today the company is one of the largest oil field service organizations in the world, its growth potentialities are far from being exhausted. Its past growth has resulted from its operations on the Pacific Coast, Mid-Continent, and Gulf Coast areas. This is illustrated by the fact that forty-eight out of its fifty-seven service and sales branches in the United States are located in California, Texas, Oklahoma, Kansas, and Louisiana. The company maintains manufacturing facilities in Los Angeles, Houston, and Oklahoma City. The universal demand for the company's products has become increasingly important.

Petro-Tech, using Lane-Wells Company's equipment, was organized in 1946 to service the Venezuelan Oilfields. Lane-Wells acquired control of this company in 1948 and today it is an 85%-owned subsidiary maintaining nine service and sales branches in that country. Last year this subsidiary contributed $230,000 net to the parent company. The future earning power of this subsidiary appears exceedingly promising.

In 1949, Lane-Wells entered the Canadian oil fields through the formation of a totally owned subsidiary — Lane-Wells Canadian Company—with the servicing base at Edmonton and the sales office at Calgary, Alberta. Gross income of this subsidiary rose from $48,000 in 1949 to $218,000 in 1950. When adequate pipe line facilities are available for the transportation of Canada's huge oil reserves, increased drilling activities are certain to follow. In the future, this subsidiary should prove a very profitable investment for the parent company.

Late in 1950, the company acquired 50% of the capital stock of Wells Surveys, Inc., of Tulsa, Oklahoma, the other 50% being owned by Socony-Vacuum Oil Company. Wells Surveys is engaged in the development and exploitation of radioactivity well-logging techniques and equipment. It is strictly a research organization. Its former source of income has all been practically from the exclusive license held by the Lane-Wells Company. Lane-Wells and Socony have now permitted Wells Surveys to license other companies on a royalty basis. This should furnish additional income and enable the company, jointly with Socony, to control the future research program of Wells Surveys.

Approximately 85% of Lane-Wells Company's business is derived from the specialized services rendered the petroleum industry, the other 15% being oil well tools. These specialized services consist chiefly of the gun perforator (60% of its business) and radioactivity well logging (25%). The technique of the gun perforator was originated by Lane-Wells and today has been refined to a jet-propelled method known as the "Koneshot." This perforating device produced a new practical technique for the selective completion of oil and gas wells. This technique quickly became standard practice in the petroleum industry. The device also makes possible the production of tremendous reserves of oil trapped behind well casing which can be quickly and economically opened up by this method. The record of more than 150,000 successful perforating jobs reflects the wide acceptance of this technique in every producing field.

Radioactivity well logging, the other major specialized service, allows petroleum engineers to determine the depths and characteristics of any formation in a well. Such information makes possible better evaluation of each well's potential production and an accurate estimate of the well's value. Rarioactivity Logs can be made in an open hole or cased well, and this technique has proved extremely valuable in locating additional producing zones in wells where production from the producing zones has fallen below profitable levels.

Wide acceptance of the company's products and services have accounted for the steady growth trend of Lane-Wells Company. In reviewing this growth trend, we find that during the past ten years, sales have **increased each year without exception** from $3,360,000 in 1941 to $17,299,000 in 1950. Percentage-wise, this amounts to 515%, an average annual increase of 51½%. Net income, after taxes, increased for the same period from $576,000 in 1941 to $2,308,000 in 1950. Reduced, percentage-wise this amounts to 400%, an average annual increase of 40%. Translated into per share earnings, this was an increase of from $1.60 per share in 1941 to $6.41 per share in 1950. Allowing for increased taxes, net income has closely paralleled the steadily increasing volume of sales. It is believed the company enjoys favorable excess profits tax exemption and future earnings should not be too seriously affected from this source. The dividend record of the company is good, dividends being paid without interruption since 1937. During the past five years, the company has plowed back over $6,000,000 of earnings and at the same time increased its dividend from $1.00 in 1946 to a total payment of $2.80 in 1950. The management feels that future expansion will not require the heavier capital expenditures that were necessary in the past. Last year, such expenditures were largely limited to the replacement of equipment, addition to field facilities, and servicing of trucks.

At the year-end, current assets stood at $5,151,000, of which $1,632,000 represented cash, as against current liabilities of $2,886,000, a ratio of 1.78 to 1. Property and plant equipment representing a total investment of over $12,000,000 are carried on the books at a depreciated value of approximately $7,500,000. During 1950, indebtedness was reduced from $2,050,000 to $1,575,000. The company's financial position appears strong.

Total capitalization consists of 360,000 shares of $1.00 par value stock. At the annual meeting held on April 10, 1951, stockholders voted approval of a 100% stock dividend. This will increase the number of shares outstanding to 720,000 out of an authorized capitalization of 1,500,000 shares. This should increase the number of stockholders by bringing the stock to a lower price level and broaden the market for the stock, which is listed on both the New York and Los Angeles Stock Exchanges.

One of the most important features influencing my selection of this stock is the excellent and capable management the company enjoys. The company's success has been achieved through its constant research and the introduction of new products and techniques to the petroleum industry.

The management are men of broad background and thoroughly conversant with the requirements of that industry. It is gratifying to note that the top executives are substantial stockholders in their company.

In summary, my selection of the stock of the Lane-Wells Company as a noteworthy candidate for inclusion in Mr. and Mrs. Average American's investment portfolio is because the company serves a basic and essential industry, its strong position in that industry, its past and impressive growth record; the prospects of future growth both here and abroad; its excellent earnings and dividend records; its strong financial position; and the caliber and stature of its management. Selling today at approximately $41 per share, this security can be purchased at slightly over six times the last based upon the $2.80 dividend three-years-average earnings, and paid last year, affords a return of better than 6.75%.

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It's a Pipe

By IRA U. COBLEIGH

Author of

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

Offering a breezy appraisal of natural gas transmission lines, and stressing their strength, their growth, and their speculative romance.

Ira U. Cobleigh

Today, this column is going underground. It's awfully fashionable, you know. Home bomb cellers are being built by thousands of the more neurotic segment of our population; and even our biggest city banks have been quietly latching on to mushroom caves, abandoned quarries, or obsolete farms in the hinterland, for stashing away valuables, and microfilms lest Moscow get messy. My dissertation, however, is not about hiding things down in the ground; rather it's about collecting and transporting an invisible something underground—natural gas, that is. And although you can't even see the product, it's not to be sniffed at! The plant investment of the gas industry is above $9 billion, and gross annual revenue is nearing the $2 billion mark. It's as dynamic as Durante!

You've all seen, in the less gracious sections of cities throughout our land, great, fat metal cylinders cluttering up the landscape. Gas holders, they're called. Balloons would be a better word. They're filled up early in the day, and sink back to the ground at dinner time, when kitchen ranges are converting this energy into steaks and stews. Well, take a good look at the next flexible gas holder (no personality intended!) you see, for it's a dying breed, left over from the days when gas was mainly manufactured. For today, 90% of all gas used in this country for fuel and heat is natural gas, and it's just about twice as good a fuel as the other kind.

Where does all this come from? From underground, of course—partly as a by-product of oil drilling, and partly from "dry" gas wells (those giving forth with gas only). The "wet" wells are where gas comes up with the oil—and it's gas that does the pushing! Of all the gas so produced some 16% is sent back into the ground to bird-dog more oil and over 10% gets lost. Some 70% sticks around, as the fastest growing source of fuel power (with the possible exception of atomic energy) in our fair land. Net production of U. S. natural gas is now over 7 trillion cubic feet a year! Reserves are estimated at —think of it—190 trillion cubic feet. And both figures (making the national debt seem puny) will probably zoom as more gas is found. We just can't be sure if we're burning it up faster than we're finding it!

You'll want to know who are the important producers. Oil companies, led probably by Humble and Phillips, have the biggest reserves. Not so big, but more predominantly gas producers, would be such companies as Hugoton, Southern Production, Chicago Corp., United, Southern, and many others. In areas close to the wells natural gas has for decades been used not only for cooking, but also to steam-generate electric power. Then, in the 1920s, some bright engineers perfected a seamless pipe that can stand great pressure without splitting; and the "big inches" were born. A new transport industry was launched, linking the fabulous gas producing areas of Texas and the Gulf, and the rest of the U. S. A.

Probably the first long line—almost 900 miles—ran from Texas to Chicago and began business in the '30s. There are two more, and much bigger ones, spanning this distance today. The longest and newest high-pressure beauty is Transcontinental Gas Pipe Line, running a 30-inch job from the Rio Grande Valley to New York —1,840 miles. This started delivering early this year, and will, in due course, supply a big slice of New England. These pipes don't just sit there in the ground like a long, king-size reptile; they have to have attention and inspection—compressor stations every hundred miles or so to agitate the vapor along the way. Because, you see, these lines simply must not fail. With about 8,100,000 householders now depending on gas for heat in the U. S. A., pipeline failures could be real serious. A miss here could make midwinter Eskimos out of a lot of people! Figures are a little confusing due to the number of new lines being laid down, but there are probably around 60,000 miles of major gas transmission lines vibrating along the subsoil. (Comparison note: U. S. railroad mileage in operation, 225,000.)

The growth of these fuel tubes has by no means gone unobserved by Federal regulators. The Federal Power Commission has full authority over the building of new lines, or extension of old ones. Authorization can be withheld until market demands, steady supplies of gas, and correct and adequate financing have been arranged. So far this regulation seems to have been, in the main, beneficent. Rates have been smiled upon, allowing a return of 6 to 6½% on "prudent investment" valuations. About the financing, the Commission has definitely frowned on "shoestring" operation. You see, pipe lines are curiously adapted to advance financing. With a few trillions of gas supply at source, they buy at contract prices, and sell the gas on the other end on long-term contracts. So, since before

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Problem of Investing Pension Fund Reserves

By CHARLES V. CAMPBELL*
President, Campbell, Henderson and Company
Investment Counsel, Dallas, Texas

After pointing out fundamental investment principles, Mr. Campbell explains limitations of pension fund organization and problems for accumulation of invested reserves. Stresses difference in policy between private and public pension funds, and gives views on relative proportions of different types of investment for private pension fund. Holds pensions should be considered as a call on a certain standard of living rather than merely a dollar obligation, and opposes restricting investment of funds to government and municipal bonds. Describes stock market as in healthy condition.

Investing money is serious business, and should be given due consideration. Of course all of you know safety of principal is one of the basic principles to govern investments, as it is important to get your money back. Since it is impossible to judge between good and bad investments, except by hindsight, it seems desirable to adopt a watchful attitude toward a portfolio. This reminds me of a story about the beautiful young blond who was asphyxiated while taking a bath and was rescued by the building employees. A newspaper reporter, wanting to make a good story out of it, ran a headline something like this: "Beautiful young blond overcome by gas while taking a bath, owes her life to the watchfulness of the elevator boy and the night watchman." So you can see that watchfulness is important.

I want to call your attention to the fact that matters mentioned during this discourse may or may not apply to the Dominion of Canada and its several provinces.

In making these comments we are talking about permanent investment accounts and are not concerned with the in-and-out trader or speculative accounts. Another factor is the time of purchases, as price is important, and the timing determines the price to a degree. Fortunately, pension fund managers have a flow of new money which comes in periodically and this flow of new money enables them to make several purchases rather than buying at one time only. This gives an opportunity to average out on the price at which investments are acquired.

Diversification

Another basic principle governing investments is that of distribution of risk, sometimes called diversification. This distribution of risk can be acquired in many ways, one of which is among types of securities such as bonds, preferred stocks, mortgages, common stocks and so forth. It is possible to diversify as to quality, consistent with the account objectives. By this we mean that at certain phases of the business cycle, it may be desirable to invest in securities of secondary quality rather than concentrate all holdings in those of the highest quality.

You are all familiar with geographical diversification, which means that one should invest geographically and not concentrate all of one's commitments in a single area. This is based upon the fact that it is always possible to have localized business depressions of catastrophes which could be harmful to your investments.

One can diversify as to maturities. This is known as spacing of maturities. This is particularly applicable to pension fund accounts. It is desirable to have some bonds falling due each year, or as to actuarial needs. It may be that one would want to have a large number of his bonds falling due in certain years to meet actuarial requirements.

A common form of diversification, or distribution of risk, is industrial diversification, which means not to put all of the money is one industry. There are times in the business cycle when the steel industry may be prospering; whereas another industry—say, the drug industry—may be in a downturn, or vice versa.

Another basic principle governing investments is that of marketability, as it is necessary and desirable to be able to sell your investments at any time. The marketability factor depends largely upon the amount of the issue outstanding and the general reputation of the borrower. The desirability of listing on a major exchange is often considered to be absolutely necessary for adequate marketability. This matter is debatable, as one can find many instances of a listed security having a narrow market while there are other instances of an over-the-counter issue possessing a very satisfactory market. This, as stated before, depends upon the amount of the issue outstanding and the general reputation of the issuing company, rather than its listing on a certain exchange.

The final factor governing investments is that of income return, as it is necessary to have income in order to make the wheels go round. The amount of income received depends partly upon the long-term trend of interest rates; and this is very significant. As all of you know, we have been in a long-term downtrend in interest rates for many years. There are some signs currently that this may be reversed, but it is too early yet to make any predictions. Since the rate of return on the investment reflects risk inversely, it is suggested that pension funds should not strain for income in making investments.

*An address by Mr. Campbell before the Forty-fifth Annual Conference of the Municipal Finance Officers Association of the United States and Canada, Dallas, Texas, April 25, 1951.

Present Policy

It is necessary to go into the general outlook for business in determining present policy toward investments. Briefly, it is our belief that the volume of business will remain high; commodity prices will remain high, perhaps considerably higher than at present, although we hate to tell you this. National income and corporate earnings are high and are expected to remain high. Generally speaking, corporation finances are adequate. Dividend payments should be quite large, as corporations have completed their postwar expansion plans and paid for them in many cases. There are a few instances of new expansion plans based on the armament boom but these should not loom large in the overall picture. The Dow-Jones Industrial Stocks, here I am referring to the 30 industrial stocks comprising the Dow-Jones Index published in your papers, are of good quality, and they presently give a yield of about 6½% based on the market level of around 250 for the Index. It is interesting to note that if the Index should fall to 234, a return of some 7% would be afforded on these stocks. This ratio is quite high, as it has only been possible to purchase similar quality stocks at a 6% return eight times in the past 50 years. Each time the stocks were available at a 6% return, with the one single exception during the World War I period, a rise in the stock market ensued in the following two years so that, on the average, an investor would have had a profit of approximately 30% on purchases made in times when the Index was affording a return of 6% or greater. It is presumed that this same relationship will hold true in this instance, as stocks are at present yielding more than 6% return.

Furthermore, the relationship between stock and bond yields is favorable to stocks at this time. Usually, before important downturns occur in the stock market, there are low dividend returns in relation to bond yields—possibly stocks would be yielding only about 1½ times what bonds would yield. This means that the investors are already anticipating further improvement by forcing up prices of the common stocks. At this particular time, bonds are giving a return of around 3% and stocks giving a return of more than 6%, so that the relationship is more than two to one. This is a fairly healthy relationship for this Index. Based on these conclusions, the stock market is in a healthy condition.

Eighteen years of Federal deficits have weakened our economy and have left us with a Federal debt of around $260 billion. The cost of living has risen considerably. This can be illustrated by the cost of living Index prepared by the Federal Government showing what it costs for a four-member family to live. These sample families, located over the country, send in detailed figures to the government from time to time, and these expenses are figured down very minutely, even to the cost of the daily newspaper. The Index in 1935 indicated that a four-member family could live on $1,524 per annum. By 1950, this had risen to $3,500 per annum and it is believed that the figures will show an additional increase in 1951. The Federal Government is responsible for a large part of the inflationary tendencies as it is true that debt management and other Federal Administration agencies cause some of the inflation that is frozen into our economy. Take the case of the Interstate Commerce Commission which regulates freight rates for example. It is interesting to note that I.C.C. has allowed some eight freight rate increases in the postwar period since World War II and that these increases total approximately 56%. This increased cost of doing business is frozen into our economy and is passed on into the increased cost of all goods produced. It is obvious that protection against deflation is costly in an inflationary period, as bonds suffer loss of purchasing power. Such protection should be used very sparingly, and only be used in the amount that is needed rather than following historical precedent.

Even though we are in an inflationary period, one cannot assume that the market will be free of setbacks or reactions. One may expect an up-and-down market, with violent movements from time to time on unexpected news. In France, after World War I, even though the inflation was constant, the markets fluctuated considerably and a trader operating on a 50% margin would have been wiped out several times during this period, even though each time the market fell, it rose again to higher levels. In a period such as we are in now, it is our belief that pension managers need flexibility as to the selection of risks. They should not be limited. I am reminded here of a football illustration in which government bonds may be termed as line plays over the center of the line, corporate bonds as off-tackle plays, preferred stocks as end runs, and common stocks as the forward pass. It is difficult for us to believe that a coach would be limited to plays over the center of the line during a football game. He should have complete flexibility as to the selection of his plays; and in the same way, pension managers should have flexibility as to selection of their risks.

Limitations of Pension Fund Organization

Pension Fund organizations fall mainly into three basic types. The first and perhaps best known type is that of a straight insurance company plan. This plan was used by most of the early pensions, as insurance men were interested in the business and adequate yields on investments were possible at that time. The advantages of the insurance company plan are very powerful. In brief, they are freedom of fluctuations, and the fact that management can disassociate itself from the plan. We understand that the trend is away from the insurance company plan now. This is due largely to inflationary tendencies, low bond yields, and personnel problems. One insurance company is offering a combination plan, combining the insurance feature and the self-administered plan.

The second basic type of organization is that of a trust company as trustee. This is very satisfactory generally, having been adopted by General Motors and Philco Corporation. The main disadvantage of this type of organization is that the trustee tends to do what management desires, and exercises very little leadership. Furthermore, the absence of adequate trust company facilities in many areas tends to detract further from this type of plan. It is necessary either to re-

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The State of Trade and Industry

Steel Production
Electric Output
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Business Failures

A step up in over-all industrial production was evident the past week as industrial plants throughout the country increased their output responding to the needs of a nation girding for defense.

Total industrial production was noticeably higher than that of a year ago and approximately 10% below the record peak attained in the latter part of World War II. There were sporadic lay-offs in some localities due to material shortages and conversion difficulties, but total claimants for unemployment insurance benefits were far less numerous than a year ago.

The production of steel ingots increased fractionally again last week to 103.3% of capacity; in only one other week on record was total steel output higher. The current week ingot production is expected to reach a new historical peak at 104.0% of capacity.

Automobile production rose nearly 3% to 154,740 vehicles and was 7% higher than a year ago. Crude oil production reached a new record peak.

Contracts granted during the week for civil engineering construction were 29% larger than last week and 30% higher than a year ago.

This week steel production is booming along at record pace, but output falls far short of meeting demands, as defense load on the mills is mounting steadily, says "Steel," the weekly magazine of metalworking. Procurement problems of civilian goods manufacturers are intensifying as more and more tonnage is diverted to government work. And the end is not in sight. Further cutbacks in steel use in consumer goods is planned for third quarter, probably to 70% of the tonnage used in such items in the average quarter of the first half of 1950. Currently, use is held to 80%.

There is little prospect for any improvement in supply conditions for months to come even after the Controlled Materials Plan goes into effect July 1. It will take some months for this distributing system to get into smooth operation, and, even then, it will apply only to defense and defense-support consumption, unrated consumers being left on their own to pick up supplies wherever and whenever they can.

Predictions for automotive production, according to "Ward's Automotive Reports," on the basis of industry-wide programming, are that 532,000 cars will be assembled in the U. S. in May for the second highest monthly volume since last October. The highest was in March when 607,000 cars were produced.

Daily output rates in May are expected to continue at April levels, with the additional working day providing a slight increase over this month, said this Agency. Prospects are that Chrysler divisions will continue to maintain their improved position in the industry, taking about 26% of total volume, compared with 21% in March, while General Motors' share will remain at about 39%, compared with 41% in March, Ward's added.

With schedules for May holding at high levels, the auto industry is almost certain to produce more than 3,000,000 cars during the first six months of the year, and may break its record of 3,106,000 for any January-June period established in 1950, this trade authority stated.

Consumer debt for instalment purchases was reduced $95,000,000 in March and compared with decreases of $203,000,000 in January and $182,000,000 in February. The March 31 total of $12,980,000,000 was $1,903,000,000 above a year ago.

The government increased by about 10% the amount of rubber that can be used in some civilian products in May over what was permitted in April. The National Production Authority formally authorized companies making civilian rubber items to use this month 100% of the rubber they used in the average month of the fiscal year ended last June 30. In April, they had been allotted only 90% of that average. But the agency listed about 40 "less essential" products which will not be allowed to use any more rubber in May than they did in April. These included passenger car tires and tubes, garden hose and athletic goods.

Steel Output This Week Scheduled at Highest Level In History

Purchasing agents who have grown wise fighting procurement battles are keeping a watchful eye on the steel product mix, according to "The Iron Age," national metalworking weekly, for the current week. Product mix is the percentage of various steel items that make up total production. Fluctuations of only a few points in the ratio between items mean a great difference in the steel market.

Unfortunately the impact of defense and related steel pro-

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NPA Plans Curtailment Of Plant Expansion

Official reveals policy of curtailment to maintain civilian production, affording some "butter" along with guns.

The government's control authorities have definitely set the policy of sharply limiting the expansion of new plant, for defense as well as the civilian purposes. In addition to its anti-inflationary effects, this will insure adequate production of civilian goods during the latter part of this year. This was revealed by a high official of the National Production Authority in New York City on May 1.

The authorities are confident that along with the full military program, the production of civilian durable goods can be maintained at 65% of its volume of the third quarter of last year, thus providing some amount of "butter" along with "the guns." The official estimated that if such curtailment policy were not adopted, civilian durable goods supply would be cut to a mere 25% of last year's total.

After C.M.P. goes into effect July 1, no program will be given permission for unlimited expansion, it was revealed. Such limitation will be applied to expansion of power production, petroleum plant expansion, and freight car production, among other fields.

Currey Director of Commercial Solvents

Brownlee O. Currey has been elected to the Board of Directors of Commercial Solvents Corp., it has been announced by J. Albert Woods, President.


Brownlee O. Currey

Mr. Currey is President and a director of Equitable Securities Corp., Nashville, Tenn. He is also a director of American Express Co., Standard Fruit and Steamship Co., United Transit Co., West Kentucky Coal Co., Nashville Gas & Heating Co., Moore-Handley Hardware Co., Inc., Cherokee Corporation, Tennessee Natural Gas Lines, Inc., Transcontinental Bus System, Inc., and Farm & Ranch Publishing Co. of which he is publisher.

Boston Investment Club Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held on May 9, 1951, at the Boston Yacht Club at 5:30 p.m.

The speaker will be Mr. Henry M. Bliss, President of Pacific Mills. His topic will be "Outlook for Pacific Mills."

Louis C. Hebert With Titus-Miller & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Louis C. Hebert has become associated with Titus-Miller & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges. Mr. Hebert was formerly in the trading department of Moreland & Co. and prior thereto was for a number of years with Smith, Hague & Co.

Observations . . .

By A. WILFRED MAY

The Stockholders' Meeting, Mr. Avery, and the Funds

At this height of the company meeting-season, it is most timely and important to weigh the serious (rather than the flamboyant) aspects surrounding that unique institution in corporation finance—the stockholders' annual gathering.


A. Wilfred May

The Montgomery Ward session held last Friday, although convoked in the absence of the controversial atmosphere of prior years, turned out to highlight some of the permanent basic issues pervading stockholder-management relations.

Chairman Avery's pungent views on the important question of corporate pensions were freely aired when a stockholder, who had neglected to exercise his right to place the proposal on the company's proxy statement, verbally offered a resolution requesting the Ward management to prepare a pension plan for submission to stockholders later this year. The Chairman's decisive pronouncements, as reported by the "New York Times," included his interesting conclusion that the country is "in a terrible condition as a result of the effort to achieve security"; and the threat "if you wish to load highly competitive corporations with things they cannot bear you should look for new management." Reporting his fellow directors' inability to devise a sound pension plan, Mr. Avery prophesied that "many corporations that believed they have solved the benefit problem are going to find that their plans will turn out to be failures." Following the discussion, the resolution seeking preparation of a plan was overwhelmingly defeated, 4,400,000 shares against 600.

Wholly apart from the merits of the argument, and of whether the private stockholder's resolution was technically in order, the point of real serious interest in the proceedings is that as long as the pension issue was willingly discussed by management, it should have been explored fully and disposed of with completeness, authority, and intelligence.

The Mutual Funds' Opportunity and Obligations

Such characteristic shortcoming of the annual meeting is importantly accentuated by abstinence by the majority of the mutual funds and closed-end investment trusts from attending meetings; as well as from voting proxies on controversial issues. This columnist's sampling of fund managers discloses a general aversion to participation in situations involving intra-company dissension. The reasons chiefly advanced include: abhorrence of their possible classification as a protesting minority or chronic troublemaker; the desire to steer clear of company-control charges; and even the individual's "if-you-don't-like-it-sell-your-stock" philosophy.

That "Sell-Your-Stock" Escape

Regarding the latter "sell-your-stock" way-out, the fact is that, of course, bad management situations had better not be bought into knowingly; but in cases where abuse has developed subsequently, the owner should try to right the situation involving his property—not merely try to escape. Liquidation should be determined by criteria of value, not as a consequence of sabotage by management.

In the case of "non-controversial" meetings, it appears that the majority of the funds remain unrepresented. By doing so, it seems to this writer that fund management is at fault by way of omission, in failing to fulfill its trust function as public stockholder and as expert adviser in voting; and also by way of commission, in virtually dis-franchising the individual holder of the

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Inflation and the Individual

By DEXTER M. KEEZER*
Director, Department of Economics,
McGraw-Hill Publishing Co., Inc.

Though stating U. S. inflation will not approach run-away type experienced in Europe, Dr. Keezer sees more inflation ahead, since powerful pressure groups thrive on inflation and necessary steps to stop it are unlikely. Says industrial worker has benefited by inflation, but great harm is done to unorganized mass of people.

In this general session on inflation my assignment is to open up a discussion of inflation and the individual. As I see it, this involves giving some indication of: (1) What inflation does to the individual; (2) The prospects that it will or will not keep on doing it, and (3) What the individual can do to protect himself against inflation.

Dexter M. Keezer

I shall use a very simple, but I trust not simple-minded, definition of inflation. It is that condition which prevails when the general level of prices is rising. When prices in general are going down there is deflation.

Inflation, as I have defined it, may have a lot of different causes. It may result from having the government increase the supply of money faster than the supply of goods is increased. Or it may be the result of having wages, or other costs, pushed up faster than the supply of goods. In either case the way is paved for a general increase in prices and that, so far as I am concerned, is inflation.

It is impossible to indicate by any neat set of generalizations what inflation does to the individual. The reason is that it does quite different things to different individuals. In fact, it does quite different things to the same individual. For example, an individual may be taking a severe beating from inflation on that part of his income which comes from a fixed salary. Simultaneously, inflation may be benefitting his investment in common stocks, if any. However, I shall not dwell on these split personality problems. They would add more complexity than light.

For an individual living exclusively on a fixed money income enough inflation may be murder, in the quite literal sense of the term. It may, as it has on numerous historic occasions, completely destroy the value of his money, and hence his means of keeping alive. This is particularly true of old and sick people, living on fixed incomes. Because it strikes with special severity those least able to take care of themselves, inflation takes on the character of a particularly dirty trick.

Inflation Benefits Come

But while it is ruining some people, inflation may be benefitting others. For example, a mild inflation may simplify considerably the pursuit of business profit. If, as has generally been true in inflationary periods, price increases run ahead of cost increases, the businessman may realize an added profit without any compensating enterprise on his part. Of course, any such advantage is submerged in the general chaos when inflation reaches a point when people either won't or cannot make contracts in money terms to run over any period of time.

These differing effects on individuals and groups can be illustrated by reference to the inflation we have had since the end of World War II. It is a deplorable fact that the effects of inflation cannot be blocked out rather precisely by reference to detailed and accurate figures showing what shares of our total income go to whom. If we took only a small fraction of the time we spend fighting over the distribution of income to find out what the distribution actually is, we could fill that aching void in our economic knowledge.

As measured by the official index of consumer prices, the increase in the general average of prices has cut the purchasing power of the dollar about in half since 1939. About two-thirds of this inflationary destruction of the value of the dollar has taken place since V-J Day.

How have the major groups in our economic society ridden this great wave of inflation? The short answer is very well, on the whole.

In terms of his real income—that is what his money income will buy—the industrial worker is much better off than he was in 1939. In terms of the goods and services he buys, his average hourly wage is worth about 30% more to him than it was in 1939. And even when higher taxes are taken into account most industrial workers have gained greatly in their real income during the inflationary surge.

The inflation since 1939 has apparently also inflicted no pain on the farmer. Although he now pays about twice as much for what he buys as he did in that year the prices of the things he sells have, on the average, gone up about three times. Hence, the average real income per farm has gone up by about half. (The precise figure is 44%.)

On the whole, business enterprise has also come through this period of inflation well. Between 1939 and 1950 the share of the national income accounted for by corporate profits after taxes rose from 7% to about 9.5%. And as a percentage of sales, profits after taxes rose from 4% in 1939 to 5% a decade later.

So far as we can tell from the poor records available, small unincorporated business has done even better on the whole. There are many cries of distress from this quarter currently, and they may well be justified. But during the war the income of small business was virtually doubled, so it is still quite a distance to the poorhouse for most small business enterprises.

Among them, farmers, industrial workers and businessmen and their families constitute about two-thirds of our total national community. If all of them have thrived during the great wave of inflation since 1939, who is there left who has not? It is, of course, the unorganized mass of people who live for the most part on pensions and annuities, relatively fixed salaries, returns from fixed-income securities and many other sources of income which do not go up along with a general rise in prices. I have already indicated that those whose incomes have remained fixed since 1939 have lost about half of it, in terms of what it will buy. For some it simply means a pinch, for others it means major disaster.

This rough catalog of those who have thrived and those who have suffered during the latest wave of inflation seems to me to provide a forecast of sorts of what is likely to be done to bring inflation under effective control. The forecast is, not much.

In the period immediately ahead I would not be surprised if some prices decline a bit, particularly prices of so-called soft goods, of which very large stocks have been piled up. If so, I am sure the development will be seized upon by those who are endeavoring to control prices as evidence that they are succeeding, and that inflation is being brought under effective control.

Will Remain in Grip of Inflation

However, for the longer pull, comprising the years and not the weeks immediately ahead, I am equally confident that we shall remain quite firmly in the grip of inflationary forces, and that prices in general will keep on going up.

For better or for worse (I personally think worse), great and powerful pressure groups—of organized workers, of farmers, of businessmen—are pretty clearly in control of our economic destiny. As I have indicated, most, and the most powerful of these pressure groups, have thrived during if not necessarily "on" the great inflation since 1939. I see no reason to anticipate that they will exercise the necessary pressure to get it stopped.

For example, to keep wage increases from promoting inflation (or appropriating a share of the income going to other groups), it is necessary to keep them proportionate to the increase in the productivity of labor, or the output per man-hour. Those best equipped to judge would be pretty well agreed that, over any long period the average productivity of industrial labor is not likely to increase more than 3% a year. A 3% increase in the average hourly wage in manufacturing would be about 4.5 cents. Is it your impression that organized workers, many of whom since the war have had annual hourly wage increases ranging from 18 to 10 cents an hour, are going to settle for four and a half cents? If so, we disagree. As wage increases continue to outstrip increases in the productivity of wage workers, I expect them both to continue to produce inflation.

Of course, as those largely unorganized and depressurized groups who are the victims of inflation get increasingly emaciated, there will be less possibility of nourishment in inflation for the others. But there is still enough fat on the victims of inflation to make this a relatively time-consuming process.

I realize that I have advanced an extremely elemental view of the prospects of continuing inflation. These prospects, of course, are also affected by the way in which the financial paraphernalia of inflation is likely to be handled. I shall leave it to others to deal with that paraphernalia which, in its complexity, has virtually outstripped the capacity of man to understand. In the last analysis, however, I believe that the machinery will be adjusted to the dominant economic and political pressures. These, as I have indicated, seem to me to point to continuing inflation.

No Runaway Inflation

This, I hasten to add, is not tantamount to saying that I anticipated anything approaching runaway inflation. That is the kind of inflation that goes at a gallop and ends up by completely destroying the value of money. They had that kind in Germany after World War I and have had the same kind in some central European countries in World War II. Neither do I anticipate inflation anything like as severe as that slightly controlled type which has cut the value of the French franc to about one-twentieth of what it was at the outbreak of World War II. Over the same period the value of the Italian lira has been cut to about one-fiftieth.

I anticipate a much more subdued course of inflation in the United States. This is primarily because our capacity to produce is so tremendous and well-organized that it seems likely to continue to put a damper on anything like runaway inflation. After the severe wave of inflation caused by our rush to rearm has spent itself, as I am sure it has not at present, I would not be surprised if over the entire decade the average increase in prices annually were not more than 4 or 5% a year. And I anticipate that over that period there will continue to be considerable ups and downs in the general course of prices.

However, continuing inflation in the magnitude I anticipate would be sufficient to make it a foolish enterprise to put money in a savings bank with the hope that the interest accumulated would keep the purchasing power of the money intact. There are, of course, other good reasons for putting money in a savings bank; but protecting the purchasing power of the money would not be one of them.

If I have succeeded in my undertaking thus far I have (1) given some indication of what inflation does to different individuals, and (2) indicated the prospects, as I see them, that it will keep on doing it. These prospects (of continuing inflation) strike me as bright—even without the intervention of all-out war with Russia which, rightly or wrongly (I don't pretend to know), I am assuming will not eventuate soon.

Has Individual Protection Against Inflation?

The next and final question I shall consider is what the individual can do to protect himself against what appears to me likely to be a continuing course of inflation in the United States. It occurs to me that perhaps the most useful way to deal with this question is to assume that you have saved some money and aspire, naturally enough, to prevent inflation from eating away its purchasing power. What, as an individual, can you do?

Lest I build up false hopes I think I should say at the outset, "Relatively little." In support of this dreary conclusion I shall check through some of the possibilities which are frequently advanced as hedges against inflation.

One of them is buying a farm. Both prices of farm products and prices of farm lands have shared in the current wave of inflation and can be expected to ride along on the continuing wave. So buying a farm looks a logical way to protect your savings against inflation.

The hitch is that to handle a farm investment successfully you must know the art of farming, or perhaps have a wife who does. I can illustrate what I mean by my own experience. A couple of years ago I became the joint proprietor of a farm. My first move, which seemed to me well conceived, was to ask the county agricultural agent what to do with it. His reply was quick and firm, "Sell it." He had obviously had his fill of the woes of weakened farmers from the city.

When the agent convinced me that I would court financial disaster by trying to run the farm I proposed to let it stand idle and, as I put it after having read about being a friend of the land, rest the land. In that event, he assured me, it would be only a few years until I had a large expense for reclearing the land. I gave up farming as a personally conducted enterprise. And my interest in farming has since been limited to the possibility of getting into silent, very silent partnership with professionals.

I am sure that owning your own home during this price inflation has proved a boon to many of you. You have had shelter, and I hope comfort, at a price below that at which it can be purchased currently. But, as is true of farming, successful investment in urban real estate is an undertaking calling for a great deal of expert information — which may prove wrong. Such information is denied in large part to the individual who

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*An address by Dr. Keezer at the 11th Annual Forum on Social and Economic Trends, sponsored by New York Chapter, Chartered Life Underwriters, Inc., New York City, April 19, 1951.

Productivity—The Key To National Security

By HAROLD G. MOULTON*
President, The Brookings Institution

Holding there is ground for believing we have seen worst of current inflationary movement, Dr. Moulton points to importance of adequate 1951 harvests as effective price rise curb. Contends primary requirement for price stability in decade ahead is a constantly increasing productivity and higher man-hour output. Stresses, among other productivity factors, recent improvements in business methods and greater mechanization.

The people of this country today have two great fears — war and inflation. While these two grave concerns are connected, it is nonetheless recognized that even if we escape war the danger of inflation may continue.

Harold G. Moulton

The recent and still continuing rise in commodity prices is of vital import from the standpoint of economic stability and national security. Rising prices always work grave injustice to certain specially needy groups in society. The aged, the sick, those living on pensions or fixed incomes, unorganized groups of workers, and the salaried classes—especially in the realm of public service, education, and social welfare—suffer acutely. It is not too much to say that price inflation is productive of greater social unrest than all other factors combined.

Not only are certain groups of people adversely affected, but highly important services and activities are seriously weakened. I refer especially to educational institutions — both private and public, endowed and state supported—which find it increasingly difficult to make ends meet, and to the multitude of social services whose activities are curtailed because of advancing costs. Thus the stability of our institutions and the security of the republic depend upon our ability to prevent a further progressive rise in prices.

Reassuring Factors

There is some ground for hope that we have already seen the worst of the current inflationary movement which began last June. This advance was marked by rapid and extensive increases in the prices of industrial raw materials and foodstuffs—especially meats. The former was directly due to increased demands from the developing war industries at home and abroad. The latter was due chiefly to prospective larger purchases of food for export by the government, but also in part to the prospect for larger family incomes resulting from increasing employment. The enlarged buying resulted in an extensive accumulation of inventories both in manufacturing and distributing lines. This process was further accentuated by very extensive stockpiling operations in crucial materials by the United States Government and also by foreign governments.

Such an upthrust, or bulge, in the demand for raw materials and foodstuffs inevitably runs its course in a few months—at which time buying returns to more normal levels. There is already evidence that this tide is beginning to recede. The wholesale prices of farm products have levelled off somewhat in the past few months, and the prices of other raw materials have been declining—in a few cases rather sharply. The wholesale index covering 28 basic raw materials reached its peak in January and has been declining in succeeding weeks. Moreover, spring sales of consumer goods have been disappointing to retailers. Special sales at substantial price reductions are being advertised extensively by department stores. This is evidence of consumer resistance and apathy—reflecting the necessity of restricting further purchases while accumulated bills are being liquidated, and a waning of fear of further rapid price advances.

The kind of price advance which I have been discussing is what I call the "frothy" kind. The increased buying was not at the outset based on larger real incomes; it was simply advance buying in order to get ahead of anticipated price rises. In due course such buying would of necessity taper off; and the froth would disappear.

However, the current inventory and price readjustment will not restore prices to the former level —because meanwhile something else has happened. The rise in prices naturally led to demands for compensating increases in wage rates. A rise of wage rates was also encouraged by the increased demand for labor to meet the requirements of a rapidly expanding economy. Between June, 1950, and February, 1951, hourly earnings in manufacturing increased from $1.45 to $1.56. This was just about proportional to the rise in the cost of living index.

While these wage advances protected labor's buying power they also increased the level of costs. In short, they became frozen into a higher cost structure which exerts strong pressure for compensating price increases. These higher wage costs may be expected to continue. Indeed, the process of rising wages and rising prices is still underway, notwithstanding the efforts of the price-control authorities. While price stability has not been achieved, the rate of advance has undoubtedly been restrained somewhat.

The Importance of 1951 Harvests

The trend of prices over the balance of this year will depend largely upon the agricultural situation. If we are favored with very good harvests there might be some further levelling off in agricultural prices. However, if we should have a crop failure or only moderately good yields substantial advances would undoubtedly occur. Unfortunately, the wheat outlook is not good at the moment, and the contemplated corn acreage is below requirements.

Of crucial importance is the price of meat which, thanks to the rise in incomes during the last decade, has come to occupy an important place in the diet of the masses of the people. It is thus a very important item in the cost of living and a primary cause of demands for higher wages. If the prices of meat and other foodstuffs are held in line by favorable agricultural conditions the pressures for increasing wage rates would be greatly alleviated; and the task of the price control authorities would be accordingly eased.

In any case, I would say that the surest gauge to the trend of prices in the months ahead is the index of agricultural production.

The Significance of Productivity

Looking farther ahead — over the next decade or so—the primary requirement for price stability is constantly increasing efficiency in production. When productive efficiency is rising, higher wages can be paid without charging higher prices; or, to put the matter another way, we can pay the same wages and reduce selling prices. Increasing productivity, or man-hour output, is the only means by which the ratio of wages to prices can be improved and standards of living raised.

Increasing productivity is thus the long-term safeguard against rising prices. Moreover, increasing productivity provides the margin, in terms of munitions and other war materials, which gives us promise of victory in the great struggle for survival in which we are engaged. Increasing productivity is also indispensable to the realization of the social welfare programs in which the American people are so deeply interested. In short, without continuing and progressive increases in productive efficiency we cannot hope to realize our basic national objectives — military security, relatively stable prices, greater social security and higher standards of living.

Factors Involved in Increasing Productivity

The word "productivity" needs clarification. It is often confused with "production." One frequently hears the statement that "What we need is greater production." We may of course get greater production by having more people work or having them work more hours per week or more weeks per year. But that is a very different thing from increasing productivity. The gauge of productivity is the average output per man in a given time period. The term man-hour output is thus sharper and more precise. But to many people reference to man-hour output—or to labor productivity—adds to the confusion because of the implication that the happy result is largely, if not wholly, due to greater efficiency, or harder labor on the part of the workers. The fact, of course, is that increases in labor output per hour merely reflect the results of a combination of factors. The significance of these various factors can best be made clear in historical perspective.

First, it will be helpful to cite the figures as to the extent of the increase in productivity over the course of the last half-century. In manufacturing industry man-hour output is now three times as great as it was in 1900. In the railroad field the figures are not available for 1900; but man-hour output is now more than double what it was in 1916. In the electric light and power industry man-hour output is over two and one-half times that of 1917. In the mining industry the multiplier is 3; and for the oil and gas division it is approximately 5. In agriculture, in 1900 seven farm families could produce enough food and fiber for themselves plus 12 city families. Today seven farm families can supply themselves and 40 city families.

As a result of this extraordinary increase in efficiency family incomes for the population as a whole (with allowance for price changes) have more than doubled in a half-century. That is, real incomes have risen more than 100%. Meanwhile, the average length of the working week has decreased nearly one-third.

The ever-recurring fear that increasing efficiency will produce chronic unemployment has been shown to be groundless. In 1950, a larger percentage of the total population was employed than was the case in 1900. In short, those displaced by increasing efficiency in given occupations have found re-employment in expanding job opportunities elsewhere.

The Dismal Outlook a Century Ago

A century ago—yes, even 50 years ago—economic students held out scant hope for long continued economic advances. Instead of increasing man-hour output and progressively higher standards of living, they foresaw a decline in productivity and in the plane of living. This somber view was based chiefly upon two known facts: the comparative scarcity of good fertile land; and the rapid growth of population. While aggregate production might increase, it would not increase as fast as the number of mouths to be fed and backs to be covered. The choice seemed to be between dividing up good land among more people of spreading new families to poorer land. In either case, extra work would not yield as much in crops as formerly. The situation appeared to be the same with other natural resources. Mines would be depleted and the amount of work required to obtain a given result would increase, as we had to dig deeper into the bowels of the earth. This conception is the familiar *law of diminishing returns.* Similarly, industrial population would fare no better—for as population increased jobs would become scarcer. Competition for jobs would keep wages at or near the level required for bare existence. This was called *the iron law of wages.*

While it was recognized that capital made possible "improvements in the productive arts," the growth of capital, it was believed, could not overcome the limitations of nature. The new capital instruments would have to be used in conjunction with natural resources of diminishing productivity; hence, sooner or later capital also would be faced with diminishing returns.

By 1900, it had come to be generally recognized that in manufacturing industry we might have increasing rather than diminishing returns for a considerable span of time; but it was still generally held that in the so-called *extractive* industries — agriculture, mining, forestry and fisheries— diminishing returns could not be long postponed.

Lest the engineering and management experts here present may think that this outlook is simply a reflection of the lack of perspicacity on the part of economists, I quote a statement from a distinguished physical scientist, Sir William Crooks, President of the British Association for the Advancement of Science, in his Presidential address in 1898.

"England and all civilized nations stand in deadly peril of not having enough to eat. . . . Should all the wheat-growing countries add to their area to the utmost capacity, . . . [it] would give us only an addition of some 100,000,000 acres, supplying at the average world yield of 12.7 bushels to the acre, . . . just enough to supply the increase of population among the bread eaters until the year 1931. . . . Thirty years is but a day in the life of a nation. Those present who may attend the meeting of the British Association 30 years hence will judge how far my forecasts are justified."

Thirty years later the leading nations were consuming more and were troubled not with rising prices, but with the phenomenon of market surpluses and persistently falling prices. By that time the "agricultural problem" had came to be conceived rather in terms of overproduction than of scarcity.

The escape from poverty was not result of a declining rate of population growth. Notwithstanding a decreasing birth rate in certain social groups, we have had an extraordinary growth in aggregate population. In fact, during this century the population of the world as a whole increased at a much more rapid rate than during preceding centuries. The British population rose from 26.7 millions in 1840 to over 47 millions a 100 years later; while that of the United States increased from 17 to nearly 130 millions. In this period, however, per capita income, both in England and the United States, rose some three- to four-fold. In Japan, from 1870 to 1930, the population more than doubled; meanwhile the standard of living, instead of falling as was expected, rose well over 100%

The Dynamic Economy Which Ensued

A number of factors combined to produce the great era of eco-

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*An address by Dr. Moulton at the Sixth Annual Time Study and Methods Conference sponsored by the Society for Advancement of Management and the Management Division of the American Society of Mechanical Engineers, New York City, April 19, 1951.

Truman Seeks New Powers in Extended Defense Production Act

President, in message to Congress, asks new credit curbs and additional pricing powers. Presents eight-point program for strengthening Defense Production Act, in which revision of agricultural parity price program and authority of government to build defense plants, are included. Wants subsidies for high cost producers.

Pres. Harry S. Truman, on April 26, submitted a message to Congress in which he asked extension of the Defense Production Act, and the insertion in the legislation of provisions which would give the Administration broader and more intensive powers over the national economy.

President Truman

The text of the President's message follows:

To the Congress of the United States:

I recommend that the Congress extend for two years the Defense Production Act of 1950, which is now scheduled to expire on June 30, 1951. I also recommend that the Act be strengthened in certain respects.

The Defense Production Act was enacted in September, 1950—two months after the Communist attack on free Korea had made clear the peril in which all free nations stand. It was a legislative expression of the national resolve to meet the worldwide Communist threat with a vast increase in our military and economic strength.

The Act provides the basic authority for our defense mobilization program. It contains specific provisions for expanding production and for maintaining economic stability—the two essentials of the defense program.

Since last summer we have made a strong beginning in getting defense production started, and we have laid the basis for an effective program to stabilize prices and the cost of living.

We have doubled the number of men in our active armed forces since last June. We have nearly doubled the rate of production of military planes during the past year. Monthly deliveries of military equipment and supplies have doubled since last June. In Europe, we have joined our associates in the North Atlantic Treaty in establishing a unified defense force, to be made up of units from the treaty countries, under the command of General Eisenhower. The Mutual Defense Assistance Program has been stepped up substantially, and other free nations, particularly in Europe, are rapidly enlarging their defense establishments, as we are.

Since last summer we have taken initial actions in the fields of taxes, credit controls, price and wage controls, and other measures necessary to stop inflation and keep it stopped.

No one should deceive himself, however, by assuming that we can now relax our strenuous efforts. Quite the opposite is true. What we have done so far consists essentially of laying a solid basis for future effort.

Major Impact Still to Come

The major impact of the military buildup on our economy is still to come. Our planned expansion of defense production will not reach its peak for at least a year — and the inflationary pressure brought on by the defense effort likewise have not yet reached their peak.

The blunt fact is that the hardest part of the job still lies ahead. Nothing could be more foolhardy than to slacken the intensity of our defense mobilization effort just because we have got off to a good start.

When the Congress passed the Defense Production Act and when it passed the Military Appropriations Acts, it clearly intended that we should proceed with all speed to strengthen ourselves and join in strengthening the forces of freedom throughout the world. I have heard no voice raised in favor of turning back before the job is finished.

The full range of powers included in the Defense Production Act will be needed—and needed badly—until we are "over the hump" in our defense mobilization program. We hope that will be about two years from now—always assuming that world war is avoided. All our plans must recognize, of course, that while we hope we can influence the actions of aggressors, we cannot control them—we hope we can prevent general war, but there is no way we can be sure.

For at least the next two years we shall be driving urgently forward in our defense mobilization program. Therefore, it is of the greatest importance that the Defense Production Act be extended for that period.

Titles I, II and III of the Act relate to production.

Since June, 1950, the government has placed orders for planes, tanks, guns and other military equipment, facilities and supplies in the amount of over $26,000,000,000. As yet, only a small part of these orders have been filled and the goods delivered. Furthermore, over $58,000,000,000 more in orders have yet to be placed before the end of June, 1952.

This a tough production program because we must build our strength as rapidly as we can. The world situation could explode at any time and we must make every day count.

Consequently, the government is using extensively the powers granted in the Defense Production Act to divert materials and plants from less important to more important uses. Under these powers, important metals, chemicals and other materials — including such basic materials as steel, copper and aluminum — are being controlled and channeled to the places they are most needed.

Wants More and Tighter Curbs on the Economy

For the next year, at least, it is obvious that controls over materials will have to become tighter and tighter, as more and more of them will be diverted to essential production. Consequently, the allocations and priorities systems authorized in the Defense Production Act will be even more necessary than they are now.

There is much more to our production program, however, than simply diverting scarce materials and converting existing plants to defense production. As a nation, we are expanding our ability to produce minerals and fuels; we are building factories and transportation facilities—we are enlarging the economic capacity of the country, so that, in time, we shall be able to support a high level of military strength, resume our progress in raising living standards and be stronger

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Dealer-Broker Investment Recommendations and Literature

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

Cement Stocks—Brochure on the improved status of such stocks with special reference to **Alpha Portland Cement Co., General Portland Cement Co., Lehigh Portland Cement Co., Lone Star Cement Corp.**, and **Pennsylvania Dixie Cement Corp.**—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Missouri Public Service Co.**

Fire & Casualty Insurance Stocks—Comparison and analysis of 1950 earnings of 50 stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Formula for Short-Term Swing Trading—On request—Or if you wish you may enclose $1 and you will also receive next four issues of "The Signal" featuring "The Stock in the Spotlight"—Lester B. Robinson, 429 Russ Building, San Francisco 4, Calif.

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.

Malayan Rubber Shares—Bulletin—Abraham & Co., 120 Broadway, New York 5, N. Y.

Mexico—Brochure—Banco Commercial Mexicano, S. A., Mexico, D. F., Mexico.

New England Municipals—Newsletter—First National Bank of Boston, 45 Milk Street, Boston 6, Mass.

New York Banks and Trust Companies—76th quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Office Equipment Industry—Analysis with special reference to **Burroughs Adding Machine Co., National Cash Register, Remington Rand, Inc.** and **Underwood Corp.**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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.

Philadelphia Bank Stocks—Comparison of 10 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Portfolio Management—List of 18 issues which appear interesting—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue of "Gleanings" are brief reviews of **Butte Copper & Zinc, Canadian Marconi, Commercial Solvents, Mack Trucks, Micromatic Hone, Niles-Bement-Pond, Plymouth Oil, St. Regis Paper, Timken Roller Bearing** and **U. S. Smelting Refining & Mining.**

Railroad Industry—Analysis of operating costs—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Railroad Margins of Safety—Analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Speculative Merits of Common Stock Warrants—Sidney Fried—Discusses warrants in their different phases, the avenue of their profitable purchase and sale and current opportunities in warrants—Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.—$2.00 (or send for free descriptive folder)

Stock Market Timing—Explanatory pamphlet and samples of bulletins—$1.00—Analyst Institute, 126 Lexington Avenue, New York 16, N. Y.

* * *

Affiliated Gas Equipment—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available are bulletins on **Consolidated Grocers Corporation** and **Pfeiffer Brewing Co.**

American Chain & Cable Co.—Memorandum—Talmage & Co., 115 Broadway, New York 6, N. Y.

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IBA Group Adopts Plan On New Financing

On May 1, the Eastern Investment Banking Voluntary Credit Restraint Committee, headed by Percy M. Stewart, of Kuhn, Loeb & Co., New York City, addressed a letter to Eastern investment banking firms enclosing a form in which an underwriter can furnish information regarding a proposed financing transaction. The forms are to be filled out and forwarded to the National Voluntary Credit Restraint Committee, set up under the Defense Production Act of 1950. There are 20 regional committees set up under the Credit Restraint Program, of which four committees comprise members of the nation's investment banking houses, having their respective headquarters in New York, Chicago, Dallas and San Francisco.

Percy M. Stewart

The Eastern Investment Banking Voluntary Credit Restraint Committee is the regional committee designated to handle inquiries from investment banking houses located in the following states and the District of Columbia:

Maine; Vermont; New Hampshire; Massachusetts; Connecticut; Rhode Island; New York; New Jersey; Pennsylvania; Ohio, Delaware; Maryland; Virginia; West Virginia; Tennessee; North Carolina; South Carolina; Georgia; Florida, and Alabama.

The members of the Committee are as follows:

Percy M. Stewart, Chairman, Kuhn, Loeb & Co., New York City.

T. Jerrold Bryce, Clark Dodge & Co., New York City.

Arthur Phelan, Vice-President, Federal Reserve Bank of New York City.

Clarence E. Unterberg, C. E. Unterberg & Co., New York City.

Frank A. Willard, Reynolds & Co., New York City.

Sidney Parry to Join Chas. W. Scranton Co.

J. M. Scribner, Singer Diane & Scribner, President of the Association of Stock Exchange Firms has announced with regret the resignation of Sidney L. Parry as Executive Vice-President, effective July 1. His successor, will be announced at the coming Board of Governors meeting to be held at Hot Springs, Va., May 13-15.

Sidney L. Parry

Mr. Parry will become associated with Chas. W. Scranton & Co., 60 year old Connecticut securities firm, members of the New York Stock Exchange, in charge of public relations and advertising.

Following his release from the United States Naval Reserve as a Lieutenant Commander in 1945, Mr. Parry assumed his present duties. Prior to the War he was Vice-President of the Chicago Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

American politics being what it is, Dean Acheson, it is generally believed in political Washington, will soon be replaced as Secretary of State. The heat and pressure against him is looked upon as simply too much for a man even so stubborn as Truman to withstand. This being the case the question arises as to where we go from there.

Carlisle Bargeron

Nothing basic will have been settled; the boys will continue to run up and down the peninsula of Korea and be killed; it will have no bearing on the question of whether these boys should be protected by the bombing of Manchuria, although there is a feeling that this is soon coming, not through any change in the State Secretaryship, but through the action of the Chinese themselves. There is the belief that General Ridgway has orders, or an understanding with Washington, that if the Chinese air forces move in on him in strength, he can retaliate without strings being attached to him. So MacArthur will have accomplished something.

But this will not be due to the dismissal of Acheson. Indeed, for several months his friends have been seeking to convince Washington newspapermen that he is a greatly misunderstood man, that he is not the "appeaser" in the matter of Korea or even in Asia which he has been pictured; that, instead, he has turned out in this regard, to be quite belligerent.

It is a commentary on the muddled state of affairs in the Administration, in fact, that he is represented as having been the prime mover in the decision to "challenge Stalin" in Korea, the hastily ordered war in that country after we had signalized to the world that we would not fight there and the country was anybody's for the asking.

But if this is so, it is nonetheless true that he was motivated not by any realistic view of the situation but by a desire to stop the criticism that he harbored Communists and Communist sympathizers in the State Department, that he was a Communist appeaser. Parenthetically, this charge against the Administration of being Communist coddlers and appeasers has, as I have written before, been responsible for the Administration's spending of billions in Europe to "contain communism" there, for the present rearmament program, for the sending of troops to Europe, for the decision to "challenge Stalin" in Korea; in short, we would have been much better off if the Republicans had just gritted their teeth and never said anything about Yalta, Teheran, Potsdam or Communists in the Washington government. This would have been impossible, of course, but there is no doubt that the Administration being pressed in this wise, has thrown us into a much greater mess by way of defending itself. What better way, for example, to cover up the fact that when Korea came we had spent $75 billion on defense and had none, than to get tremendously patriotic, go all out for rearmament and spend another $100 billion.

We are too deep into things for Acheson's going to mean anything. The overall policy will be the same. Who will succeed him? Either John Foster Dulles or Paul Hoffman, according to the political dopesters hereabouts, with the odds on Hoffman. But whoever it is, there will be no fundamental change in policy. I think the bombing of Manchuria is coming soon from the sheer weight of circumstances, and that could destroy the myth of Stalin's physical might and make a tremendous impact upon this country's thinking; but neither Acheson's staying nor going will have any bearing on that. Indeed, I don't know what his friends are trying to say when they represent him as the "belligerent" one these days.

To say that none of us will be any better off with his dismissal is not to say that he hasn't been culpable in the China mess. He has been part of that school which all during the war sympathized with the Chinese Reds and insisted they were just agrarian reformers and that Chiang Kai-shek was, on the other hand, a bandit. This school predominated in the State Department and in the Administration generally. They finally succeeded in scuttling Chiang Kai-shek, though it is their contention he would have fallen anyway. I am sure I don't know whether he would have or not but their argument that the Chinese revolutionists are not ideologists, just hungry people, gets support from MacArthur.

However, this is not the point. What is the point is why, during the war when we were spending millions of dollars and some lives on Chiang Kai-shek as our collaborator against the Japs, there were those in our Washington government who were working to bring about his downfall, who preferred another group of Chinese. It was certainly a poor way to run a railroad. It is the contention of these intellectuals, the State Department crowd, the Achesons and Lattimores, that had we promptly embraced the new Chinese government everything would be hunky-dory now; we would have weaned the current bandits away from Moscow. But it is an inescapable fact that had Chiang Kai-shek not fallen we would not be in Korea now.

Acheson can't escape his culpability in this. But his replacement will only serve to quiet the Republicans for awhile. There will be no real relief for the American people until this whole Washington crowd is ridden out of town on a figurative rail, not necessarily figurative at that.

Abolish the RFC

By MARRINER S. ECCLES*
Member, Board of Governors, Federal Reserve System

Condemning Reconstruction Finance Corporation as socialistic and unnecessary in present situation, former Chairman of Federal Reserve holds it is an inflationary factor and inconsistent with anti-inflationary program. Points out private credit facilities are ample and no direct government lending to business is needed. Says RFC has not aided small business and is subject to political pressures.

Marriner S. Eccles

I appreciate the opportunity to appear here this morning and give my reasons why I feel that the Reconstruction Finance Corporation should be abolished. I am speaking for myself and not for the Federal Reserve Board. I am speaking as one who has been in government service for the past 17 years and who, during that entire period, has taken an active part in helping to solve the problems of maintaining economic stability within the framework of our democratic capitalistic society. I have, ever since the termination of the war, viewed with grave misgivings the continuation and expansion of the government in the field of private lending. There are sound and indisputable reasons why the RFC should be abolished. With your permission I shall present, as briefly and directly as possible, what I consider the most important reasons.

Inflation and Its Control

Throughout the postwar period, and particularly since the Korean invasion, the country has experienced a most serious inflationary development. This was brought about by too much money and credit in the hands of the public relative to the goods and services available in the market. The RFC, instead of liquidating its outstanding credits during this period, added to inflationary pressures by extending its lending activities and those of its affiliate, FNMA. Inflation has greatly depreciated the purchasing power of the dollar, and as a result the cost of living has increased approximately 45% since the end of the war. This has been a most serious and unjustified development, and should not have been permitted; this inflation has worked a grave injustice upon large numbers of our people; it has injured most the aged, the pensioners, the widows and the disabled—the most helpless members of our society. Inflation diminishes our incentives to work, to save, and to plan for the future, and in so doing undermines the very foundations of our free democratic society.

With a rapid increase in defense expenditures immediately confronting us, prevention of further inflation will be difficult. If it is to be avoided, all of us must support fiscal, monetary and credit measures essential to its control. With full utilization of our manpower and raw materials, it is imperative that the Federal cash budget be maintained on a pay-as-you-go basis. This is necessary to assure the transfer of funds from the civilian economy to the government to pay for the goods and services that are transferred. Otherwise, more funds will accumulate in the hands of the public than there are goods and services available for the public to buy. Such a condition will lead to further inflation. To prevent such a development, taxes have already been raised and will have to be raised further to keep pace with the increase in defense expenditures.

However, the success of an anti-inflationary program depends on more than a balanced budget. Despite the existence of a substantial budgetary surplus since Korea, a very rapid growth of bank credit has intensified inflationary pressures. As taxes increase, efforts to offset the resulting reduction in incomes give rise to increased demands for all types of credit, thereby tending to minimize the effects of a balanced budget. For this reason, an adequate program of credit restraint is essential to the success of a pay-as-you-go tax program.

Such a program of credit restraints has been developed, including control of consumer credit through Regulation W, of real estate mortgage credit through Regulation X, and of business credit through the Voluntary Credit Restraint Program provided for in the Defense Production Act of 1950 and under the supervision of the Federal Reserve Board. The need of further legislation to curb the growth of bank credit is being considered. Most important of all, the monetary and fiscal authorities have just recently reached an accord with reference to the management of the public debt that may go far toward curbing bank credit expansion, providing a balanced budget is maintained. All of the measures so adopted have received endorsement and support in congressional and financial circles, as well as by the general public.

Government Lending Inconsistent With Anti-Inflationary Program

The government is obviously very inconsistent when it acts to balance the Federal budget and restrain credit expansion to prevent inflation, while at the same time continuing in force and effect lending activities of government agencies such as the RFC. There is no logical justification for restricting the flow of good private credit, and at the same time permitting and encouraging the granting of unjustified and unsound loans by government agencies to the private economy.

We must recognize that the conditions under which the RFC came into existence were very different from those prevailing at the present time. It was established in the depths of the greatest economic depression in our history for the purpose of providing emergency financial assistance to banks and other financial institutions. Subsequently, its authority was broadened to include loans to nonfinancial business concerns under certain conditions. Because there were many weaknesses in our economic system in the early thirties, no one seriously questioned the need for a temporary government agency designed to assist the country in an economic emergency which was forcing all financial institutions, as a matter of self-preservation, to liquidate all outstanding credits.

We have long since recognized and corrected many of the weaknesses that brought about our economic collapse in the Thirties. We have greatly strengthened our commercial banking system and provided for insurance of bank deposits; we have provided for regulation and supervision of security flotations and the operation of the organized securities exchanges; and the Government has recognized by statute its obligation to assist in the maintenance of maximum employment and has provided extensive social security for a large number of the people. In addition, we have improved our techniques and gained valuable experience in the use of monetary, credit, and fiscal policies for purposes of achieving and maintaining economic stability. For these and other reasons, the necessity for continuing the RFC as an emergency financial institution no longer exists.

The problems confronting the country today are the very opposite of those which confronted the country when the RFC was first established. In our present situation, the operations of the RFC, as well as those of FNMA, in continuing to put additional funds into the spending stream only intensify the already difficult problem of curbing credit expansion. Having long since outlived its usefulness to the economy, the RFC should be abolished without further delay.

No Need for Direct Government Financing

There is no real place in a private enterprise economy for direct Government lending to the private economy, any more than there is a place for direct Government ownership of the means of production. Government participation in either activity is socialistic in nature and will, if continued and expanded, weaken and ultimately destroy the private free enterprise system. The Government's function is to regulate and supervise the activities of private enterprise in the public interest, and not to own and operate tax-free financing or production organizations in competition with those that are privately owned and operated, and are taxed. We might feel differently about the RFC if our private financing facilities and resources were unable to provide the credit required to utilize as fully as possible the labor and materials available in the economy. But such is not the case at the present time.

There are located throughout the United States more than 14,000 commercial banks, over 600 life insurance companies, more than 500 mutual savings banks, and nearly 6,000 savings and loan associations. In addition, there are numerous mortgage companies, sales finance companies, industrial loan associations, and other financing institutions. Each and every one of them, operating with funds obtained from private sources and in competition with numerous other institutions, is engaged in extending credit, in accordance with self-surviving and profit motive lending and investment policies, to meet all of the legitimate needs of a private enterprise economy. The very fact that these financing institutions are competitive and derive their earnings from the loans and investments which they make is in itself an assurance that the necessary credit requirements of the economy are being, and will continue to be, met. The combined resources at the disposal of these institutions are enormous; as of December 31, 1950, the commercial banks, life insurance companies, mutual savings banks, and savings and loan association alone held over 290 billion dollars of loans, investments and other assets, and they are adding billions of dollars to these assets every year.

To continue the existence of the RFC in competition with our private financing institutions is completely indefensible if we really believe in our private enterprise economy. This is because of the RFC's only source of funds is the Federal Treasury, while the Treasury's only source of funds is the private economy through tax collections or by borrowing to meet a budgetary deficit. Using these funds to make loans that cannot be secured in a free market means in effect that the RFC is employing funds obtained from the entire public in making questionable loans for the benefit of a select few. It is obviously unfair for the Government to subsidize with credit those business concerns which cannot stand on their own feet, but nevertheless are competing for sales and profits with concerns that have to obtain the funds they use in the private market. In other words, privately financed business concerns are called upon to provide indirectly through the Government part of the funds used by their competitors who receive RFC loans.

As the Government does not own the business enterprise which it finances by means of direct or guaranteed loans, any profits from their operations accrue to the private owners. But, if the loan eventually proves to be a loss, either in part or in whole, the Government, and ultimately the taxpayer, suffers the amount of such loss. There have been conspicuous examples of borrowers from RFC who made great profits through the use of the taxpayers' money, as well as of borrowers who incurred substantial losses at the expense of the taxpayers. If we are going to be Socialistic in some of our economic activities, it had better be by going into business directly where the profits as well as the losses accrue to the taxpayer, instead of indirectly through providing unjustified credit where only the losses accrue to the taxpayer. I am vigorously opposed to either form of Socialization.

The RFC obtains its funds without cost from the taxpayer and pays no taxes of any kind on its operations, while privately owned and operated financing institutions must raise their capital in the private market and pay in interest and dividends whatever is required. They must also pay their share of local as well as Federal taxes. Quite obviously, a company operating with an abundance of free capital on a tax-free basis during a period of inflation can make its earnings appear to be much better than a careful analysis of the facts would warrant.

Perhaps the argument most frequently heard in support of the RFC's continuance is the aid which it provides to small businesses, which presumably are unable to obtain financial assistance from any other source. However, if we examine the reports of the RFC we find that while the number of loans made to small businesses is large, the dollar volume of such loans is small relative to the total amount of loans granted or outstanding. In other words, the bulk of the funds loaned by RFC have gone to large, rather than small, businesses. Moreover, it is the considered opinion of experts in the field of small business financing that what small businesses need primarily is managerial and technical assistance rather than more money. To encourage inefficient utilization of financial resources by small business is wasteful, extravagant and

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*Statement by Mr. Eccles before the Senate Banking and Currency Committee, Washington, D. C., April 27, 1951.

How to Capitalize CAPITAL— America's Fastest Growing Market

By GEORGE DOCK, JR.
Vice-President, Albert Frank-Guenther Law, Inc.

Asserting we are in midst of financial revolution, in which individual savings and capital accumulations are creating a "fastest growing" capital market, Mr. Dock urges this increased buying capacity be diverted into investments. Holds, if this is accomplished, civilian production would soon catch up, and price and other controls would not be required. Says, to reach "middle income" investors, new selling and advertising technique will be needed, in which investment advertising should be aided by sound corporate public and stockholder relations.

Today, it may reward us as manufacturers, distributors or investment bankers, to capitalize a fundamental change, a revolution in financial conditions, that has been going on before our eyes. It has opened up a vast new market to cultivate, a market for *capital itself!* This evolution is the result of war, taxation, inflation and —more important than any other cause—an incredible increase in the productive capacity, hourly earnings and *potential savings* of labor, in our industrial plants, the building trades and on our highly mechanized farms.

George Dock, Jr.

Discount the inflationary angles of it as heavily as you wish. The leap in national income from less than $80 billion to $230 billion in less than 20 years has had no parallel in history. As an opportunity for salesmanship, for any product from dishwashers and bicycles to binoculars and common stocks, nothing like it has ever been tossed in our laps. Even more impressive than the gross total are some of the highlights in *per capita income improvement.* That is where the sales opportunity has multiplied in even more startling array, by producing 15 customers for every one that we had a decade ago.

As recently as 1940, only 1½% of the 35 million families in the United States received $5,000 or more a year. In 1950, at least 20% of our 45 million families had income of $5,000 or better. There were only 555,600 such prosperous families in 1940. There were over 9 million of them in 1950! In fact, nearly twice as many families in 1950 received incomes of $10,000 or more as there were families making $5,000 or over in 1940; and six times as many in 1950—3,600,000 families —made $7,500 or more.

This fantastic change may be of brief duration. Farm incomes have been showing a decline now for three years. White-collar workers and professional and retired people are being pinched between soaring costs and taxes and the handicap of earning power that never catches up with the rise in family overhead. The problem of heading off the inflationary spiral threatens to grow more acute as the rearmament of the Western nations absorbs much more of our manpower, our plant capacity and our incomes than it does now. If the public's buying capacity, cut back by defense needs for metal and other short commodities, could be increasingly diverted into savings and investment until civilian production catches up, the best of all possible "controls" would go into action—by "self-control." Nondefense government spending needs a cleaver for the same reason.

That, precisely, is the challenge of these times to American technological ingenuity and salesmanship, a harder one than they have ever faced. What is needed today to assure the preservation of our "capitalistic" structure for tomorrow is a way to prevent the dissipation of savings and high individual earning power into the swamps of inflation and black markets on the one hand, or the erosion of a speculative mania on the other. Right now, we have by far the largest multitude of "middle-class" owners of capital ever massed in this country, and our greatest potential outlet of all time for securities and savings services. But the signs for the future are mixed. Inflation may not yet be at the "galloping" stage, but it is hitting an ominously fast trot.

Every investment banker, every savings bank or savings association executive, every security and commodity broker has both *his own axe to grind and the public interest to protect* in taking what steps he can to maintain popular interest in saving, thrift and prudent investment—to safeguard the worth of the dollar—to educate the public in personal money-management. There is, indeed, no time to lose. The Russians count on our inflating ourselves out of capitalism and into chaos before 1955.

A Changed Investment Market

Those of us who made our acquaintance with the capital markets as bond salesmen or bank tellers 30 years ago recall how thin was the layer of cream at the top of our economic bottle, the real market for investment services in those days. In those days, 5% of the people in this country bought 90% of the volume of new underwritings.

Very different in many ways is the picture now. There are no more new underwritings of good quality carrying a five-point profit-margin. There are not nearly so many large investors—men in the $50,000 to $500,000 net-*after*-taxes income bracket. Income, inheritance and estate levies have knocked Big Money a hard blow. But many a skilled worker now is earning from $10,000 to $25,000 a year, up from his $5,000 or $10,000 since 1940.

Somehow, most of those fellows are hanging on to a good part of their new take. They haven't moved to Park Avenue or Glencoe, or bought fancy summer retreats. They have no prejudice against driving a $2,000 car. Some of them are good for a $5,000 to $10,000 annual average investment outlay as a bulwark for their future years. Much the same is true of farmers in the richer belts, and of other new money-makers in many communities. These investors don't advertise their existence.

How can this immense new market of 3 million middle-income earners be capitalized by security firms interested in cultivating them? How, also, can industrial, railroad and public utility companies develop the appetite of those investors for their own outstanding and forthcoming shares, bonds or debentures?

One thing is certain. That vast group cannot be tapped by the old, costly process of *personal salesmanship alone.* There are too many prospects, too hard to locate by door-bell methods, and too small to justify that expense. It *must* be developed and held by the large-scale methods that the motor manufacturers and makers of expensive TV sets use to put their products in the driveways and on the roof-tops of millions of Main Street homes.

The bedrock foundation of those tested sales tactics is modern advertising, shaped to the incomes and buying impulses of those consumers, placed in publications they read, or on the airwaves they see or hear, and followed up by efficient direct-mail or personal effort directed to sell a high proportion of the valid prospects unearthed by sales promotion and advertising.

Security-selling in America has moved a long way out of the professional atmosphere it enjoyed when investors were few, and experienced in financial matters. There still are a few investment firms which can afford to restrict themselves to a small, wealthy clientele, just as there still are millinery shops which would prefer honorable bankruptcy to selling a hat priced under $125. That policy, however, is not geared to the actual American market situation today, which calls for large dollar volume, to a wide middle-class market, at a slim margin of profit, in relatively small units of sale.

Opportunity for Investment Bankers

There is opportunity now for investment bankers of vision, good faith, good taste and high competence to reach and serve a stable, profitable extensive circle of customers whose incomes run anywhere from $7,000 to $100,000 a year after taxes.

The burden of large-scale selling and sales-promotion in the securities business, however, cannot be left to the investment fraternity alone. Most public utility and industrial companies, most foreign nations and corporations and substantial organizations in the real estate, construction and new-venture fields need occasionally to go to the public for new capital or refinancing.

They naturally seek to borrow, or finance themselves, at reasonable cost. Their executives know that nothing is more costly than for an unknown company to attempt to get new capital from the public at large. It has become worthwhile for them to go to the investment public directly with the progressive picture of their earnings and management, their expansion policies, their competitive position.

This is a wholly different activity from product sales-promotion. It calls for interesting, informative management reports and published financial summaries in the daily press and suitable magazines. It should also feature the operating background of a business, from research to plant equipment and labor relations. It should hold the loyalty of present stockholders and build a receptive army of new ones for the future. *It should present a company for what it is, rather than for what it makes.* Most alert companies today engage in this field of public relations as a matter of capital insurance.

The combined efforts of investment advertising and sound corporate financial relations are making capitalism more attractive to the public, by emphasizing the benefits of making current high personal earning-power permanent, through the well-planned, systematic purchase of securities of successful companies.

No other nation on earth has such an opportunity, because no workers anywhere else can find the equal of American capitalism as a profitable outlet for the money they can set aside. Nowhere else can management count on the support of a large, informed, expanding army of middle-income investors to fight the battles of business enterprise under our system of personal incentive and reward.

The wind is shifting. The opportunity we have now may not last long, if we fail to use it. The future of capitalism is in the hands of our millions of "little" capitalists, and of a few thousand investment bankers and industrial corporations ready and willing to meet them half-way in supplying sound outlets for their savings.

Gray B. Gray Co. Opens in Denver

DENVER, Colo.—Gray B. Gray, general partner, and George R. Harris, limited partner, have formed Gray B. Gray & Co. with offices in the First National Bank Building, to act as dealers in municipal and corporation securities and investment trust shares.

R. G. Marston With Nathan C. Fay & Co.

PORTLAND, Maine — Ray G. Marston has become associated with Nathan C. Fay & Co., 208 Middle Street. Mr. Marston for the past 12 years has been associated with H. C. Wainwright & Co. He will maintain headquarters in Augusta, representing Nathan C. Fay & Co. in Central Maine.

Pennsylvania Brevities

Pittsburgh Railways Company

They are playing a continuing game of parchesi with the street railway system in Pittsburgh. Facing each other across the board, it is the company versus the union employees, or, in other words, net income against a succession of wage increases.

At year's end, the union's "counters" were slightly ahead, since the system recorded a gross income loss of $363,929 for 1950.

In mid-February, however, the company moved strongly forward with a fare increase estimated to add $2,300,000 to annual gross revenues. Moreover, the stockholders hold "dice" pretty well loaded in their favor and which may be expected to be introduced into the game when and to the extent needed to win.

The factors favorable to the successful operation of the company may be summarized:

(1) A previous hodge-podge of $152,000,000 in bonds, notes and stocks has been replaced by a new company capitalization consisting of $5,849,500 first mortgage 5% sinking fund bonds, about $1,500,000 in Car Trust Certificates and 1,076,096 shares of common stock.

(2) Property account has been chopped from a previous astronomical figure to a realistic $45,636,394. For rate-making purposes, the Public Utility Commission has approved a valuation of $46,412,259. Under the accepted formula of permitting a fare structure which will return an allowable 6½%, the company would be entitled to earn over $3,000,000 per year.

(3) Gross revenues, from which all blessings flow, were, for 1950, $26,025,169, very near the all-time high of 1948. Industrially, the Pittsburgh area is humming. Engineering studies have repeatedly indicated that trolley cars are the only means of mass transportation that can efficiently serve the city's population.

(4) Since the assets of the old company were transferred to the new only as of Jan. 1, 1951, no accurate analysis of the application of present revenues to present charges is yet available.

(5) Indicated book value of the new company common stock is about $35 per share.

(6) The SEC-approved dissolution plan for Standard Gas & Electric Co. and Philadelphia Company makes mandatory the disposal of the latter company's present ownership of 547,678 shares (50.9%) of Pittsburgh Railways Co. common. The consensus of opinion anticipates the ultimate creation of an Authority by the City of Pittsburgh to take over and operate the railways. It is believed that such action would be predicated upon the production of net earnings by the railway system (which should be forthcoming this year) and that the price to be paid by such Authority would be reasonably related to established values.

* * *

Warner Co. Increases Debt

On April 23, stockholders of Warner Company voted to increase the company's debt limit from the former authorization of $4,500,000 to $7,000,000. As of April 3, outstanding Warner debt consisted of $3,217,000 first mortgage 4s, all owned by the Penn Mutual Life Insurance Co. It is expected that not more than $1,100,000 of additional bonds will be issued during the balance of 1951.

The step was deemed advisable by management for the purpose of providing funds when and as needed for further capital expansion and for working capital. Many large construction projects in the Philadelphia metropolitan area are under way and in immediate prospect. These include the two new steel plants to be erected by U. S. Steel Corp. at Morrisville, Pa., and by National Steel Co. at Thorofare, N. J., respectively; a new bridge across the Delaware River below Trenton; the new New Jersey Turnpike; construction for "satellite" industries which will locate near the steel production centers; paving, sewer work and commercial and residential building necessitated by the general development.

Since 1946, Warner Company has financed a very substantial program of plant improvement from earnings and reserves. Under present conditions a much higher percentage of earnings will be taken by increases in income and excess profits taxes. Enlargement of facilities to cost between $3,000,000 and $4,000,000 is contemplated in order to take advantage of opportunities for profitable growth and to establish permanent operating economies.

Charles Warner, Chairman of the Board, reports that sales for the March quarter were up about 33% over the first three months of 1950.

* * *

York Corporation

Marked by a heavy and sustained demand for both large and small air-conditioning units and for refrigeration equipment, sales of York Corp. exceeded $26,000,000 in the first half of company's fiscal year ended March 31. This compares with $19,704,014 for the like period a year ago. York also has a substantial backlog of government orders.

S. E. Lauer, President, denied categorically that York was to be sold, taken over or consolidated by Philco Corp., International Telephone or "parties unnamed."

* * *

Hajoca Corp.

Sales of Hajoca Corp. manufacturers, jobbers and distributors of plumbing and heating units, fittings and supplies, report March quarter sales up 60%, the largest of any quarter in company's history. Net profit was $1.87 per common share, compared with 75 cents for the similar 1950 period.

* * *

Courtship Ended

PITTSBURGH — Officials of Pittsburgh Steel Co. and Allegheny Ludum Steel Corp., jointly, announced last week that merger talks in progress since last year have been discontinued and negotiations terminated. Independently conducted engineering reports indicated the inadvisability of a consolidation, thereby crossing up many industry men who had considered the merger of the two properties as a "natural."

* * *

U. S. Lumber Strikes Gas

SCRANTON — United States Lumber Co. has brought in its first natural gas well in the Leidy field of Clinton County, Penna. The initial flow was estimated at 41,000,000 cubic feet per day. Gas was encountered at the expected depth of 6,100-6,200 feet. The company's No. 2 drilling is now down about 5,000 feet and is expected to reach the gas-bearing strata in a week or ten days. The company has contracted for the drilling of a third well on the same tract.

* * *

Pennsylvania Turnpike

Traffic on the Pennsylvania Turnpike in March increased 73% over the same month a year ago. For the ten months, June 1, 1950, to March 31, 1951, a total of 4,353,011 vehicles passed through the toll gates, compared with 3,279,236 a year ago. Revenues increased from $6,196,715 to $8,477,076 for the period. Part of the heavier use is attributable to the opening of the 100-mile eastern extension of the highway last November.

* * *

Penna. G. & E. Plan Opposed

An amended plan of recapitalization of Pennsylvania Gas & Electric Corp., which provides that the holders of each share of Pennsylvania class A will receive one-quarter share of North Penn Gas Co., is being opposed. A stockholders' protective committee has been formed to present its objections at hearings before the SEC.

Continued from page 3

It's a Pipe

a foot of tube goes in the ground, future earnings can be accurately measured, the whole deal is really guaranteed by the big distributing utilities. Thus insurance companies have mopped up pipe line bonds because of their clear mortgage position and higher yield. Some of these lines have issued bonds up to 65% of property cost. This left a lot of leverage for junior securities. But if common stock was too slight a portion of the total capitalization the deal was frowned upon by FPC. Last summer, for instance, El Paso Natural Gas wanted to finance new capacity for its West Coast market. The company plan would have wound up with 89% of capitalization in senior securities—only 11% in common. It looked to the Commission a little thin on the common stock side. So a regulatory boom was lowered on that plan, with the suggestion that at least 15% of the El Paso set-up be in common stock!

From the investor viewpoint, this industry is a dreamboat. Operating expenses are covered by contracts; and if demand increases as it has—terrifically—the earnings above fixed charges and preferred dividends spill over into the common stock, with powerful leverage. Just take a look and see how the investor has fared in a few short years. El Paso split its stock 3-for-1 in April, 1949. Now pays $1.60 and sells at 27. Panhandle Eastern Pipe Line split 2-for-1 in April, 1945, and ditto December, 1949. Pays $2 now and rates a price of 44. Tennessee Gas Transmission gave stock dividends of 33⅓% in November, 1948, and 25% each in November, 1949 and December, 1950. Original investment made in any of these would have shown a handsome percentage growth, and the end is not yet in sight.

If you have not already laid some dough on the line (pipe line, that is), you ought to look at some preferreds for quality, and the foregoing common plus Texas Eastern, and one or two others. Even Transcontinental Pipe, months away from paying dividends, sells in the 20s. And if you want to buy an across-the-board Fund, inspect Gas Utilities Inc.

Another thing too little noted is that, of all major industries, natural gas pipe lines have the lowest ratio of salaries and wages to gross revenue. It averages around 6½%! Even if labor rates go up (as they doubtless will) the dent in net earnings in gas transmission companies should hardly be noticed.

This whole deal sounds so lovely and has so elegantly rewarded investor patience, you may well ask what is the catch? Are there pitfalls for the unwary ahead? Well, really no. The main difficulties now are ironing out bulges and slacks in demand. You can understand that—there's just as much gas to be pushed along in the summer—but nobody heats then! So what to do? The best answer seems to be storage—either driving this genie back into the ground (near the big cities) or compressing it into 1/600th of its volume by converting it to liquid gas for storage.

Another possible cloud is regulation by Uncle Sam of the price of the gas as it leaves the wells. Natural gas prices have been both low and stable, a fact which has enabled this product to wangle market after market away from oil, coal or even electricity.

What of the future? Well, it does seem that the most dynamic growth in gas transmission will have ceased by 1953. By then New England and the Northwest should have lines (they haven't now), and existing circuits should be pretty well completed. By then the bloom may be off this gaseous rose; but there's surely no harm in currently stringing along with shares in an industry that's looking classier every day. Seamless pipes don't split; but the shares of the companies that run 'em do and have! Perhaps they can do so for you.

Wm. Morgan, II, Is With Drexel & Co.

PHILADELPHIA, Pa.—William B. Morgan, 2nd, formerly of Stroud & Co., Inc., has become associated with Drexel & Co., 1500 Walnut St., members of the New York and Philadelphia-Baltimore Stock Exchanges. Educated at Princeton University and the University of Pennsylvania, Mr. Morgan brings to his new post extensive experience in underwriting activities and a broad knowledge of the institutional field.

Wm. B. Morgan, II

Ernst Heads Dept. for Penington, Colket

Penington, Colket & Co., 70 Pine Street, New York City, members of the New York and Philadelphia-Baltimore Stock Exchanges, announced that Alvin W. Ernst is now associated with the firm as manager of its investment department.

Francis A. Cuite

Francis A. Cuite, associated with Wagner, Stott & Co., New York City, passed away April 25 at the age of 39.

In New Location

Weber-Millican Co. announce the removal of their offices to 50 Broadway, New York City. Telephone numbers remain unchanged.

Continued fro mpage 6

Inflation and the Individual

is not in the real estate investment business. I have no doubt that this postwar housing boom will develop to have produced a large crop of suburban slums.

Since, by definition, prices of commodities go up during inflation, a purchase of commodities would seem to commend itself as a hedge against inflation. One basic trouble is that, if you buy the commodities directly, you have got a staggering storage problem. This is true of even such a compact commodity as pepper which during World War II increased in price from 3½ cents to 60 cents a pound. And if you turn to the markets where they sell commodity "futures" on contracts to deliver the commodities at some future date, you must make a relatively large investment. In the case of corn you must buy at least 5,000 bushels which, at the present price of about $2.50 per bushel (for the September future at Chicago), would cost you $12,500. A cash payment of only 15% is required, but if the price goes down more cash is immediately required. Then it is a considerable career to supervise the operation properly.

Gold as Inflation Hedge

There is one commodity which is quite easy to store and the purchase of which might turn out to be quite a good hedge against the current inflation. It has at times in the past. That is gold. But in this land of the free the purchase of gold for personal storage purposes is illegal. How attractive it remains in countries heavily afflicted by inflation is indicated by the course which I am told a lot of gold follows from the mines in South Africa to France. It is first sold to fabricators in Switzerland who convert the gold into jewelry. The jewelry is then exported to Italy where it is converted into gold bars. Then the gold bars are smuggled into France.

During the current wave of inflation many people have tried to escape its impact by buying durable equipment, such as appliances and automobiles, in anticipation of the need of them. However, unless our designers suddenly lose their skill this is likely to be a self-defeating operation. Obsolescence is apt to outstrip any advantage gained by buying at lower prices.

Probably the most widely heralded escape route from the ravages of inflation is investment in common stocks. It may also be the best—for reasons with which I am sure the members of this group are generally familiar. Stocks are easy to buy and sell. They come in virtually all denominations. They represent a claim on physical property, and thus their price tends to reflect the general course of prices. But knowing enough to buy them wisely constitutes a career in itself which, to be successful, must also be compounded with good luck. The individual who is otherwise quite fully employed has little chance to gain mastery of the intricacies of common stock investment.

It is frequently suggested that it is smart to get heavily in debt during a period of inflation. The idea is that the debt can then be paid off in dollars less valuable than those which were borrowed. For those with very large resources this may be a good idea. But for the individual with a relatively fixed income it may be the route to disaster. As prices go his cost of living goes up, too. That leaves him fewer dollars with which to pay debts, not more. He can be caught in a disastrous squeeze.

It is axiomatic, of course, that as a hedge against price inflation an investment in bonds, or other obligations to pay a fixed number of dollars, is unavailing. This is true, of course, of government bonds sold during World War II. The purchasers of E bonds, for example, paid $75 for a promise to pay them back $100 ten years later. But, in real purchasing power, they stand to get back only about $50. That makes a large net loss for the investor on the transaction, even with the annual interest payment included.

Inflation and Insurance Investments

I take it that most of the resources of life insurance companies are invested in fixed dollar obligations. So by a rambling route I have arrived at the question of investment in life insurance during an inflationary period. I rather wish I hadn't but having arrived at the question I propose to wrestle with it manfully.

In buying life insurance, an individually may, I realize, have a number of different purposes. He may be primarily concerned about protection for his family. There is nothing about inflation which, per se, reduces the necessity of such protection. In fact, as the value of the dollar declines it becomes necessary to increase the dollar amount of life insurance to keep the amount of real protection constant.

The purchaser of life insurance may also be interested in making an investment. I take it that it is a primary purpose of so-called endowment policies to make this possible. Inflation, as I see it, or I might even say as I have known it, is deadly to these endowment policies, as it is to investments in the bonds which constitute most of their security. The endowments are paid in dollars. In the degree to which it prevails, inflation robs the dollars of their purchasing power.

As you know the state of New York has recently authorized life insurance companies among others, to invest up to 3% of their assets in common stocks. This gives these companies an opportunity of the magnitude indicated to gain the relative immunity from the ill effects of inflation on the purchasing power of their assets. In keeping with my general expectations about the continuation of inflation, I would expect the authorization to be enlarged over the years.

In the meantime, I personally wish that, instead of putting most of my savings into endowment insurance policies I had purchased term life insurance, and invested the balance in something less vulnerable to inflation. Perhaps I could have accomplished much the same thing by borrowing on the paid-up value of my endowment policies and making relatively inflation proof investments with the proceeds of the loans.

Of course, this wishful thinking assumes that I would have had enough good judgment or luck (the two are frequently confused) to surmount the manifold obstacles to successful individual investment of the kind that is relatively immune to destruction by inflation. As a matter of fact, any such assumption is high questionable. As a class, economists are, I believe, notably gullible as investors. So far as I know, I run quite true to type in this regard.

So it may very well be that I have been lucky in my choice to invest in endowment life insurance policies. I might well have lost more than inflation has taken from me by succumbing to the manifold pitfalls which confront the individual in trying to make an inflation-proof investment.

The simple fact is, of course, that there is no such thing as a sure fire hedge against inflation. And least of all is there any such thing available to the individual who, like you, has a full time job doing something else than trying to find one.

There is, of course, one "out" for all of us. That is to have the Federal government so manage affairs within its control that inflation will be held to a minimum if not altogether eliminated. As I have indicated, I do not expect this to happen. I expect inflation to continue.

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Observations . . .

various companies through the vehicle of the funds' trust technique.

Rubber Stamp-ism Furthered

It is contended—correctly, of course—that little can be accomplished at the annual meeting, both information and remedial action being more easily attainable through private conference with management. This latter course is desirable from the practical viewpoint, both by the fund manager and the expert private shareholder. But, if it is true that nothing can be accomplished at the annual meeting, then the underlying situation must be recognized, that the annual meeting itself is a meaningless institution, and that thoroughgoing remedial action must be taken in that direction. A fund's policy of non-attendance importantly accentuates the rubber-stamp impotency of the stockholders' meeting, and highlights the need for basically and completely reforming that institution.

Meanwhile, under present conditions, so long as the premise is subscribed to that it is part of the democratic corporate process for the *individual* shareholder to be in attendance, then it must be granted that his *trustee*, the fund, should likewise be there in his stead. And under conditions of controversy, even though little can be accomplished by the fund's votes in upsetting the management-controlled majority votes, still the fund representative can perform useful service by his constructive participation in whatever discussion develops. This is clearly substantiated by our instant Montgomery Ward case, not merely in this year's pension matter, but vis-a-vis annually recurrent items like dividend policy. (Expert stockholder reaction surely is required for proper and dispassionate weighing of the necessity for that company's cash-holdings far in excess of all liabilities, in conjunction with a dividend pay-out under 40% of earnings—in lieu of the usual wild dividend demands by the uninformed lay stockholder.)

The Broker's Influence

In contrast to trust managers who abdicate from their voting obligations, the power exercised by brokers in the voting of proxies applicable to stock held in Street names, must be recognized. The rule imposed by the Stock Exchange is two-fold:

(1) On matters "not controversial," namely the election of directors and auditors, the broker has discretion to vote after 10 days' notification to the shareholder.

(2) On "controversial" matters, the broker has no discretion.

The broker's influence arises from his advice to the lay shareholder on how to vote; and from his discretion in the voting on directors, which is classified as a non-controversial item.

A Constructive Pronouncement From the Industry

This writer wishes to be sure to disclaim the possible giving of any impression that all fund managers wish to shun their responsibilities in this field. Quite the opposite is true in some quarters. For example, my thesis has been stated clearly and wholeheartedly by the Chairman of the Massachusetts Investors Trust and former member of the Executive Committee of the National Association of Investment Companies, Mr. Merrill Griswold, as follows:*

"When it comes to our relationship with corporate management, there are several factors which we believe particularly qualify us to act as the investor's advocate. To begin with, our financial stake in a given company is usually large enough to command attention. Also, the management of investments is not an avocation of ours—it is our full time occupation. Lastly, we have no diversity of interests. . . .

"What then, are the responsibilities of the investment company as an alert stockholder? To begin with, we are in a position to work intelligently with corporate managements on plans for mergers, recapitalizations, and other corporate changes. We must point out objections to plans proposed by them and suggest changes necessary to assure fair treatment of all stockholders. As intelligent and unbiased stockholders, we should also come to the defense of business organizations and their managements against unwarranted attacks by others. . . .

"It is my belief that investment companies should act deliberately and with firmness in controversial matters. We should be energetic and sincere. We must uphold management when we believe them to be right and oppose them when we feel they are wrong. **Our role is neither that of professional dissenters nor that of constitutional whitewashers, but of honest and careful protectors of the interests of our stockholders."**

* "The Investment Company—Its Responsibility as a Public Stockholder," an address before the Twenty-Sixth Annual Convention of the National Association of Securities Commissioners, Cincinnati, Ohio, Sept. 1, 1943.

Edward K. MacDonald With F. S. Yantis & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Edward K. MacDonald has become associated with F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange. In the past Mr. MacDonald was an officer of Carl McGlone & Co.

Joins Robert R. Wolfe

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Frances A. Hollard has joined the staff of Robert R. Wolfe, Whitney Building, member of the New Orleans Stock Exchange.

UNION PACIFIC RAILROAD COMPANY

FIFTY-FOURTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1950

To the Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1950, for Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to Union Pacific Railroad Company. The lessor companies have certain income and charges, and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between companies.*

INCOME.

		1950	1949	Increase	Decrease
Transportation Operations					
Operating revenues		$465,283,516.36	$398,823,082.46	$66,460,433.90	
Operating expenses		327,013,966.52	317,922,665.16	9,091,301.36	
Revenues over expenses		$138,269,549.84	$80,900,417.30	$57,369,132.54	
Taxes		76,541,751.14	42,729,224.49	33,812,526.65	
Railway Operating Income		$61,727,798.70	$38,171,192.81	$23,556,605.89	
Rents from use of joint tracks, yards, and terminal facilities		1,955,909.95	1,899,665.37	56,244.58	
		$63,683,708.65	$40,070,858.18	$23,612,850.47	
Hire of equipment—debit balance		$16,136,605.41	$15,023,681.89	$1,112,923.52	
Rents for use of joint tracks, yards, and terminal facilities		3,418,182.00	3,339,739.22	78,442.78	
		$19,554,787.41	$18,363,421.11	$1,191,366.30	
Net Income from Transportation Operations		$44,128,921.24	$21,707,437.07	$22,421,484.17	
Income from Investments and Sources other than Transportation Operations					
Income from oil and gas operations—net†		$23,902,997.87	$27,140,327.31	--------	$3,237,329.44
Dividends on stocks owned		4,501,383.95	3,736,240.75	$765,143.20	
Interest on bonds and notes owned		1,776,324.27	1,978,590.40	--------	202,266.13
Other interest income		119,249.46	141,386.83	--------	22,137.37
Rents from lease of road and equipment		454,673.33	265,799.45	188,873.88	
Miscellaneous rents		514,509.29	510,606.10	3,903.19	
Miscellaneous income		995,803.06	977,981.47	17,821.59	
Total		$32,264,941.23	$34,750,932.31	--------	$2,485,991.08
Total Income		$76,393,862.47	$56,458,369.38	$19,935,493.09	
Fixed and Other Charges					
Interest on funded debt		$5,565,280.19	$5,766,477.96	--------	$201,197.77
Interest on unfunded debt		379,319.90	388,104.63	--------	8,784.73
Miscellaneous rents		28,334.60	27,178.81	$1.155.79	
Miscellaneous charges		659,377.79	686,881.22	--------	27,503.43
Total		$6,632,312.48	$6,868,642.62	--------	$236,330.14
Net Income from All Sources		$69,761,549.99	$49,589,726.76	$20,171,823.23	
Released from "Reserve against possible refunds on U. S. Government shipments"		226,982.16	104,811.71	122,170.45	
Total for Disposition		$69,988,532.15	$49,694,538.47	$20,293,993.68	
DISPOSITION					
Dividends on Stock of Union Pacific Railroad Co.:					
Preferred stock:					
2% paid April 1, 1950	$1,990,862.00				
2% paid October 2, 1950	1,990,862.00	$3,981,724.00	$3,981,724.00		
Common stock:					
2½% paid April 1, 1950	$5,557,275.00				
2½% paid July 1, 1950	5,557,275.00				
2½% paid October 2, 1950	5,557,275.00				
4½% payable January 2, 1951	10,003,095.00	26,674,920.00	22,229,100.00	$4,445,820.00	
Total Dividends		$30,656,644.00	$26,210,824.00	$4,445,820.00	
Transferred to Earned Surplus—Unappropriated		$39,331,888.15	$23,483,714.47	$15,848,173.68	

† Excludes Federal income and excess profits taxes.

Operating results for year 1950 compared with year 1949:

	1950	1949	Increase	Decrease	Per Cent
Average miles of road operated	9,719.63	9,724.78	--------	5.15	.1
OPERATING REVENUES					
Freight	$389,289,636.65	$332,654,719.33	$56,634,917.32	--------	17.0
Passenger	33,159,662.49	32,400,922.69	758,739.80	--------	2.3
Mail	23,374,664.43	13,463,136.65	9,911,527.78	--------	73.6
Express	4,368,700.60	4,720,146.97	--------	$351,446.37	7.4
Other passenger-train	5,203,304.08	5,568,564.19	--------	365,260.11	6.6
Switching	4,805,136.59	4,298,953.41	506,183.18	--------	11.8
Other	5,082,411.52	5,716,639.22	--------	634,227.70	11.1
Total operating revenues	$465,283,516.36	$398,823,082.46	$66,460,433.90	--------	16.7
OPERATING EXPENSES					
*Maintenance of way and structures	$59,107,660.92	$63,410,805.26	--------	$4,303,144.34	6.8
*Maintenance of equipment	80,889,966.32	73,337,288.64	$7,552,677.68	--------	10.3
Total maintenance	$139,997,627.24	$136,748,093.90	$3,249,533.34	--------	2.4
Traffic	9,562,158.05	9,118,499.77	443,658.28	--------	4.9
Transportation	155,294,637.77	148,980,346.01	6,314,291.76	--------	4.2
Miscellaneous operations	11,264,048.85	11,858,598.30	--------	$594,549.45	5.0
General	10,895,494.61	11,217,127.18	--------	321,632.57	2.9
Total operating expenses	$327,013,966.52	$317,922,665.16	$9,091,301.36	--------	2.9
Revenues over expenses	$138,269,549.84	$80,900,417.30	$57,369,132.54	--------	70.9
TAXES					
State and County	$16,312,887.57	$16,187,349.50	$125,538.07	--------	.8
Federal income and excess profits	$49,027,389.00	$15,843,909.83	$33,183,479.17	--------	209.4
Federal unemployment insurance	842,726.22	810,212.42	32,513.80	--------	4.0
Federal retirement	10,210.342.20	9,776,899.89	433,442.31	--------	4.4
Other Federal	148,406.15	110,852.85	37,553.30	--------	33.9
Total Federal	$60,228,863.57	$26,541,874.99	$33,686,988.58	--------	126.9
Total taxes	$76,541,751.14	$42,729,224.49	$33,812,526.65	--------	79.1

	1950	1949	Increase	Decrease	Per Cent
Railway Operating Income	$61,727,798.70	$38,171,192.81	$23,556,605.89	--------	61.7
Equipment rents (debit)	16,136,605.41	15,023,681.89	1,112,923.52	--------	7.4
Joint facility rents (debit)	1,462,272.05	1,440,073.85	22,198.20	--------	1.5
Net Railway Operating Income	$44,128,921.24	$21,707,437.07	$22,421,484.17	--------	103.3
Per cent—Operating expenses of operating revenues	70.28	79.72	--------	9.44	11.8
*Includes depreciation, amortization and retirement charges:					
Maintenance of way and structures	$5,121,363.49	$6,268,468.45	--------	$1,147,104.96	
Maintenance of equipment	15,991,158.93	14,226,194.98	$1,764,963.95		
FREIGHT TRAFFIC *(Commercial Freight only)*					
Tons of revenue freight carried	51,460,101	47,082,024	4,378,077	--------	9.3
Ton-miles, revenue freight	30,255,786,068	25,918,650,763	4,337,135,305	--------	16.7
Average distance hauled per ton *(miles)*	587.95	550.50	37.45	--------	6.8
Average revenue per ton-mile *(cents)*	1.287	1.283	.004	--------	.3
Average revenue per freight-train mile	$13.60	$12.72	$.88	--------	6.9
PASSENGER TRAFFIC					
Revenue passengers carried	2,190,630	2,319,752	--------	129,122	5.6
Revenue passengers carried one mile	1,426,402,007	1,431,213,703	--------	4,811,696	.3
Average distance hauled per passenger *(miles)*	651.14	616.97	34.17	--------	5.5
Average passengers per passenger-train mile	92.41	92.38	.03	--------	—
Average revenue per passenger-mile *(cents)*	2.325	2.264	.061	--------	2.7
Average revenue per passenger-train mile, passengers only	$2.15	$2.09	$.06	--------	2.9
Average total revenue per passenger-train mile	$3.81	$3.25	$.56	--------	17.2

GENERAL BALANCE SHEET—ASSETS.

	December 31, 1950	December 31, 1949	Increase	Decrease
Investments:				
Road and Equipment	$1,238,148,752.10	$1,187,016,250.25	$51,132,501.85	
Less:				
Receipts from improvement and equipment fund	$23,823,091.13	$23,823,091.13		
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52		
Total	$37,133,327.65	$37,133,327.65		
Road and equipment property	$1,201,015,424.45	$1,149,882,922.60	$51,132,501.85	
Donations and grants (Credit)	*$14,015,057.23*	*$13,928,530.73*	*$86,526.50*	
Reserve for depreciation — road and equipment (Credit)	*$198,047,007.86*	*$186,235,706.84*	*$11,811,301.02*	
Reserve for amortization of national defense projects (Credit)	*$61,044,459.29*	*$58,691,830.71*	*$2,352,628.58*	
Sinking funds	$463.75	$726.25		$262.50
Capital and other reserve funds	$9,463.35	$9,234.88	$228.47	
Miscellaneous physical property	$36,035,313.07	$34,360,770.68	$1,674,542.39	
Reserve for depreciation — miscellaneous physical property (Credit)	*$18,479,836.03*	*$16,844,176.11*	*$1,635,659.92*	
Investments in affiliated companies:				
Stocks	$20,312,013.24	$20,308,013.24	$4,000.00	
Notes	296,190.40	307,782.14	--------	$11,591.74
Advances	7,841,109.60	8,163,685.32	--------	322,575.72
Total	$28,449,313.24	$28,779,480.70		$330,167.46
Other investments:				
Stocks	$63,969,222.36	$64,048,875.42		$79,653.06
Bonds and notes	21,043,464.57	24,040,747.01		2,997,282.44
Total	$85,012,686.93	$88,089,622.43		$3,076,935.50
Reserve for adjustment of investments in securities (Credit)	*$33,769,916.15*	*$33,832,829.01*		*$62,912.86*
Total Investments	$1,025,166,388.23	$991,589,684.14	$33,576,704.09	
Current Assets:				
Cash	$57,051,719.88	$48,092,933.78	$8,958,786.10	
Temporary cash investments (U. S. Government securities)	56,343,204.51	*56,400,000.00	--------	$56,795.49
Special deposits	191,870.14	244,566.50	--------	52,696.36
Loans and bills receivable	381.82	359.01	22.81	
Traffic and car-service balances —net	11,653,502.73	10,109,331.15	1,544,171.58	
Net balance receivable from agents and conductors	6,967,015.35	4,309,313.20	2,657,702.15	
Miscellaneous accounts receivable	26,910,561.34	13,268,892.99	13,641,668.35	
Material and supplies	42,099,998.18	35,317,424.06	6,782,574.12	
Interest and dividends receivable	764,089.80	*1,175,630.88		411,541.08
Accrued accounts receivable	16,404,480.52	11,944,114.40	4,460,366.12	
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	105,129.30	105,485.30		356.00
Miscellaneous items	388,165.84	171,334.14	216,831.70	
Total Current Assets	$218,880,119.41	$181,139,385.41	$37,740,734.00	
Deferred Assets:				
Working fund advances	$133,182.84	$123,337.51	$9,845.33	
Other deferred assets	1,430,694.54	2,767,860.01	--------	$1,337,165.47
Total Deferred Assets	$1,563,877.38	$2,891,197.52		$1,327,320.14
Unadjusted Debits:				
Prepayments	$19,517.76	$880.72	$18,637.04	
Other unadjusted debits	1,217,201.95	1,474,027.45	--------	$256,825.50
Total Unadjusted Debits	$1,236,719.71	$1,474,908.17		$238,188.46
Grand Total	$1,246,847,104.73	$1,177,095,175.24	$69,751,929.49	

*Restated.

GENERAL BALANCE SHEET—LIABILITIES.

	December 31, 1950	December 31, 1949	Increase	Decrease
Capital Stock:				
Common stock	$222,302,500.00	$222,302,500.00		
Preferred stock	99,591,580.79	99,591,580.79		
Total Capital Stock	$321,894,080.79	$321,894,080.79		
Funded Debt	215,396,183.21	225,991,778.07	--------	$10,595,594.86
Total Capital Stock and Funded Debt	$537,290,264.00	$547,885,858.86	--------	$10,595,594.86
Due to Affiliated Companies	$11,990,170.47	$9,218,605.81	$2,771,564.66	
Current Liabilities:				
Audited accounts and wages payable	$25,270,020.81	$20,935,670.41	$4,334,350.40	
Miscellaneous accounts payable	4,741,912.84	4,260,869.48	481,043.36	
Interest matured unpaid (including interest due first proximo)	209,300.63	253,779.63	--------	$44,479.00
Dividends matured unpaid:				
Dividends due but uncalled for	247,128.94	267,660.33	--------	20,531.39
Extra dividend on common stock declared January 8, 1914, payable to stockholders of record March 2, 1914, unpaid	113,413.16	113,799.39	--------	386.23
Dividend on common stock payable second proximo	10,003,095.00	5,557,275.00	4,445,820.00	
Unmatured interest accrued	1,609,076.54	1,626,873.61	--------	17,797.07
Accrued accounts payable	16,890,822.35	14,680,647.43	2,210,174.92	
Taxes accrued	61,260,299.63	35,378,707.15	25,881,592.48	
Other current liabilities	2,455,180.80	1,996,034.26	459,146.54	
Total Current Liabilities	$122,800,250.70	$85,071,316.69	$37,728,934.01	
Deferred Liabilities	$7,809,159.17	$7,714,341.63	$94,817.54	
Unadjusted Credits:				
Premium on funded debt	$4,265,171.42	$4,477,387.15	--------	$212,215.73
Reserve for fire insurance	18,923,535.21	17,828,709.77	$1,094,825.44	
Reserve for depreciation—leased property	7,396.63	6,517.99	878.64	
Other unadjusted credits	2,393,542.55	2,270,459.74	123,082.81	
Total Unadjusted Credits	$25,589,645.81	$24,583,074.65	$1,006,571.16	
Total Liabilities	$705,479,490.15	$674,473,197.64	$31,006,292.51	

	December 31, 1950	December 31, 1949	Increase	Decrease
Surplus:				
Unearned surplus	$311,639.23	$270,840.24	$40,798.99	
Earned surplus—appropriated:				
Additions and betterments	$28,522,352.23	$28,522,352.23		
Funded debt retired through income and surplus	7,936,647.41	6,730,647.41	$1,206,000.00	
Sinking fund reserves	463.75	726.25	--------	$262.50
Reserve against possible refunds on U. S. Government shipments	1,697,648.14	1,924,630.30	--------	226,982.16
Total Earned Surplus—Appropriated	$38,157,111.53	$37,178,356.19	$978,755.34	
Earned Surplus — Unappropriated	$463,314,316.58	$425,588,233.93	$37,726,082.65	
Total Earned Surplus	$501,471,428.11	$462,766,590.12	$38,704,837.99	
Total Surplus	$501,783,067.34	$463,037,430.36	$38,745,636.98	
As this consolidated balance sheet excludes all intercompany items, securities of the Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company owned by other System companies are not included. The difference between the par and face value of such securities as carried on the books of the issuing companies (less unextinguished discount on the bonds and discount charged to Earned Surplus—Unappropriated but added back in consolidating the accounts) and the amounts at which the securities are carried on the books of the owning companies is set up here to balance	$39,584,547.24	$39,584,547.24		
Grand Total	$1,246,847,104.73	$1,177,095,175.24	$69,751,929.49	

EXPENDITURES CHARGEABLE TO INVESTMENT IN ROAD AND EQUIPMENT PROPERTY:

Additions and Betterments (excluding equipment)	$11,590,157.69
Equipment	46,100,271.79
Total Expenditures	$57,690,429.48
Credits to investment in Road and Equipment Property:	
Cost of road property retired and not replaced	$1,014,661.26
Cost of equipment retired	5,543,266.37
Total Credits	$6,557,927.63
Net increase in investment in "Road and Equipment Property"	$51,132,501.85

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Atomic Instrument Co. — Write-up and prospectus — Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

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

Avon Products, Inc. — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Buffalo Eclipse—Circular—L. Johnson & Co., State Tower Building, Suracuse 2, N. Y. Also available is a circular on **Permutit.**

Capital Airlines—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Central Public Utility Corp. — Memorandum — Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **Continental Can.**

Christiana Securities Company — Analytical brochure — Laird and Company, Newmours Building, Wilmington 99, Del.

Cinerama, Inc.—Special report for registered dealers only—Gearhart, Kinnard & Otis, Inc., 45 Nassau Street, New York 5, N. Y. Also available for registered dealers is a report on **Reeves Soundcraft Corporation.**

Cities Service—Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

C. G. Conn, Ltd.—Analysis—H. M. Byllesby and Company, Inc., 1500 Chestnut Street, Philadelphia 2, Pa.

Douglas & Lomason Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Duval Sulphur & Potash Co.—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are brief reviews of **Reynolds Metals** and **Tri-Continental Corp.**

Fashion Frocks, Inc.—Analysis—Westheimer & Company, 322-326 Walnut Street, Cincinnati 2, Ohio.

Harshaw Chemical—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is a bulletin on **New York Shipbuilding.**

Kelsey-Hayes Wheel Company—Analysis—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is an analysis of **Container Corporation of America.**

Long Island Lighting Company—Analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Mississippi River Fuel Corp.—Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y. Also available are memoranda on **United New Jersey Railroad & Canal Co.** and **Western Natural Gas Co.**

National Chemical & Manufacturing Company — Report — Smith, Burris & Co., 120 South La Salle Street, Chicago 3, Illinois.

New York Life Insurance Company—106th annual report—New York Life Insurance Company, 51 Madison Avenue, New York 10, N. Y.

Pennsylvania-Dixie Cement Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Pennsylvania Railroad—Circular—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Pittsburgh Coke & Chemical—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

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

Port of New York Authority—Annual report, profusely illustrated—Port of New York Authority, Port Authority Building, New York, 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.**

Stanwood Oil Corporation—Bulletin—Kaye-Real & Company, Inc., 72 Wall Street, New York 5, N. Y.

Trailmobile Company—Bulletin—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Valley Mould & Iron—Circular—duPont, Homsey & Co., 31 Milk Street, Boston 9, Mass.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Ke Ming Change and Roy H. Wishmeier have been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Two With Schwabacher

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Frank L. Nagle III and Ralph H. Rowland have become associated with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges. Mr. Nagle was formerly with Walston, Hoffman & Goodwin; Mr. Rowland was with Blyth & Co., Inc.

With Standard Investment

(Special to The Financial Chronicle)

PASADENA, Calif.—Leonard A. Brooker is now connected with Standard Investment Co. of California, 87 South Lake Avenue.

With Walston, Hoffman

(Special to The Financial Chronicle)

FRESNO, Calif.—Frank C. Follett is now affiliated with Walston, Hoffman & Goodwin, Bank of American Building.

With Francis I du Pont

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Herbert H. Wellinghorst is connected with Francis I. du Pont & Co., 113 Southeast Second Street.

COMING EVENTS

In Investment Field

May 9, 1951 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

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 18, 1951 (Washington, D. C.)
Bond Club of Washington annual outing at the Manor Club.

May 22, 1951 (Oklahoma City, Okla.)
Oklahoma Bond Club—Southwestern Group of Investment Bankers Association Spring outing at the Oklahoma City Golf and Country Club.

May 24-25, 1951 (Dallas, Tex.)
Texas Group Investment Bankers Association Annual Meeting.

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 1, 1951 (Chicago, Ill.)
Bond Club of Chicago annual Field Day at Knollwood Club, Lake Forest, Ill.

Mutual Funds

By ROBERT R. RICH

Trends in Mutual Funds' Statistics

Although the march of mutual funds is as strong as ever, with new high records in total assets, now at $2,663,755,000, and with an ever-increasing number of shareholders, an analysis of the quarterly compilation of mutual funds' statistics prepared by the National Association of Investment Companies indicates some rather interesting trends for the statistically-minded.

As is shown in the table below, total repurchases, as a percent of total assets, has increased from 2.7% in the third quarter "trough" of 1950 to almost 4% at the end of the first quarter "peak" of 1951; or, going back to the halcyon days of the third quarter of 1949, the repurchases have increased from 1.21% of total assets to almost 4%.

Breaking down these overall figures into common stock, balanced fund and bond and specialty fund groups, the same rising repurchase trend is noticed, with common stock repurchases rising from 2.16% in the third quarter of 1950 to 2.77% at the end of this last quarter, with balanced fund percentages increasing from 1.44% to 1.93%, and bond and specialty fund figures rising from 5.30% to 9.20%, all for the same period.

However, one should exercise caution in reading these figures, since they apply only to the aggregate and therefore should not be accepted as representative of the behavior of any particular mutual fund.

Mutual Funds' Repurchases as Percent of Assets (by quarters)

July 1, 1949 to March 31, 1951

(Total Repurchases as Percent of Total Assets)

	No. of Funds in Group	1st Quarter 1951	4th Quarter 1950	3rd Quarter 1950	2nd Quarter 1950	1st Quarter 1950	4th Quarter 1949	3rd Quarter 1949
All Funds	100	3.92%	3.27%	2.70%	3.71%	2.64%	2.06%	1.21%
(Fund Group Repurchases as Percent of Group Assets)								
Common Stock	45	2.77%	2.32%	2.16%	3.54%	2.31%	1.65%	.79%
Balanced Fund	29	1.93%	1.82%	1.44%	2.26%	1.76%	1.47%	.99%
Bond & Specialty	26	9.20%	7.09%	5.30%	5.76%	4.33%	3.49%	2.25%

One striking fact, noted some while ago in this column, is the outstanding performance record of the bond and specialty group in the face of rapidly rising repurchases. For example, although net repurchases, or "negative net sales" for this group was $11,839,000 in the fourth quarter of 1950, total assets of the group jumped from $558,557,000 in the third quarter to $581,187,000 in the fourth quarter, for a clear gain of some $22 million.

The story continues into the first quarter of this year, when bond and specialty net repurchases were $8,887,000, and yet total group assets decreased by less than $2 million.

Looking at the obverse of the same coin, namely the ratios of mutual funds' sales to repurchases, which is a measure of the "rate of growth," one can find a little more. Here, the "troughs" for the common stock and balanced funds are in the second and fourth quarters of 1950, instead of the third, and solely in the fourth quarter for the bond and specialty group. This apparent discrepancy, compared with the previous table, is partly accounted for because these ratios eliminate the funds' "performance records" as variables.

Ratios of Mutual Funds' Sales to Repurchases* (by quarters)

July 1, 1949 to March 31, 1951

Fund Group:	No. of Funds in Group	1st Quarter 1951	4th Quarter 1950	3rd Quarter 1950	2nd Quarter 1950	1st Quarter 1950	4th Quarter 1949	3rd Quarter 1949
All Funds	100	1.70	1.64	1.88	1.57	2.51	3.10	4.67
Common Stock	45	2.10	2.02	2.12	1.34	2.58	3.71	6.39
Balanced	29	3.82	3.69	4.32	3.17	4.54	5.10	7.05
Bond & Specialty	26	.83	.71	.89	1.10	1.48	1.61	2.38

* Figures are sales divided by repurchases. Figures less than 1 indicate net repurchases for the quarter.

Open-End Statistics—March 31, 1951†

100 Open-End Funds
(000's omitted)

Total Net Assets

	3-31-51	12-31-50	3-31-50
45 Common Stock Funds	$1,302,271	$1,221,697	$1,019,136
29 Balanced Funds	781,960	727,679	587,941
26 Bond & Specialty Funds	579,524	581,187	512,378
100 Total	$2,663,755	$2,530,563	$2,119,455

Sales

	1st Quarter 1951	4th Quarter 1950	1st Quarter 1950	Full Year 1950
45 Common Stock Funds	$75,642	$57,189	$60,640	$216,753
29 Balanced Funds	57,637	48,827	46,800	181,222
26 Bond & Specialty Funds	44,417	29,356	32,916	120,836
100 Total	$177,696	$135,372	$140,356	$518,811

Repurchases

	1st Quarter 1951	4th Quarter 1950	1st Quarter 1950	Full Year 1950
45 Common Stock Funds	$36,090	$28,339	$23,510	$111,494
29 Balanced Funds	15,075	13,232	10,319	47,012
26 Bond & Specialty Funds	53,304	41,195	22,202	122,222
100 Total	$104,469	$82,766	$56,031	$280,728

Net Sales

	1st Quarter 1951	4th Quarter 1950	1st Quarter 1950	Full Year 1950
45 Common Stock Funds	$39,552	$28,850	$37,130	$105,259
29 Balanced Funds	42,562	35,595	36,481	134,210
26 Bond & Specialty Funds	— 8,887	—11,839	10,714	— 1,386
100 Total	$73,227	$52,606	$84,325	$238,083

	1st Quarter 1951	4th Quarter 1950	1st Quarter 1950	Full Year 1950
New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)	147,040	151,295	116,393	524,800

† Figures compiled by National Association of Investment Companies.

Various explanations have been given for the low but rising rate of repurchases. One salesman said he pushes mutual funds harder when the market "is slow" (i.e., when the market is low), because he can sell them "for income," so naturally, "mutual funds' investors are getting in at the bottom and out at the top." Another comment was that investors were pressed for cash, and the very negotiability of mutual funds' shares, selling at net asset value and not a "discount," tended to make them more liquid as assets, particularly in a rising or steady market. This is understandable because the net asset value feature of fund shares is usually one of the stronger selling points made to the prospect, and, perhaps, in his mind overshadows the "long-run investment view" which is also impressed upon him.

Someone, usually outside of the securities business, always manages to bring up the idea of "switching" as a reason for rising repurchases. The figures in the two tables above move more or less in rhythmic harmony, which, seemingly, would contradict the idea of "switching" on a large-scale *between* funds; "switching" out of funds altogether, and into individual securities, seems to be belied by the stability of the growth curves. Since not even a casual and informal survey has been made on this subject, the idea ought to be relegated to "unsubstantiated hearsay," until some proof is offered.

One further explanation, which sounds the most valid, is that the industry in enlarging, is incorporating "marginal shareholders," or to put it another way, it's getting some of the milk in the cream.

Certainly, there is a problem for funds in keeping a shareholder "sold" once the initial purchase is made.* Tobacco companies, food companies and the like are continually engaged in fierce advertising battles to keep their customers "sold," and the real estate, insurance, durable goods' and savings banks' bids for investors' assets are just as relentless.

Probably, the existing central agencies, if granted wider powers, might do much in market research, development, promotion efforts now denied to the individual funds and dealers, all of which would be geared to the basic problems of making mutual funds even more widely known, and keeping shareholders "sold"—for their own best interests. As Alfred Marshall has said, "A company can grow at the expense of its neighbor or as the industry grows, and the latter is by far the best."

INDICATION THAT common stocks are becoming vastly more popular as investments is coming from many sources, according to the managers of Affiliated Fund.

To cite one example, the investment fund points out that in early 1950 the Federal Reserve Board's sampling survey of U. S. families disclosed that one out of every 10 families earning more than $3,000 per year chose Common Stocks and Real Estate as their first investment. In early 1951 two out of every 10 thought they should be first choice. These figures suggest that the shares of U. S. corporations are enjoying a broadening market; also that ample opportunity remains to bring the equity story to the general public.

Until recent years, it is said, one of the problems of the stock market has been that the general public has shied away from any form of risk investment. This fear is being gradually dispelled as 1929 fades into history. Recent tests by the New York Stock Exchange would indicate that the principal problem is not fear but ignorance of how to go about the purchase of stocks.

COMBINED net assets of the 10 Keystone Custodian Funds on March 31, 1951 were $220,833,500 it was disclosed by the semi-annual reports of Keystone Funds B4 and S1. This total represents an increase of $15,614,300 over the combined assets of $205,219,200 on the corresponding date last year.

Net assets of the Discount Bond Fund B4 increased to $34,785,302 at the close of March, 1951, from $28,587,393 a year earlier, and the number of shares to 3,007,628 from 2,856,583.

The Keystone High-Grade Common Stock Fund S1 reports net assets of $3,991,517 at the close of the first half of the present fiscal year, with 121,767 shares outstanding. On March 31 of last year, net assets were $3,589,213, with 119,597 shares.

DIVIDEND SHARES announced yesterday the highest total net assets for the close of any reporting period in the company's history. Net assets on March 31 totaled $93,368,960, equal to $1.80 a share, compared with $89,593,745 or $1.75 a share on Dec. 31, 1950. On March 31, 1950 net assets amounted to $78,084,552 or $1.58 a share.

Of the total net assets on March 31, last, 85.38% was invested in common stocks, with the balance in U. S. Government securities, corporate high-grade bonds and cash. The largest common stock group as of March 31 was oil and gas, representing 15.72% of total net assets. Holdings of utility stocks amounted to 12.70% of total net assets and holdings of retail trade stocks to 7.92%.

RAPID GROWTH of a new group of "grass roots capitalists" is defeating Communist propaganda that only a "privileged few" Americans are entitled to own shares of American industry, Grady Clark said at a meeting of securities distributors for his company from Trenton, Newark and Philadelphia divisional offices. Mr. Clark, vice president and general manager of Investors Diversified Services, emphasized the economic importance of the growth of "grass roots investors" throughout the nation.

He pointed out that much of this growth has been made possible by redistribution of national income, which has given the average individual more money to save and invest.

"The thrift and prudence of these new capitalists, who are backing their faith in our system by putting their dollars to work in American industry through long-range investment, is helping to form stronger bulwarks everywhere against socialism, communism and economic quackery generally," he told I. D. S. distributors.

"These new investors," Clark said, "bear little resemblance to the 'Mr. Moneybags' type of investor which Communist lies portray as typical of our American realization that dollars as well as people must work continuously and productively if our enterprise system is to continue to function and grow for the best interests of all."

BAYARD D. KUNKLE, a director of General Motors Corporation, has been elected a vice president of Growth Companies. Mr. Kunkle until his retirement in March, 1949, was a vice president of General Motors Corporation and a member of the administration committee. He has been a director of Growth Companies, Inc. since its organization last August.

THE BOARD of directors of Delaware Fund, announce the election of Lewis J. Ross as assistant secretary.

A MEETING of the District Managers of Corporate Leaders of America was held Saturday, April 28, at the Commodore Hotel, partly to consider new plans for expansion and partly to celebrate the Trust Fund's 20th anniversary. Corporate Leaders, the oldest trust fund now operating a periodic payment plan, dates back to 1931 and the sponsors have been gratified to note the wide public acceptance developed in recent years.

At the meeting Guy W. Renyx, President, announced that the growth of the Fund in 20 years had been phenomenal, with a net increase of 60% in outstanding Certificates.

*For further discussion on this, see "Responsibilities of Investment Trust Management" by A. Wilfred May, "Commercial and Financial Chronicle," Oct. 19, 1950, and "A Shareholder's Loyalty," Mutual Funds Column, "Commercial and Financial Chronicle," Sept. 28, 1950.

Dollars and Sense

By FRANK LILLY*

Statistician, Mines Research Bureau

Economist asserts last decade's dollar depreciation is equivalent of a 50% capital levy. Noting that 11-fold increase in nation's tax-take since 1940 has not stopped inflation, and control measures have been ineffective, Mr. Lilly maintains only currency redeemability in hard money can be effective.

If, back in 1940, your doctor told you after a physical "check-up" that you were *"sound as a dollar,"* and if, thereafter, it developed that you actually had various weaknesses which have resulted in the loss of sight of one eye, the loss of hearing in one ear, the loss of an arm and a leg, and, in addition, you now have both asthma and stomach ulcers, your doctor was absolutely right—you were as sound as the 1940 dollar which has had a bad case of *dropsy*, dropping down to a present value of less than 50 cents on the average and as low as 27 cents for such items as bread, butter, coffee, sugar, corn, cotton, beef, lard, copper, lead, zinc, tin, among numerous examples that could be given.

Frank Lilly

Thus, even if you now have more than twice as much in the bank, twice as much savings, life insurance, bonds, real estate and other assets as you had in 1940, you are not quite so well off as you were at that time, and 11 years of your life are gone. Believe it or not, you are not so well off as you were in 1933 unless you now have assets more than two and one-half times larger than in that depression year if measured in terms of the "constant dollar" used in a recent report of the United States Department of Commerce.

A 50% Capital Levy

The practical effect of this decrease in the value of the dollar is the same as if the government had made a capital levy of over 50 cents, leaving you the short end of your savings, life insurance and any pensions you may have earned in the service of an employer or your government.

It is true that a part of the dollar's depreciation was due to the war, and few of us object to the loss sustained in the purchase of the so-called "savings bonds," but the fact is that the depreciation started before the war and that the largest part of the loss of value has occurred in the last five years.

It is important to bear in mind that the dollar has no meaning except in terms of what it will buy. Confusion in this connection is responsible for much of the muddled thinking and the hue and cry over inflation, as if it were some new and strange animal that ate dollars. Actually inflation is the corollary of the depreciation, or deflation, of the dollar.

The stage for inflation was set back in 1933 when we "went off gold" and adopted irredeemable printing press paper currency. Like the sawdust that Mortimer Snerd substituted for the wheat bran he fed his chickens, it seemed to work; but it was inevitable that sooner or later we would find ourselves getting woodpeckers instead of little chicks out of the settings of wooden eggs.

This is the way the paper currency system works: Federal Reserve notes (IOUs) are issued against public and private debt and, because such so-called money is easily created, it is in turn easily spent. Sooner or later, usually sooner, these debt-based dollars become so numerous that they lose a part of their buying power. In other words, prices rise and you have inflation through deflation of the dollar.

At this juncture, I suggest that you take a good look at one of your $10 "bills." You will find that it is a Federal Reserve *note* which is "redeemable in lawful money at the United States Treasury." If you are curious to see what "lawful money" looks like and send your bill to the Treasury, you will receive two $5 U. S. *notes* which are "redeemable in lawful money"—and that is as far as you go.

You may say, as some people have said to me: I don't care what it is, money, currency or what not, just so long as I can get enough of it to buy what I want with it. And, because more currency is needed to buy what people want to buy, wages are increased to meet higher prices and more and more debts are created as a base for more and more paper currency. This puts prices and wages up again and so on and on.

Stopping the Paper Money Racket

Eventually efforts are made to stop the paper money racket responsible for the inflation. Price and wage controls are tried with resultant black markets and strikes. Bankers are required to tighten up on loans which, for the most part, are required only by small business since big business usually has ample funds, or can get them through government loans by hiring the right attorney or with the gift of a pink mink fur coat.

In some quarters, it has been suggested that higher taxes will halt inflation. Maybe so, but an increase of 1,117% since 1940 in the Federal tax-take from your income and profits has not stopped inflation. Under the present monetary set-up, any increase in the tax-take will, in all probability, be offset by more printing press-debt-based currency.

The plain, unadulterated and simple truth of the matter is that we must restore to this country the sound money of the Constitution, after which all other reforms can be accomplished. Managed currency required a management to control prices and management of personal affairs, and these, in turn, lead to socialism and/or communism.

If and when an American citizen can redeem his currency in hard money, his bonds will have a sound and relatively constant value. Why doesn't our government give us honest, gold-backed money so that we can know that the bonds we buy will be good down through the years? Provide such a bond and it will not be necessary to put on expensive campaigns and pressures to buy and hold them, or to pay more than a minimum interest on them if the interest is made payable in gold.

The United States should set an example for the world by providing its citizens with the best money in the world. As matters now stand, our paper currency is not as good as some other currencies and no one wants our paper dollars except to buy goods from us or exchange them for gold which we sell abroad at a lower price than any other country will sell, while at the same time denying the right to own gold to our own citizens.

To put back into the dollar the cents it has lost, we must put some *sense* into our monetary system and discard the practices foisted upon us by textbook economists and Marxists. No nation can be truly free with a paper currency that is not redeemable in something which has a *storage of value.*

Gold and Silver Definite Wealth

Gold and silver are simple and definite forms of wealth, understood by men throughout the civilized world. They are not tainted with debt or deceit; they cannot be created at will and can be produced only by honest sweat and toil. They cannot be inflated, deflated or debauched. Why don't we make full use of them instead of kidding ourselves that a debt-based printing press paper currency can be as good as gold?

It is your inalienable right as a citizen to own gold, which is the one best and safest form of wealth in this world. You owe it to yourself and to your loved ones to insist that this right be speedily restored by providing our country with a sound, honest, Constitutional, hard money system.

In conclusion, I quote from "Money Makes the Mare Go," by John McBride:

"An unsound monetary system is more fruitful of human misery than war, pestilence and famine and has brought more injustice than all the bad laws ever written. Until a sound monetary system is adopted, all the present frenzied efforts for permanent peace, economic recovery, a balanced budget, tax reduction, better labor-management relations, foreign aid and a free world are just so much sound and fury signifying nothing. The dumping of additional billions of dollars into Europe and Asia will serve only as a temporary expedient, just prolong the agony, and hasten us on the way to bankruptcy."

*An address by Mr. Lilly before the Idaho Chamber of Commerce, Coeur d'Alene, April 5, 1951. In addition to being Statistician of Mines Research Bureau, Mr. Lilly is also President of American "Hard Money" Association, and Executive Secretary of Prospectors and Mine Owners Association.

Arcturus Elects

John R. Beers has been elected President of Arcturus Electronics, Inc., Newark, radio and television tube manufacturing concern, it was announced today by Charles E. Cohn, Chairman of the Board. Other officers elected following the annual meeting of stockholders include Mr. Cohn, Treasurer, Edward S. Corwin, Vice-President, and Leonard Harris, Secretary.

All of the officers and Frederick D. Gearhart, Jr., Gearhart, Kennard & Otis, Inc., New York City, were elected directors.

With Westheimer & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—William G. Carlin and Mary M. Nolan have joined the staff of Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

William R. Eppel

William R. Eppel, Treasurer of Harriman Ripley & Co., Inc., New York City, passed away suddenly on April 19.

With Dansker Bros.

(Special to The Financial Chronicle)

WORCESTER, Mass.—Lester R. Goldsmith is with Dansker Brothers & Co., Inc., of New York City.

Government Largesse—Destroyer Of Personal Liberties

By DUDLEY DOWELL*

Vice-President, New York Life Insurance Company

Asserting worst enemy of freedom is public's attitude of "Let Uncle Sam take care of me," Mr. Dowell condemns governmental paternalism and urges business and professional men recognize their mission to lead way, through education, example and persuasion, to foster personal initiative and self-reliance.

Nineteen centuries ago Plutarch sagely observed that: "The first destroyer of the liberties of a people is he who first gave them bounties and largesse." In fact, the Greek democracy quickly declined when the State began spending its money on the citizens—and when the citizens in turn sought more and more from the State.

Dudley Dowell

The history of the Roman republic teaches a similar lesson. As Rome declined, it became the most complete Welfare State which has existed. People depended on government for food, entertainment, jobs, housing and decisions. But not for long. Rome went bankrupt, lost its trade and could no longer defend itself.

In recent years people all over the world have again become forgetful of the value, and the price, of reconciling freedom with security. In alarming numbers, thoughtless people have surrendered their freedom in order to achieve "socialized" security. Whole nations seemingly do not want freedom enough to stand up effectively for it. Even in the United States, there is evidence that not everyone is militantly free. So much is this true that men of thought and goodwill are worried about the ease with which people in still free countries swing toward the dictatorship of the state.

Three basic lessons emerge from these historical experiences, and we must pay heed to these lessons as never before. First, the possession of both freedom and security is possible only by a self-reliant people. Second, self-reliance is the first line of defense against dictatorship. And third, the duty of a democratic government in a free society is not to take care of citizens, but to make it possible for these citizens to take care of themselves.

History has a further lesson for us when it shows the kind of leadership that has been successful in attaining security while preserving freedom through self-reliance.

The record shows that businessmen principally were responsible for such freedom as Athens enjoyed before the age of Pericles, and as Rome had before the time of Marius and Sulla. And certainly in modern times, freedom for the common man has been the outstanding characteristic of business and industrial civilizations, such as Switzerland, Great Britain and America.

Worst Enemy of Freedom

But the mere existence of economically independent groups in society is not sufficient to guarantee the survival of freedom. Freedom survives only when men want it badly enough to make personal sacrifices for it. The worst enemy of freedom is apathy or buck-passing—an attitude of "let Uncle Sam take care of it for me." And the only cure for this attitude is enlightened leadership.

Only through such personal leadership can we as a nation fulfill our destiny as a leader in world affairs. If too many of us fail individually we cannot hope to succeed collectively; and if America should fail in her task, civilization, as we know it, would be obliterated by another war.

Our situation in the complex world of today is aptly covered in the following comment by the Canadian editor, Bruce Hutchinson, which appeared a few years ago in "Maclean's" magazine under the title—"Is the United States Fit to Lead the World?":

"The paramount question is not whether the American people can solve the political and economic problems of the world but whether they can solve the problem of their own life, the problem of maintaining the old integrity of that life against the disease of luxury which has invariably sapped and destroyed all groups of men who enjoyed luxury in the long past.

"We shall find no answer to this question in Washington. We shall find it in the millions of unknown homes of the United States, among the obscure and forgotten men and women who make up this new and extraordinary experiment in human community and who, today, almost without realizing it, are the hope of the world."

The responsibility inherent in America's present position of world leadership is tremendous. But that responsibility rests not alone upon political leaders, for the issue is not only political, but moral as well. Like any moral problem, the solution lies mainly in the realm of education, example and persuasion.

Hence as a part of the price of continuing freedom, business and professional men must recognize their historic mission to lead the way, through education, example and persuasion, toward a renewed appreciation of the old-fashioned virtues of personal initiative and self-reliance.

Role of Life Insurance

The ultimate objective of life insurance is to insure individual freedom by meeting human needs and desires in the field of security. Essentially, therefore, life insurance must be a complement to institutions which provide security through the opportunity to work.

When work stops, because of death, or earlier disability or old age, life insurance offers income continuance.

There is, however, a basic difference between institutions providing work and those assuring income when work stops. It does not take much imagination to act upon the necessity for work to earn a livelihood. On the other hand, it takes a great deal of imagination and a marked degree of self-discipline, to sacrifice something of present benefits from work to provide for a contingent future. Normally, business does not require salesmen to persuade people to work, but it takes a great deal of salesmanship to persuade people to provide against

*From an address by Mr. Dowell before the Sales Congress of Pittsburgh Life Underwriters Association, Pittsburgh, Pa., April 26, 1951.

the time when work does stop.

Since such provision must be made by someone, to the extent that private life insurance fails to "persuade," society will provide the means for doing so on a "compulsory" basis.

Thus the essential contribution of private life insurance to insuring individual freedom is its sales force which attempts to persuade every breadwinner to face his obligation long enough to take positive action.

Since the task of business leadership is largely one of education and persuasion, we life insurance men and women occupy a strategic position. After all, our professional careers depend upon our ability to educate and persuade.

But we should not forget that our position of leadership also carries with it a corresponding responsibility to set a worthy example. We must so conduct ourselves in all of our operations that our business can always come into the court of public opinion with clean hands; we must be ever alert to changing needs of a changing economy; we must be keenly conscious of the social significance of our day-by-day acts and decisions; we must be good stewards of the responsibilities with which individual freedom has entrusted us; we must take an active part in public affairs; we must seek to be economic and business statesmen rather than merely businessmen.

These principles apply with equal force not only to the presidents and officers of life insurance companies but to agents, supervisors and managers, throughout the life insurance business. No matter how intelligent and enlightened the practices of any life insurance company may be, they are effective only to the extent that they are properly interpreted and executed throughout its field organization. Thus we all have a direct personal responsibility for the preservation of our individual freedoms by practicing and exemplifying civic virtues, and by doing everything in our power to promote a sound and efficient national economy.

Stellan Wollmar With Henry Sears & Co.

Stellan C. Wollmar has recently become associated with Henry Sears & Co., 385 Madison Avenue, New York City, who are active in the venture capital field. Mr. Wollmar was formerly Vice-President and Treasurer of William Iselin & Co., Inc., and will be active in the industrial interests of the company.

Prior to his position with William Iselin & Co., Mr. Wollmar conducted his own business as a management consultant in a firm bearing his name and was employed by American and European industries from 1944 to 1948, doing considerable amount of work abroad.

Prior to this Mr. Wollmar was the Comptroller of the Chemical Construction Corporation, and Vice-President, Treasurer, and director of Davis & Co., Inc.

Preceding this, from 1931 to 1939, Mr. Wollmar was employed in various financial capacities for many European industries which association grew out of his having been the Paris representative for the Bankers Trust Company of New York from 1925 to 1931.

Joins Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Charles R. Hicks is now affiliated with Goodbody & Co., Penobscot Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

FLINT, Mich.—Lloyd E. McLaughlin has been added to the staff of Waddell & Reed, Inc.

Kuhn, Loeb Underwrite Wheeling Steel Corp. Debenture Offering

The Wheeling Steel Corp. is offering to holders of its common stock of record April 26, 1951, rights to subscribe at a price of 100% for $14,238,900 of 3½% debentures, due May 1, 1965, convertible into common stock on or before May 1, 1961. The rights entitle stockholders to subscribe for the debentures at the rate of $100 principal amount of debentures for each ten shares of common stock held. The rights will expire at 3:00 p.m. on May 10, 1951.

Kuhn, Loeb & Co. heads a group of investment bankers which is underwriting the offering and will purchase all unsubscribed debentures.

Proceeds from the financing will be added to the general funds of the corporation and will be applied to its 1951-53 construction and improvement program, chiefly for increasing capacity and reducing costs. Part of the proceeds also will be used in the company's participation in the development of iron ore reserves in the Labrador-Quebec area of Canada.

The debentures will be convertible into common stock at $45 a share to and including May 1, 1956, and at $48 a share thereafter to May 1, 1961. They will be redeemable at the option of the company after May 1, 1952 at prices ranging from 103% for the first year to 100% after May 1, 1963, and will have the benefit of an annual sinking fund commencing in 1955 calculated to retire approximately 40% of the entire issue by maturity.

Wheeling Steel Corp. is a large integrated steel company. In addition to manufacturing pig iron, steel and various steel products, it is a leading producer of a wide variety of light fabricated steel products. Plants of the company now have a rated annual ingot capacity of 1,860,000 net tons.

George F. Bryon Opens

MANHASSET, N. Y. — George F. Bryon is engaging in a securities business from offices at 282 Plandome Road.

Wood, Young Named By J. C. Bradford Co.

J. C. Bradford & Co., members of the New York Stock Exchange and associate members of the New York Curb Exchange, announced that Kenneth H. Wood has been appointed manager of its New York office, 40 Wall Street, and that Alfred W. Young has been appointed assistant manager in charge of the corporate department. In addition to the New York City offices, the firm has branches in Nashville, Memphis, Knoxville and Jackson, Tenn.

Mr. Wood was formerly with Tripp & Co. and in the past conducted his own investment business in New York.

Timing Investment Purchases

By RUTH H. AXE*
President, Axe Securities Co.

Mutual funds expert maintains understanding of credit situation, rather than theoretical economics, is guide to stock market movements. Lists specific statistical series to be followed by investors. Minimizes effect of agricultural prices, export trade and strikes.

Of what use is economics or economic statistics in timing investment purchases? Theoretical economics—not at all; economic statistics — only as a background but an invaluable one for the general trend or type of period (not intermediate reactions) and then only with good knowledge and understanding of the credit situation and Federal Reserve System.


Mrs. R. H. Axe

The chief studies of the business cycle developed time patterns which had a reasonable statistical regularity prior to the establishment of the Federal Reserve system. These patterns were regarded as normal sequences and were generally recognized and understood. They were, however, tied in with the money market and as the money market no longer operates under the restrictions of the National Bank Act, the relationships of changes in trend of prices, volume of production, bond prices, stock prices, etc., now depend greatly on the administration of the credit situation through the Federal Reserve System.

From the standpoint of the present discussion the thing that interests us in the 1920's and 1930's is the changes in the character of business and financial relationships which occurred during this period. We can no longer depend on general business and financial factors to follow the time patterns of the period 1885-1921. This does not at all mean that a study of the past is useless. It is certainly very valuable to study the way in which different factors have worked in the past. From a study of past movements in business and the financial and commodity markets we can get an idea of the relative strength of different influences. At the worst we can determine in which direction a given factor operates. So a study of the past is still important. But we should not be misled into attempting to find a close analogy in relationships or the timing, *particularly* in relationships involving money rates.

Below is a list of statistical series (measures of business and financial activity and conditions) recommended for following by investors. These may be found in the "Commercial and Financial Chronicle" or the New York "Times" financial pages and other such sources.

Monthly Series:

- New York Stock Exchange index of the prices of all stocks.
- Axe-Houghton index of general business activity.
- Iron and steel production.
- Automobile production.
- Cotton consumption.
- Building activity.
- General wholesale commodity prices.
- Prices of agricultural products.
- Prices of nonagricultural products.
- Durable goods raw material prices.
- Semidurable goods raw material prices
- Yields on high-grade bonds.
- Short-term money rates.
- Department store sales and stocks.
- Manufacturers' inventories and new orders.

Weekly Series:

- General business activity.
- Bond prices.
- Semidurable goods raw material prices.
- Durable goods raw material prices.
- Excess reserves of Member Banks.
- Reserve ratio.

The main influences that fall outside the normal industrial and financial forces of the business cycle, which attract the most attention among investors and financial analysts are the following:

(1) Agricultural prices.
(2) Foreign trade.
(3) Business and financial conditions in foreign countries and foreign exchange rates.
(4) Political conditions in foreign countries.
(5) Wars and threats of wars.
(6) Labor disturbances.
(7) Domestic political conditions.

I
Agricultural Prices

It is often said that high agricultural prices make for general business prosperity and low ones for depression. This simple statement of the relationship however is inaccurate and misleading. If high prices for agricultural products are the result of large foreign demand and not of a small crop, it is true that the effect is favorable. But if high agricultural prices are the result of a small crop, there is no advantage and may even be a disadvantage, because the farmer's income is not increased while the nonagricultural part of the population has to use a larger proportion of its income for agricultural products—and consequently has less to spend for other goods. Even when a large demand for agricultural products results in higher prices for a large crop, the gain to the farmer is in part offset by the higher prices paid by the rest of the population.

In reality a large crop at moderately low prices is better than a small crop at high prices. But, in itself, a severe decline in agricultural prices is a business-depressing influence of moderate importance and a rise is stimulating.

In writing the above we have been thinking chiefly of food products but the same principles apply also to a considerable extent to cotton. There is this difference however that a rise in cotton prices may be produced by increased demand rather than by a short crop. When an advance takes place for this reason it should be considered a favorable symptom. Because of this cotton is one of the small group of raw material prices that are of key importance as general business indexes.

II
Foreign Trade

The percentage of foreign trade to total business in this country was much lower in the 1930's than 50 years earlier. In the 1930's the percentage of exports to national income averaged about 4.2%. This suggests that even a wide fluctuation in foreign trade would have only a moderate or small effect upon general business. A decline of 50% is a substantial one, yet it would amount to only 2.1% of the national income.

It is sometimes argued that even though the percentage of total business affected by a decline of foreign trade is small, a decline in exports would affect other industries and its results be multiplied. But this would apply to any decline in demand, domestic as well as foreign. If domestic demand for certain types of products were to decline 2% it would have just as much effect on other industries as a decline of 2% in export trade. There is no ground for singling out a particular fraction of business and saying that it is the marginal quantity and more important than other fractions.

A comparison of fluctuations in general business activity and in exports confirms the correctness of the view that only a very wide fluctuation in exports is likely to have any important influence on general business activity.

III
Business and Financial Conditions in Foreign Countries and Foreign Exchange Rates

Although changes in exports often have less influence than many imagine, changes in *financial conditions* in foreign countries and changes in *exchange rates* sometimes have a very immediate and direct effect upon American security markets. A collapse in a foreign financial market may bring about selling in American markets. The importance of foreign financial crises was probably greater in the past than it would be at the present time because European holdings of American securities are less important today. But there have been times when a panic in London has produced a very important effect upon markets here. A notable example is the Baring panic of 1890.

When a foreign financial crisis has been so severe as to force a currency off gold or even produce a serious decline in an inconvertible currency, it has often had an immediate and important effect on American security prices. The most notable example is the financial crisis in Central Europe in the spring of 1931 and the resulting collapse of sterling in September, 1931. These events undoubtedly were the major cause of the 1931-32 decline in security prices in this country. Had they not occurred it is improbable that security prices in 1931-32 would have fallen much, if any, below the low levels of 1930.

An important European financial disturbance may, therefore, if it is severe enough, have a pronounced effect upon American security prices. Usually this effect is of intermediate character. The effect of such crises in the past has varied a great deal and obviously each situation must be judged by itself as it arises. Something depends also upon the condition of the American markets at the time.

IV
Political Conditions in Foreign Countries

This is often related to point III. For example, the increase of Hitler's power in Germany in 1930 probably had an important bearing upon European pressure on the American markets in 1930-1931. Anything short of such a revolutionary change however is likely to have only a temporary effect. Even the fall of the Churchill Government in 1945 had only a minor immediate and direct effect upon American security prices.

V
Wars and Threats of Wars

In the past these have often produced violent security price movements. The Agadir crisis of 1911 brought on heavy foreign sales of American securities and caused a severe intermediate decline. Of course prices declined sharply in July, 1914. Many other instances of a shorter or intermediate-term reaction upon American security prices can be found: the near capture of Warsaw by the Russians in the fall of 1920, the Anglo-Italian crisis in the fall of 1935, the German movement into the Rhine area in early 1936, Hitler's seizure of Austria in March, 1938, the Munich crisis of September, 1938, Hitler's seizure of Polish territory in March, 1939, and the German attack on the Low Countries of May 10, 1940.

Events of this type are disturbing but their interpretation is usually fairly simple, as far as the financial markets are concerned. In many cases there is little advance information concerning the event, at least in the American markets.

The London security markets have nearly always been more accurate than ours in their appraisal of European international crises. Since the Labor Government came into power, however, there has been no clear test of the London market's ability to appraise international crises and it is possible that the close connection between the financial markets and official sources of information implied by the London market's extraordinary forecasting ability in the past may no longer obtain.

VI
Labor Disturbances

It is a Wall Street tradition that strikes have little effect on security prices. In the past the price effect of important strikes has usually been limited to a few days and movements have been small. One reason is that strikes may actually build up a substantial potential demand which at least will cause a business rise compensating for the business decline resulting from the strike and may in some instances supply the motive power necessary to set in motion the accumulative forces of a business expansion. At any rate there has been nothing in recent years to warrant giving much weight to strikes.

Too rapid advances in wage rates however are a long-range fundamental factor and may combine with other influences to bring about the end of a business expansion.

VII
Domestic Political Conditions

The attitude of Congress and the Administration toward important questions such as taxes is often a very important influence. General Leonard Ayres at one time in the 1920's made a study in which he concluded that Presidential elections had little effect on the course of security prices. It has always seemed to me however that this was inaccurate. The question of whether an Administration likely to follow unsound economic priciples (which cannot by any means be judged by party labels) will win at a Presidential election has usually had a substantial effect upon security prices.

Actually, an election suggesting that conservative policies will be followed has a strongly favorable effect on security prices which may last for a considerable time, while elections of an opposite sort are likely, other things being equal, to have far-reaching unfavorable effects. In all such situations it is important to realize however that there are other factors in the situation and that a moderate change in political conditions may have little effect if general business and financial conditions are running strongly in one direction or the other.

* * *

From our survey of these factors, which are not part of the main business cycle mechanism, it appears that changes in agricultural prices and in the export trade are likely to have less influence than many observers imagine. Unless some very great change occurs, they may be almost disregarded. Strikes likewise usually have little effect although other changes in labor conditions and wages may have a more fundamental, if less spectacular, influence.

Foreign financial panics or international crises, if they are severe enough, are likely to produce substantial price movements but in nearly all cases these have been of intermediate rather than cyclical magnitude. Major changes in domestic political conditions are likely to have a very important effect on security prices which may persist over a considerable period of time. It is always wrong however to assume that general business and financial conditions can be disregarded and attention concentrated on any of these outside factors, even the most powerful ones. In many cases the outside factor proves to be less important than newspaper headlines suggest at the time and if business and financial conditions have a strong trend they are very likely to outweigh everything else unless it is something of really extraordinary moment.

*Summary of remarks delivered by Mrs. Axe on "Investing In Securities" at meeting at New School for Social Research, New York City, March 28, 1951.

James J. Lee Named To Head N.Y. B'd Club

James J. Lee of Lee Higginson Corporation has been nominated for President of the Bond Club of New York for the coming year to succeed Clarence W. Bartow of Drexel & Co. The election and annual meeting will take place in connection with the Bond Club Field Day on June 8.

Joseph A. W. Aglehart of W. E. Hutton & Co. has been nominated for Vice-President to succeed Mr. Lee. William H. Morton of W. H. Morton & Co. Inc. has been nominated for Secretary and Wells Laud-Brown of Bankers Trust Company, for Treasurer.

Nomination for new members of the Board of Governors are Walter F. Blaine of Goldman, Sachs & Co., William M. Rex of Clark, Dodge & Co., and P. Scott Russell, Jr., of Glore, Forgan & Co.

Stephen Reynolds, Jr. With Lebenthal Co.

Stephen C. Reynolds, Jr., formerly manager of the New York office of Drexel & Co. and previous to that with J. P. Morgan & Co., has become associated with the municipal bond firm of Lebenthal & Co., 135 Broadway, New York City.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James C. McClure has become associated with Waddell & Reed, Inc., 1012 Baltimore Avenue. He was formerly with Arthur Fels Bond & Mortgage Co.

Griffin & Hagan, Inc.

UTICA, N. Y. — Griffith & Hagan, Inc., has been formed with offices in the First Bank Building to conduct a securities business.

Warren Hubert Opens

YONKERS, N. Y.—Warren G. Hubert is engaging in a securities business from offices at 125 Lee Avenue.

Business Man's Bookshelf

Corporate Meetings, Minutes and Resolutions — Lillian Doris and Edith J. Friedman—3rd Edition—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. fabrikoid—$12.50.

Don't Underestimate Woman Power—A Blueprint for Intergroup Action—Dallas Johnson and Elizabeth Bass Golding—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—20c.

Economics of Employment—Abba P. Lerner—McGraw-Hill Book Company, 330 West 42nd Street, New York 18, N. Y.—cloth—$4.00.

Fraud Under Federal Tax Law—Harry Graham Balter — Commerce Clearing House, Inc., 214 North Michigan Ave., Chicago 1, Ill.—fabrikoid—$6.00.

Mexico — Banco Commercial Mexicano, S. A.—Mexico, D. F., Mexico—paper.

Public Relations, Edward L. Bernays and the American Scene—annotated bibliography of and reference guide to writings by and about Edward L. Bernays from 1917 to 1951—F. W. Faxon Company, 83 Francis Street, Boston, Mass.—cloth—$2.00.

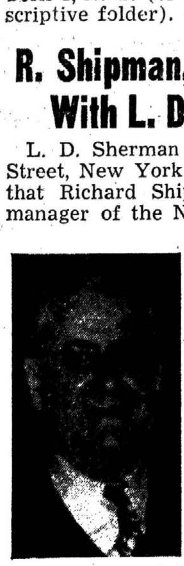
Stock Market Timing—Explanatory pamphlet and samples of bulletins — $1.00 — Analyst Institute, 126 Lexington Avenue, New York 16, N. Y.

Toll Roads and the Problem of Highway Modernization — Wilfred Owen and Charles L. Dearing—The Brookings Institution, 722 Jackson Place, N. W., Washington 6, D. C.—cloth—$2.50.

Speculative Merits of Common Stock Warrants — Sidney Fried—$2.00. Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y. (or ask for free descriptive folder).

R. Shipman, Others With L. D. Sherman

L. D. Sherman & Co. 30 Pine Street, New York City, announce that Richard Shipman, formerly manager of the New York office of Blair F. Claybaugh & Co., has become associated with the firm in charge of its syndicate department.



Richard Shipman

The firm also announces the opening of a new branch office in the Loew Building, Syracuse, N. Y., under the management of John P. Miles. Frank Posey, Charles Barker, Hilda Beigel, Frances Schirmer and Ross Kenney, all formerly associated with Blair F. Claybaugh & Co., will also be in the firm's Syracuse office. A private wire will connect the New York, Jersey City and Syracuse offices.

Bailey-Davidson Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Leland E. Scott is with Bailey & Davidson, 2133 Fresno Street.

IDAC Certificates In Study Course

TORONTO, Canada. — Nineteen employees of member firms of the Investment Dealers' Association of Canada have completed the term work and passed the final examination for the Association's Course II in "Principles and Practices of Investment Finance in Canada." The successful candidates, who will receive their certificates later this year, are as follows:

Eric Blanchet, W. C. Pitfield & Company, Limited, Vancouver; A. S. Brooke, McLeod, Young, Weir & Company Limited, Toronto; W. P. Clarke, W. C. Pitfield & Company Limited, Vancouver; M. G. Davies, Greenshields & Co., Inc., Montreal; A. J. Dunn, Bell, Gouinlock & Company, Limited, Hamilton; W. F. Farlow, Wood, Gundy & Company Limited, Toronto; John J. Fitzpatrick, Milner, Ross & Co., Toronto; R. W. Gouinlock, Bell, Gouinlock & Company, Limited, Toronto; H. R. Lawson, Dominion Securities Corpn. Limited, Toronto; J. M. McAvity, W. C. Pitfield & Company, Limited, Toronto.

W. F. Read, W. C. Pitfield & Company, Limited, Moncton; W. Murray Rosenburgh, W. C. Pitfield & Company, Limited, Toronto; W. M. P. Ross, Wood, Gundy & Company Limited, Toronto; G. Bruce Sinclair, Bell, Gouinlock & Company, Limited, Toronto; N. R. G. Stephens, W. C. Pitfield & Company, Limited, Toronto; G. F. Telfer, Wood, Gundy & Company Limited, Toronto; J. L. Tremblay, Greenshields & Co., Inc., Montreal; R. K. Turner, W. C. Pitfield & Company, Limited, Calgary; T. A. Welch, Bell, Gouinlock & Company, Limited, Toronto.

Short courses for the general public on **How to Invest** were also held by the IDAC in nine Canadian cities last winter. Attendance in all cities was gratifying and public demand would indicate that investment courses may become a regular subject of instruction in adult evening classes.

A special Forum is being held at the Annual Meeting at Jasper Park Lodge on June 12 to study the experience gained this winter and to decide on changes to be made in future courses.

With Raymond & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Eva Amolsky has joined the staff of Raymond & Co., 148 State Street.

Proctor, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles L. Todd, Jr. is now connected with Proctor, Cook & Co., 35 Congress Street, members of the New York and Boston Stock Exchanges.

With C. F. Cassell & Co.

CHARLOTTESVILLE, Va.—Harlan L. Yost is representing C. F. Cassell & Co., Inc., in Harrisonburg, Va. In Woodstock, Va., James C. Ratcliffe and John Mulder are now representing the firm.

Joins Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—William G. Bade is now connected with Goodbody & Co., Heyburn Building.

Continued from first page

The MacArthur —Truman Crisis

of North Korea, still less to attack them beyond. The same neither fish-nor-fowl policy is to be followed with regard to Formosa: it is neither to be abandoned nor to be strengthened or used.

This, of course, amounts to no policy at all. How could we, e.g., stop at the "narrow neck" of the Korean peninsula if the Reds do not choose to stop fighting? By building up a Maginot Line and waiting for the other side to prepare a new assault? As an outstanding English military scientist has pointed out, the order not to advance beyond a certain line, combined with the necessity to keep moving and not to "disengage," means that from there on we can only retreat. The position is perfectly ridiculous—with a big idea behind it.

Curiously enough, in the American debate, the real point at stake is virtually overlooked, while the European press reiterates it time and again. There is a big idea behind this combination of simultaneously fighting and appeasing Red China. It has something to do with the four-power conference in Paris which has been almost forgotten, though it is still being "prepared."

The great objective is: to arrive at some **general settlement with Russia** by way of a "final" redistribution of the world between East and West—irrevocably consolidating the two Spheres of Influence which Roosevelt and Churchill established in a somewhat loose fashion. As the "London Economist" put it right after the Korean incident broke: "It cannot be repeated too often that the overriding aim of Western diplomacy is to find a *modus vivendi* with Russia, to achieve an accommodation of interest, and even, if necessary, to make some sort of division of the world into spheres of interest a workable proposition."

This is the same "workable proposition" for a general and amicable settlement which was so successful at Munich and at Yalta. Anyhow, Korea and Formosa are to be as many bargaining items. Bargaining and the implicit prospect of "peace in our times," should not be prejudiced by military action against China.

The Problem

The crux of the MacArthur problem should be clear in the light of the above. The General does not believe in appeasement by whatever name it may go. Nor does he believe in dilly-dallying at the huge cost in human lives and immeasurable economic losses. And he wants to finish one "incident" before another one starts elsewhere, if not to discourage such repetition. But the Europeans do not bother with such trivia when the overriding problem of their permanent security (as they see it) is at stake. Their problem is not Korea or Formosa, nor similar details, but: Germany. A settlement over the Reich that would obviate the arming of that pivotal country—they fear German armament both ways: that it might provoke Russian aggression or it might resuscitate German imperialism—is what matters to them.

For that, they are ready for concessions in the Far East, and never mind a weakening of what our military leadership regards as America's defense line in the Pacific. Nor are they chagrined by the reproach of appeasement; they consider "compromise" as the normal way of diplomatic procedure, and at any rate, a majority of the British and French are willing to make a great deal of sacrifice at our and other people's expense even for a temporary postponement of the armed conflict.

Anti-Americanism

Then, there are domestic issues at stake in the Allied countries. Under the combined impact of welfarism and armaments, Europe is facing the danger of reinvigorated inflation, a fact that is loaded with political dynamite in view of the forthcoming French and Italian elections. British Labor, in particular, is losing ground rapidly due to declining living standards. Its only prospect of winning the forthcoming elections (next fall, presumably) is by claiming that the Tories would make England an American colony, dragging it into an "imperialistic" war. Moreover, the Party is threatened by its own left wing's secession. Aneurin Bevan bolted the Cabinet (not the Party as yet) as leader of the radicals who are not inclined to sacrifice an iota of the Welfare State for the benefit of the Garrison State. The latter they blame on us.

Indeed, it would be difficult to find any period in the history of Western Europe in which the Yankees were as unpopular as they are today. The $35 billions we have poured out on them since 1945, and whatever else we did before, are momentarily overshadowed by the sentiment that we are responsible for unduly magnifying the Russian threat, and for dragging the world into an armament program that spells economic ruin and ultimately war.

This last point should be underlined. It is that the combined socialistic and pacifistic sentiment which is rampant in London, Paris, Rome and New Delhi—though fearful of Soviet expansion—does not believe in Russia's bellicose intentions.

Self-contradiction? Well, this would not be the first instance of muddled political thinking on a semi-global scale. Did not the leading statesmen of England and France appraise Hitler's intentions in the same illogical fashion?

They do not consider war inevitable, nor armaments on the American-inspired scale really necessary. What is more, they do not even rejoice in the thought of a U. S. victory over Russia. The Asiatics, in particular, but many Europeans and Latin Americans as well, look at this situation as a **balance of power between the United States and Russia,** the disturbance of which would result presumably in American preponderance — by no means a pleasant outlook, given our allegedly impetuous desire to foist the capitalistic system on other people.

The sum total of anti-American sentiment is focused on MacArthur, and it reverberates in the State Department that lives "naturally" in close contact with the European chancelleries which, in turn, reflect their own country's public opinion. As the Bevan resignation indicates, the undercurrent in favor of appeasement is very strong in Britain; the French political situation is equally critical. It would be history's greatest irony if we were left alone to hold the Russian bag—which is a distinct possibility.

What is to be expected as the near-term outlook? It is most unlikely that the Chinese will give up in Korea without being forced to do so by the application of such decisive means as proposed by MacArthur. Nor is it more likely that an over-all settlement with Russia can come about without appeasing China; and one thing MacArthur has accomplished is to make impossible such a policy so far as this country is concerned. If so, the Korean conflict will drag out, and American public displeasure will mount.

More Spending?

All of this means continued if not heightened international tension, and a continued high level of armament. As a matter of fact, the one compromise that may be in the offing is in terms of more armaments: more money for the Acheson program to protect Europe, and more money for the MacArthur program to protect the Pacific. The one implies top-level spending for ground forces; the other, top-level spending for naval and air forces. More spending is by this time the classical American formula by which we overcome (or postpone) crises, political as well as economic.

Businesswise, the current setback in raw material prices, credit expansion, consumer buying, etc., soon may be overshadowed by an invigorated upsurge of military planning. Especially so, after the inflated inventories have been trimmed somewhat, and the speculators have had time to catch their breath. Indeed, it is doubtful whether the current stage of business conditions is anything like a serious setback; it may be a mere pause in the inflationary process.

It should be clear by this time that prosperity or no prosperity has become a function of government disbursements. Their prime determinant is the international picture. In other words, we prosper by sustained global crises—the more the better—provided they remain "normal" and do not go beyond war preparations plus "incidents."

Two With Waddell-Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—R. R. Johnson and Louis M. Wiskow have been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gustav D. von Salzen is with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Midwest Stock Exch. Receives Nominations

CHICAGO, Ill.—Barrett Wendell of Lee Higginson Corp., Chairman of the Nominating Committee of the Midwest Stock Exchange, has announced the

Homer P. Hargrave John A. Isaacs, Jr.

Committee's nominees for offices to be filled at the annual meeting to be held June 4, 1951.

Homer P. Hargrave of Merrill Lynch, Pierce, Fenner & Beane, Chicago, was renominated for Chairman of the Board of Governors.

John A. Isaacs, Jr. of Semple, Jacobs & Co., Inc., St. Louis, was nominated to serve as Vice-Chairman of the Board.

The following were nominated to serve as members of the Board of Governors:

Chicago: Lyman Barr, Paul H. Davis & Co.; John W. Billings; Norman Freehling, Freehling, Meyerhoff & Co.; August I. Jablonski; George F. Noyes, The Illinois Company; E. Cummings Parker, Glore, Forgan & Co.; Harry W. Puccetti, Hornblower & Weeks; Frank E. Rogers; and Reuben Thorson, Paine, Webber, Jackson & Curtis.

Cleveland: Leslie J. Fahey, Fahey, Clark & Co.; Lloyd O. Birchard, Prescott & Co.; and Clemens E. Gunn, Gunn, Carey and Company.

Minneapolis & St. Paul: Charles L. Grandin, Jr., Piper, Jaffray & Hopwood; Bert A. Turner, Kalman & Company, Inc.; and Lawrence Woodard, Woodard-Elwood & Co.

St. Louis: John H. Crago, Smith, Moore & Co.; Bert H. Horning, Stifel, Nicolaus & Company, Inc.; and Ira E. Wight, Jr., Newhard, Cook & Co.

M. Ralph Cleary, Cleary & Company, Chicago, was nominated as Chairman of the Nominating Committee for 1952.

Chase National Bank Announces Promotions

The following officers of the Chase National Bank have been promoted to second vice-president by the bank's board of directors:

Foster R. Clement, Jr., of the Midwestern district; Thomas F. Glavey of the insurance department; John K. Fitzgerald of the 42nd Street Branch, and Louis A. Russo of the legal division.

Newly appointed to the official staff were Robert J. Pollock, retirement system, and Theodore Ramsland, broker's loan, assistant cashiers, and Henry R. Newsholme, personal trust officer.

Consolidated Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Gerald B. Leethem and J. Ralph Olsen are now affiliated with Consolidated Investments, Inc., Russ Building.

Now Proprietor

Edward F. Bigoney is now proprietor of E. F. Bigoney & Co., 14 Wall Street, New York City.

Kuhn, Loeb Arranges Private Placement

General American Transportation Corp. has negotiated through Kuhn, Loeb & Co. a loan from three institutional investors of $20,000,000 evidenced by its 3¾% promissory notes, dated April 30, 1951, and due April 30, 1971.

Proceeds of the loan were used in part for the redemption on May 1, 1951 at $101.25 per share, plus accrued dividends from Feb. 1, 1951, of the entire issue of the corporation's $4.25 preferred stock, series A, of which 136,500 shares were outstanding. The balance of the proceeds were added to working capital.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

FT. MYERS, Fla.—Edward W. Doyle is now with A. M. Kidder & Co., First National Bank Building.

Canadian Securities

By WILLIAM J. McKAY

Canada's emergence as a major oil producing country is all the more remarkable as it was only as recently as 1947 that the discoveries at Leduc, Alberta, set in motion the current boom. Since then the results of the development efforts of virtually all the leading U. S., Canadian, and British oil companies have been truly remarkable. It is now estimated that the developed potential of Western Canada's infant oil industry has already reached a level of 200,000 barrels per day. Transport and marketing difficulties for the moment prevent the full utilization of this capacity, but in a few years there is little doubt that the Dominion's crude oil requirements of 350,000 barrels daily will be entirely filled from domestic sources.

April 24th last marked an epic event in the short history of Alberta oil. On that day crude oil from the Redwater field was delivered to the Imperial Oil refinery at Sarnia, Ontario. This was made possible by the construction of the Interprovincial pipeline from Edmonton to Superior, Wisconsin, and the operation of a new fleet of Canadian built fresh-water tankers that convey the oil from Superior to Sarnia. Thus Alberta oil in addition to supplying the needs of the Prairie Provinces will now commence to satisfy the requirements of Eastern Canada. This will result in a notable saving of foreign exchange which is estimated this year to be in the neighborhood of $150 millions. It will also permit intensified development of new fields, which has hitherto been retarded by lack of marketing facilities. During 1951 it is expected that $200 millions will be invested in Western oil exploration and development, which compares with the previous record total of $150 millions in 1950.

When it is considered that the entire ¾ million square-mile area of sedimentary plains of Western Canada is potentially oil-bearing it can be readily appreciated that the Canadian oil industry is only yet in its early infancy. This area can be compared with the Texas, Louisiana, and Oklahoma oil region in this country, and the number of wells drilled here in relation to those in Canada is at a ratio of 100 to one. Drilling operations in the Dominion have hitherto been largely confined to the Province of Alberta and the North West Territories, and have ranged from the U. S. border to the Arctic Ocean. Thus only the surface of this most promising area has so far been scratched. This year activities will be intensified in Saskatchewan and Manitoba, where promising discoveries have already been made. In the meantime additional pumping units will be installed by the Interprovincial Pipeline Co., and the storage capacity at Superior together with extra refining facilities throughout the prairies will permit a considerable increase of daily production.

This year also will witness the belated recognition of Alberta's neglected natural gas industry. Hitherto the search for oil has overshadowed the many important discoveries of gas wells which have been mostly capped and discarded for immediate consideration. However the recent decision of the Alberta Government that additional gas reserves must be established before approval is given to various pipeline schemes for eventual export of gas to this country, has given a fillip to the development of Alberta's vast resources of natural gas. One new Canadian company, Britalta Petroleums Ltd., which, in cooperation with the U. S. Deep Rock Oil Corp., has concentrated on natural gas development in connection with pending pipeline projects, has recently achieved signal success in its initial drilling operations. On their Many-Island property in the Medicine Hat area of southeast Alberta the first two drillings, four miles apart, both encountered a strong flow of gas at shallow depths. Gas discoveries in this area are particularly interesting as urgent defense needs immediately south of the border in Montana have induced the Alberta Government to permit exceptional emergency exports for a period of five years.

Another interesting development in connection with Canada's growing oil and gas industry is the utilization of sulphur, which is a by-product in the process of natural gas purification. Already the Powell River Co. has made arrangements with the Shell Oil Co. to obtain sulphur for the manufacture of sulphite pulp from a new plant to be constructed on the Pincher Creek gas field. Exploration for deposits of natural sulphur is also being pursued in Northern Alberta. It is highly probable that favorable results will be achieved as the largest deposits in the world, in Texas and Louisiana, are located in the vicinity of the oil-bearing areas of these states. It is thus probable that Canada will once again demonstrate the versatility of her mineral-rich economy and not only satisfy the urgent needs of her great news-print industry but also help to solve the problem of the world-wide sulphur shortage.

During the week there was little change in the external section of the bond market but the internals had a slightly better tone as a result of continued stability of the Dominion bond market in Canada and the improved trend of the Canadian dollar. The recovery in funds is likely to become quite pronounced as the summer season advances; during the next few months in addition to the reversal of the trade factor there will also be the tourist traffic and demand for Canadian dollars in connection with numerous Canadian borrowings in this country. Stocks were irregularly higher with the paper and certain Western oil issues again among the foward features. The base-metals and golds on the other hand were dull and inactive.

Joins Bateman, Eichler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jacob K. Weems is with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

D. T. Gillmor Opens

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—David T. Gillmor, Jr., has opened offices at 1986 Nagle Avenue to engage in a securities business. He was previously with The Mutual Fund Co.

Robert Gillette Opens

(Special to THE FINANCIAL CHRONICLE)

SOUTH PASADENA, Calif.—Robert J. Gillette is engaging in an investment business from offices at 1331 Milan Avenue. He was formerly with Crowell, Weedon & Co.

LETTER TO THE EDITOR:

Defends Relative Scale of Canada's Rearmament Effort

George W. Austen, financial analyst of Toronto, Canada, taking exception to statement of Washington correspondent of the "Chronicle," cites factors which indicate that Canada is doing much better than U. S. in furthering defense efforts.

Editor, "Commercial and Financial Chronicle":

Some statements have recently been made in the United States—one of them by the Washington correspondent of the "Chronicle"—which imply that, relatively, Canada's defense program is about 60% of the American effort. By "relatively," of course, is meant considering the relation of projected defense outlays to national production, a proportion of 10% in the case of Canada to 20% in the case of the United States. But this comparison is a long way from taking into account many other important factors.

An analysis of the national background in the case of each country, however, shows that this superficial disparity does not hold; that Canada is doing much better, in comparison. Here are some facts, not often understood in the United States, and not so frequently among Canadians themselves:

(1) The population of Canada is 14,000,000, compared with the United States 152,000,000 — one-eleventh.

(2) 1950 Canadian national production is officially estimated at $17.5 billion, contrasted with $275 billion in the U. S.—or one-sixteenth as much, or 45% less per capita.

(3) Canada's over-all tax burden, in 1951, for all three levels of government, will exceed $5 billion, or more than 30% of the national income. This compares with a prospective $80 billion in the United States, a ratio also of more than 30%. That is, total taxation, in relation to annual income, is just as heavy in Canada as it is in the United States.

(4) Against this similarity in the over-all tax level, Canada's cash resources, income per capita, and backlog of available resources is far less than in the case of the Americans.

(a) Income in Canada, per capita, is approximately $1,000; in the U. S., $1,500.

(b) Money supply, that is currency plus all bank deposits of the public, amounts to $8.4 billion, against $180 billion in the U. S. That is, per capita, the United States has 100% more quick cash resources available to meet the tax drain. This is apart from holdings of government and other bonds.

(c) With a cost of living just as high as across the border—in many cases much higher—average wage rates in Canadian manufacturing are $1.08 per hour, contrasted with $1.54 in the U. S., disregarding the 15-25 cents per hour fringe benefits so much more extensively in application in U. S. industry.

(d) Including $8.7 billion of government securities held by the public, total resources of Canadians, apart from fixed assets, figure at $17 billion, contrasted with cash, bank deposit, and government bond holdings amounting to $325 billion by Americans—another ratio of nearly 100% better for the U. S.

It would not be difficult to cite a long array of other facts that go to prove the immensely more powerful financial position of the American economy in relation to the new drains of defense mobilization. While Canada is making magnificent progress in utilizing its natural resources—cheap power, metal and mineral mining, pulp and paper, the new oil resources of Alberta, etc., etc.—the economy of the Dominion, as a northern country, can never hope to have the versatility or the self-containment available to the United States.

At the time the Canadian Pacific Railroad was built, to span the country to the Pacific, Canada was aptly described as a "string of fishing poles tied together at the ends," so thin was the population stretching alongside the U. S. border for 3,000 miles. Even now, with 14,000,000 people, 95% of Canada's population still is within 250 miles of the border—the fishing poles are a bit thicker, but they are still there. The inescapable fact is that Canada is not 90 to 95% self-contained, with a large southern area, like the United States; but must import cotton, citrus fruits, coal (for the Central Provinces), two-thirds of its oil, and an imposing list of other industrial necessities. It has to export nearly a third of its production, normally, to cover its indispensable imports and pay interest on the $6 or $7 billion of imported capital engaged in production.

Canadians, as a people, have had to manage their lives, in general, on a considerably leaner, harder basis, economically, than their American cousins. They are justified in thinking that, everything considered, their $5 billion of war preparation expenditures merits a favorable rating alongside the U. S.

GEORGE W. AUSTEN.

327 Lytton Blvd.,
Toronto, Ont.
April 22, 1951.

E. Warren Willard Gets "Little Dividend"

E. Warren Willard

E. Warren Willard, partner in Boettcher & Co., 828 Seventeenth Street, Denver, Colo., has joined the ranks of the investment business' proud grandfathers. The baby, Ann, was born to Mr. Willard's daughter Mrs. Jean Willard Tarbel of Odessa, Texas, on April 13.

Firm Name Changed To Golkin & Co.

Aal & Golkin announce that Clarance J. Aal has retired as a partner and that John F. Keena has been admitted to partnership. The announcement also stated that the firm name has been changed to Golkin & Co., and that George E. Dedrick, formerly with Blair F. Claybaugh & Co., has become associated with the organization as manager of its trading department. Offices are located at 61 Broadway, New York City.

The British Budget and Inflationary Taxation

By PAUL EINZIG

Commenting on criticism of the 1951-52 British budget arising from failure to increase taxation to meet higher outlays, Dr. Einzig points out additional taxation under current full-employment conditions would be more inflationary than deflationary.

LONDON, Eng.—There has been a certain amount of criticism of the British budget for 1951-52 on the ground that a large part of the increased expenditure is not covered by a corresponding increase of taxation. Chancellor Gaitskell has been accused of having produced an inflationary budget. In so far as the critics blame the government for having failed to cut civilian expenditure in order to offset the increase of military expenditure they have undoubtedly a strong case. On the other hand, some critics hold the view that since it is impossible to cut expenditure it would have been the Chancellor's duty to raise a corresponding amount of revenue. These critics work under the impression that increase of taxation is essentially disinflationary or deflationary. This concept was correct when it was elaborated during the 'thirties. In view of the changed conditions, however, it must be subjected to reconsideration.

Dr. Paul Einzig

Beyond doubt, increase of taxation during a period of deflation tends to produce a deflationary effect. Manufacturers and merchants are not in a position to pass on the whole burden to the consumer, owing to the slackness of demand. In a buyers' market it is often impossible to add the tax to the prices of the goods concerned, or at any rate, it is impossible to add to them more than part of the tax. Likewise, during a period of large-scale unemployment employees subject to increased direct or indirect taxation are not in a sufficiently strong bargaining position to demand a corresponding increase of their wages and salaries. Consequently the purchasing power of employees and of consumers is reduced to the extent of a large part of the additional taxation. To the extent to which manufacturers and merchants are unable to pass on to the buyers the burden of the additional taxes, their profits will decline, which is also a deflationary factor.

The state of affairs is totally different during a period of inflation, especially under full employment. Inflation usually means a sellers' market, and manufacturers and merchants are in a position to raise their prices in order to pass on to the consumer the burden of additional taxes. Purchase tax and other indirect taxes are automatically added to the prices. Higher profits tax induces the manufacturers to raise their prices, and merchants follow their example whenever possible by raising their wholesale or retail margins. The public is used to daily increases of prices, and there is enough purchasing power in circulation to enable buyers to pay the higher prices. In so far as the buyers are employees, scarcity of labor and rising prices place them in a strong bargaining position. Any increase of their income tax or of prices due to higher indirect taxation leads to new wage demands which employers are unable to resist. There is thus an increase of costs of production, leading to a further increase of prices.

Increases of taxation during a period of inflation such as we are experiencing now set, therefore, in motion new inflationary vicious spirals, accentuating the effect of existing ones on prices. Nor is this all. Realizing that increases of the taxation on lower incomes mean irresistible wage demands, governments prefer in such circumstances to place the main burden of the increases on the higher incomes. This means that those who usually save a larger proportion of their incomes have to pay more taxes, and this reduces the extent of their savings. On the other hand, those belonging to the lower income groups usually spend most of their earnings. Thus on balance the increase of taxation tends to produce a relatively substantial decline in savings, which itself tends to counteract such disinflationary effect as the increase of revenue might produce.

On the basis of the above consideration it seems that if Mr. Gaitskell had reduced the deficit by imposing additional taxes to the extent of some hundreds of millions of pounds, his disinflationary effort would have largely defeated its object. The choice was between inflation through unbalanced budget or inflation through higher taxation. It is by no means certain that the effect of the former on prices would have been stronger or swifter than that of the latter. Indeed, since budgetary inflation is covered by means of borrowing it will reduce the extent to which the extra expenditure adds to the active purchasing power in circulation. Much depends, of course, on the form of borrowing. If the recent increase of the rate of interest on savings certificates and defense bonds should result in a substantial amount of investment in those types of securities, then the inflationary effect of borrowing would be reduced to a minimum, because those issues appeal to small savings.

The above arguments show the need for a thorough reconsideration of monetary and economic theories in the light of the present situation of over-full employment. Thanks largely to Keynes, economic science in general and monetary theory in particular made considerable progress between the two world wars. Unfortunately it is based largely on the one-sided experience of the 'twenties and 'thirties, when the main danger was, in Britain at any rate, not inflation but deflation. If Keynes were alive today he would undoubtedly rewrite his theories in the light of the inflationary experience of our days.

During the American War of Independence Benjamin Franklin put forward the theory that inflation is a form of taxation. This theory holds good also in reverse—taxation is a form of inflation, at any rate in the circumstances prevailing in Britain and many other countries in 1951.

Charles G. Lord Is Baker, Watts Partner

BALTIMORE, Md. — Baker, Watts & Co., Calvert and Redwood Streets, members of the N. Y. Stock Exchange, have announced that Charles G. Lord has been admitted as a general partner in the firm. Mr. Lord has been associated with them since 1927. He is a native of Baltimore County and was educated at the Boys' Latin School and Johns Hopkins University. He is a former member of the State Legislature and was a member of the Tax Revision Commission of 1939.

Mr. Lord had a leave of absence from the firm from 1942 to 1946 when he served with the U. S. Army as District Intelligence Officer for Maryland, and was awarded the Army Commendation Ribbon. At present he is on the state staff of the Maryland National Guard with the rank of lieutenant colonel.

He is a member of the Bachelors Cotillon, Alpha Delta Phi Fraternity, L'Hirondelle Club and the Johns Hopkins Club. He is a son of the late Harry M. Lord, who was for 40 years a Baltimore stockbroker, and the late Mrs. Lord.

Detroit Exchange to Change Trad'g Session

DETROIT, Mich.—Trading sessions on the Detroit Stock Exchange are starting one hour earlier effective Monday, April 30. Hours will be 9 a.m. to 2:15 p.m. except Saturdays, when hours will be 9 to 11:15 a.m.

The time change was adopted to conform to hours on the New York Stock Exchange which is operating under daylight saving time. Starting June 2, the Detroit Stock Exchange and other Exchanges will adopt a five-day week for the summer months.

Frank Hall Partner In Gersten & Frenkel

Frank L. Hall has joined the brokerage firm of Gersten & Frenkel, 150 Broadway, New York City, as a partner. Mr. Hall, for many years a specialist in reorganization securities, was formerly with Pflugfelder & Rust, and with Sutro Bros. & Co. He was recently a partner in Nielsen, Gordon & Hall.

Ogden Edwards Joins Equitable Securities

Equitable Securities Corporation, 2 Wall Street, New York, announces that Ogden Edwards is now associated with the firm's sales department. Mr. Edwards was formerly with Bear, Stearns & Co., Union Securities Corp. and Barr Brothers Co.

Securities Salesman's Corner

By JOHN DUTTON

In specialty selling 85% of all sales are made on the first or second interview. 10% of all sales are made on the third interview. Only 5% of all sales are made after the third interview. For those who are specializing in the sale of mutual fund shares this survey (which gave the foregoing figures) might provide a very important clue to the reason why some salesmen are not obtaining better results. Doesn't it follow that if 95% of all sales are made on the first three interviews, that it doesn't pay to keep calling upon prospects after the third visit has been made?

I do not believe this holds true when you are attempting to cultivate an important account which you hope to develop into a regular buyer of general market securities. There the situation is probably different. There are too many considerations in such instances which eliminate a hard and fast rule that no calls should be made after the third one. But even here, I would say that if you can't open an account in three calls, the time you will waste will not pay you to keep on. Spend it on new prospects and you will obtain a better ratio of sales to calls.

In specialty selling, such as is undertaken when you go out to sell mutual funds, your first call is your strongest, your second is about 75% as effective, and your third is probably somewhere around 25%. In your first call you are bringing a new idea before your prospect. It has all the appeal of a bright, new suggestion and something that you can develop without fear of repetition, or of boring your listener. There is a curiosity factor too, on the part of your prospect, that helps you sustain interest and develop a reason for purchase. But on your second call you have told your story. There is very little that is new. Nine times out of ten your prospect will say to himself, "Here he is again, I've heard it all before. Now how can I get rid of him?" That is why you must have a **New Twist** for your comeback. You have to jar Mr. Prospect back into the status of an interested buyer once again. This makes your second call just so much more difficult. The third one is almost hopeless but occasionaly a sale can be made then.

That is why good salesmen "get the sale" on the first call if they can. That is why they believe in "kill 'em or cure 'em." Get the order on the first call if at all possible. Of course this does not mean to imply that if you go out and make a social call, or a get acquainted visit, or a preliminary interview in order to set up a selling interview that you should then "try and make the sale." But if you have an interview set up, and you are working up interest and developing a need, **Get the Order.** The best time you will ever have to close is then! If you don't think this is true, try it for a month and see for yourself. I once knew a salesman who talked with a prospect for two hours one morning in his home. Finally lunch time came and he knew right then and there that if he allowed pop to go into the dining room when mama called, and he didn't join him, he was a dead duck. He waited a moment and as the old gent fidgeted in his chair, and his wife called again that "soup was on," he invited himself to lunch. He got a free lunch **and the order.** If he had excused himself and left, the chances are he never would have made the sale. The moral of the story is:—When you get to that point where it is time to do business don't let anything stop you, **Get the Sale You'll Never Have a Better Time to Do It.**

Electronic Devices Stock Offered

Tellier & Co. are offering 1,998,000 shares of common stock of Electronic Devices, Inc. as a speculation at 15 cents a share.

Proceeds from the sale of these shares will be used for working capital and for the expansion of the corporation's operations.

Electronic Devices, Inc. was organized in February, 1951 to offer its facilities for the development and manufacture of electronic weapons and equipment for the U. S. Army, Navy, Air Force, Coast Guard, Atomic Energy Commission, Office of Civilian Defense and the Civil Aeronautics Administration, and to develop and manufacture electronic devices for civilian use.

Hayden, Stone Opens New Uptown Branch

Hayden, Stone & Co., members of New York Stock Exchange and other leading exchanges, announces the opening of an uptown office located at 575 Madison Avenue, with George B. Seager as manager. Mr. Seager was formerly associated with The First Boston Corp. for many years and, more recently, was manager of the Waldorf-Astoria office of Walston, Hoffman & Goodwin.

Howard Walker Formed

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Howard M. Walker has formed Howard M. Walker & Co. with offices at 43 South Marango Avenue to engage in the securities business. Mr. Walker for many years has been associated with Milton C. Powell Co.

With Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — William Livingston is now affiliated with Standard Investment Co. of California, 87 South Lake Avenue.

THEN and NOW . . .

Guess Who? If You Can't Turn to Page 28

(A)

(B)

Continued from page 10

Abolish the RFC

in the end unproductive. The RFC does not have the specialized facilities required to provide adequate managerial and technical assistance to small business, and it should be left to private enterprise to develop them, as well as to supply whatever capital and credit are needed, especially under present conditions.

RFC Lending Subject to Political Pressure

One of the most striking facts brought to light during the recent investigation of the RFC is the extent to which its lending activities have been subject to political influence. The RFC is designated to make or guarantee loans to credit-worthy borrowers who cannot secure credit on reasonable terms from customary sources. Under this arrangement heavy political pressures have been brought to bear by and on behalf of borrowers who expect to benefit from the credit. The problems of a public lending agency, as compared with a private one, are immeasurably increased by such pressures. If only sound and justifiable loans were granted, there would be great criticisms of the RFC by the would-be borrowers and their political representatives. If it does grant questionable loans in reponse to political requirements, then, as the recent investigation has shown, it will be bitterly criticized by the public. So long as there is a government lending agency like the RFC there will be great and undeniable demand for unsound and unjustified credit. This will put all members of Congress under more or less political pressure to assist applicants in receiving such credit. I should think in these circumstances members of Congress would be the first ones to want to liquidate the RFC and be relieved of the pressures which only add to their responsibilities and can serve no useful public purpose.

Aside from the economic considerations which I have enumerated there are strong collateral reasons for abolishing the RFC. It has already been demonstrated that where a government agency has wide discretion in loaning large amounts of funds to the voting public, its ethical and moral standards deteriorate over a period of time as a result of inevitable political pressures. This has the unfortunate effect of tending to destroy the confidence of the people in their government.

Credit for Defense Purposes

In letting defense contracts, priority should be given to those prime contractors or subcontractors who have the necessary skill, productive facilities, and financial resources. However, it may be found necessary, as in World War II, to facilitate defense production by giving some contracts to those who do not have adequate financial resources and cannot obtain them from private financing institutions. In such cases, some government help may be essential, but it should be provided in the form of a government guarantee of private credit and not by a direct government loan. Such guarantees would be most effectively handled under a single program, such as that authorized by the Defense Production Act of 1950. This provides for guarantee of loans by eight agencies engaged in defense activities, using the Federal Reserve Banks as fiscal agencies in arranging the guarantees. This is the same as the Regulation V program which was used so effectively in World War II. Under this regulation the Federal Reserve Banks and their branches throughout the country gained extensive experience in authorizing guarantees on 8,800 loans, amounting to over $10 billion. The net result of the V-loan operation was a net profit of $24 million from the loan guarantee fees charged, after deducting all expenses and losses.

Under the V-loan program, a defense contractor or subcontractor engaged in defense production who is unable to obtain the necessary credit may apply for a guaranteed loan to his local bank or other private financing institution. The local Federal Reserve banks, acting as fiscal agents for those government agencies which are loan guarantors, review and recommend action to be taken on loan applications. Upon approval by the guaranteeing agency, the private banks advance the full amount of the loan and a fee is paid covering the guaranteed portion of the loan. The guarantee fee ranges from 10% to 40% of the interest rate on the loan, depending upon the percentage of the loan guaranteed. In practically every case the banks carry 10% or more of the loan without a guarantee. Not only is the financing decentralized, but the local banks have a real interest in the loan and can be depended upon to give it necessary supervision. The requirement of approval by the guaranteeing agency assures that credit extension is being concentrated in those industries essential to the defense effort.

The existence of the V-loan program to provide essential defense credit makes unnecessary the continued existence of the RFC for this purpose. This is particularly true at a time when heavy inflationary pressures require the diversion of working capital and credit from non-defense to defense purposes as goods and labor are transferred, rather than try to superimpose defense credit on top of the existing volume of outstanding credit.

In conclusion, I should like to say that the evidence, both from an economic and a political standpoint, strongly supports the view that the liquidation of the RFC is long overdue.

Halsey, Stuart Group Offers Consolidated Edison 3¼% Bonds

Halsey, Stuart & Co. Inc., and associates offered yesterday (May 2) $40,000,000 Consolidated Edison Co. of New York, Inc., first and refunding mortgage bonds, 3¼% series G, due May 1, 1981 at a price of 102.915% and accrued interest. The group won award of the issue at competitive sale Tuesday on a bid of 102.269999%.

Proceeds of the offering will be applied to the extent of $28,000,000 to the payment of short term bank notes issued in connection with the interim financing of the company's construction program. The balance will be used to reimburse the treasury in part for construction expenditures.

The bonds are redeemable at the option of the company at prices ranging from 105.92% to par plus accrued interest. Special redemptions run from 102.92% to par.

Consolidated Edison Co. of New York, Inc. is a public utility operating company which manufactures, purchases, transmits and distributes gas and electricity to consumers and is a holding corporation which controls Staten Island Edison Corp., New York Steam Corp., and Consolidated Telegraph & Electrical Subway Co.

The company supplies electric service in four boroughs of New York City and in part of Westchester County and gas service in Manhattan and the Bronx and certain sections of Queens and Westchester County.

The company is engaged in a construction program which, it is estimated, will involve expenditures of approximately $325,000,000, on the basis of present price levels and conditions, for the years 1951 through 1955. Of this amount, it is estimated that the company will be required to finance, in addition to the bonds being offered, approximately $60,000,000 through the sale of securities or otherwise.

Net income of the company for 1950 was $39,206,625 compared with $35,017,367 for 1949. Total operating revenues for 1950 were $392,703,367 against $366,338,965 for 1949.

Joins Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Albert L. Hoogs is now affiliated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. He was previously with Walston, Hoffman & Goodwin.

With E. D. Baring-Gould

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Archibald D. MacLaren is with E. D. Baring-Gould Company, 19 East Canon Perdido Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Shareholders of the **National City Bank of New York** at their special meeting on May 2 ratified the proposal of the directors to increase the capital funds of the bank by the sale of 1,000,000 additional shares of stock, increasing the number outstanding from 6,200,000 to 7,200,000 shares. The par value is unchanged at $20 per share. As a result of the stockholders' approval, the capital stock will be increased from $124,000,000 to $144,000,000 and the surplus from $136,000,000 to $156,000,0000; the undivided profits would be approximately $59,000,000. The figures do not include the capital funds of the **City Bank Farmers Trust Company**, which exceed $30,000,000, or unallocated reserves of the bank of slightly more than $30,000,000. Further details were given in our issue of March 29, page 1352.

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DeCoursey Fales, President of **The Bank for Savings in the City of New York** announces the election of Edward Streeter as a Trustee of the bank. Mr. Streeter is a Vice-President of the **Bank of New York and Fifth Avenue Bank.**

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Walter Wilds has been appointed an Assistant Vice-President of the **Chemical Bank & Trust Company of New York** and will assume his new duties on May 1, according to an announcement by N. Baxter Jackson, Chairman of the bank. Mr. Wilds, formerly a deputy Assistant Secretary of State, has served in various State Department posts involving German, Japanese, Western Europe and Middle Eastern affairs. He was a Commander in the Navy during World War II.

John G. Phillips, President and Director of International Business Machines Corporation, has been elected to the Advisory Board of the Rockefeller Center office of **Chemical Bank & Trust Company**, according to an announcement by N. Baxter Jackson, Chairman of the bank. Mr. Phillips is also a director of the First National Bank of Poughkeepsie, N. Y., and First Vice-President of the American Ordinance Association.

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The **New York Agency** of the **Credit Swiss**, and the **Swiss American Corporation** announce the removal of their New York offices on April 30 to 25 Pine Street.

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Stockholders of **Clinton Trust Company of New York** at a special meeting on April 25 approved an increase in the authorized amount of capital stock from 45,000 to 50,000 shares, par value $20 a share, and the offering to stockholders of the additional 5,000 shares. The shares are being offered for subscription up to the close of business on May 15, at $30 a share on the basis of one additional share for each nine shares held of record April 6, 1951. An item with regard to the increase in the capital of the company appeared in our issue of March 29, page 1352.

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The following officers of the **Chase National Bank of New York** have been promoted to the post of Second Vice-President by the bank's directors: Foster R. Clement, Jr., of the Midwestern district; Thomas F. Glavey of the insurance department; John K. Fitzgerald of the 42nd Street branch, and Louis A. Russo of the legal division. Newly appointed to the official staff were: Robert J. Pollock, retirement system, and Theodore Ramsland, broker's loan, Assistant Cashiers, and Henry R. Newsholme, Personal Trust Officer.

* * *

Walter R. Williams, Jr., Vice-President of **Union Dime Savings Bank**, at 40th Street and Avenue of the Americas (6th Avenue), **New York**, was elected a trustee at the last meeting of the board of trustees, according to an announcement by J. Wilbur Lewis, President. Mr. Williams fills the vacancy occasioned by the death in January of William L. DeBost, former Chairman of the Board. Mr. Williams came to the Union Dime Savings Bank in January, 1950, from the Savings Banks Association of the State of New York which he had served for some years as an Executive Secretary.

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The Lake Shore National Bank of Dunkirk, N. Y., has increased its capital from $175,000 to $200,000 through a stock dividend of $25,000. The new capital became operative on April 20.

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Dorrance Sexton has been elected a director of the **Montclair Trust Co. of Montclair, N. J.**, Frederic P. Fiske, Chairman of the board, announced on April 19, it is learned from the Newark "Evening News" which added that Mr. Sexton is a director of Johnson & Higgins, New York insurance brokerage firm with which he has been associated since his graduation from Princeton in 1933.

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A stock dividend of $50,000 has served to increase the capital of the **Southern Maryland National Bank of La Plata, Md.**, from $100,000 to $150,000, the enlarged capital having been made effective April 12.

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D. Robley Wood, formerly Vice-President of the **First National Bank, of Bluefield, W. Va.**, has been elected a Vice-President of **The Bank of Virginia, at Richmond, Va.**, according to an announcement by Thomas C. Boushall, President of the bank. Mr. Wood will begin his duties May 14 at the bank's 8th and Main Streets office in Richmond. Mr. Wood was born in Bluefield; he is a graduate of Roanoke College at Salem, Va., and of the Rutgers University Graduate School of Banking. He began his banking career with McDowell County National Bank in Welch, W. Va., as an Assistant Cashier; later he was Cashier of the Bank of Glade Spring, advancing from there to the post of Executive Vice-President of the Peoples National Bank of Pulaski, Va. He left Pulaski to become Vice-President of the First National Bank of Bluefield, Mr. Wood has served as Chairman of Group V, Virginia Bankers Association, and as Chairman of Group V, West Virginia Bankers Association.

J. Joseph May, Vice-President of **The Bank of Virginia, at Richmond**, has been elected Treasurer of the Richmond Area Community Chest. Previously he served as Campaign Chairman for the Community Chest and is a member of its board of directors. Mr. May also was Campaign Chairman for the 1951 Red Cross fund drive in Richmond.

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The **National Bank of Pittsburg, Kans.**, reports a capital as of April 6, of $200,000, the amount having been increased from $150,000 by a stock dividend of $50,000. The Board of Governors of the Federal Reserve System has announced the granting of trust powers to the bank on April 4 under the Federal Reserve Act.

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The capital of the **Fort Worth National Bank, of Fort Worth, Texas**, was increased April 5 from $4,500,000 to $6,000,000 by the sale of $1,500,000 of new stock.

* * *

At a special meeting held on April 23, stockholders of the **Republic National Bank of Dallas** unanimously approved the increase in capital and surplus to $36,500,000, it was announced by Fred F. Florence, President. Warrants representing rights have been issued to stockholders to purchase 100,000 shares of additional stock. Stockholders will be entitled to purchase one share of new stock at $40 per share for each eight shares now held. The right by stockholders to purchase the new stock must be exercised by May 7. The proceeds of the new capital increase amounting to $4,000,000 will be divided between capital and surplus, increasing the capital from $16,000,000 to $18,000,000 and surplus from $16,500,000 to $18,500,000, which will give the bank a combined capital and surplus of $36,500,000, and capital, surplus and undivided profits in excess of $40,000,000. A syndicate of investment bankers has underwritten the new stock. The syndicate is headed by Walker, Austin & Waggener; First Southwest Company; and Dallas Rupe & Son. A previous item regarding the plans to enlarge the capital was given in our April 19 issue, page 1650.

* * *

An increase in the capital of the **Farmers & Merchants National Bank of Abilene, Texas**, from $250,000 to $375,000 as a result of the sale of $125,000 of new stock, became effective April 16.

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In appropriate ceremonies held on April 24, four members of the staff of **Crocker First National Bank of San Francisco** were inducted into the Quarter-Century Club. They are: Edward P. Commins, instalment loan department; Kenneth P. Pfarrer, trust department; Harold W. Charters, head Commercial Teller, and Arthur A. Danahy, building maintenance, who were awarded gold watches signalizing the completion of 25 years of service. Wm. W. Crocker, Chairman of the board of the bank, made the awards. He pointed out that there are now 126 active members of the Quarter-Century Club, representing a total of 3,890 years of service.

Bear, Stearns Admits

Bear, Stearns & Co., 1 Wall St., New York City, members of the New York Stock Exchange, as of May 3 will admit John H. Slade and John E. Westerlund to partnership.

To Retire From Firm

E. Cummings Parker retired from partnership in the New York Stock Exchange firm of Glore, Forgan & Co., on April 30. Mr. Parker made his headquarters in Chicago.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Announcements of proposed mergers and the sale of additional capital stock have dominated news developments of New York City banks during the past month.

On April 19 the Bankers Trust and the Commercial National announced that negotiations had been successfully completed for a merger. The proposal is subject to the approval of State and Federal supervisory officials and stockholders of the respective institutions. Special stockholders' meetings are to be held May 23 for this purpose.

Upon completion of the merger of Commercial National into Bankers Trust, the shareholders of Commercial National shall receive $75.58 for each share of capital stock held. This value is in excess of the stated book value of Commercial National which, according to the last quarterly statement, was equivalent to $62.81 a share. The price of $75.58 was arrived at by an appraisal as of April 17 which probably took into account certain reserves and the potential earnings of the business to be acquired.

The merger will give Bankers Trust another Wall Street office and additional space to meet the expanded requirements of the main office. In addition deposits should be substantially increased. At the end of March Commercial National had deposits of $192,129,776. Personnel of Commercial National would be added to those of Bankers Trust and certain directors added to the board.

This merger is a continuation of the policy adopted about a year ago, whereby Bankers Trust has been expanding its business through the acquisition by cash merger of institutions equipped to do a retail type of banking.

Other significant developments during the month included the announcement of the proposed sale of additional stock by National City and Public National.

National City plans to sell 1,000,000 shares of stock through an offering to stockholders to raise $40,000,000 of additional capital. Public National is offering rights to stockholders to purchase 151,250 shares of additional stock to supply approximately $6,050,000 of new capital.

This represents the first financing by New York banks in almost two years. Because of the expansion in business, the rise in prices and the growth in deposits, it is considered likely that other New York banks may also seek additional capital in the near future. The sharp expansion in loans during the past year plus the impact of excess profits taxes on a number of institutions are also factors making for the need of more capital.

Whether or not a particular bank will undertake financing at this time will depend upon a number of factors, some of which can not be determined. It is interesting, however, to look at the deposit ratios.

AS OF MARCH 31, 1951

	Deposits	Capital Funds	Deposits Times Capital Funds
Bank of Manhattan	$1,144,791,000	$81,091,000	14.1
Bank of N.Y. & 5th Av.	415,994,000	35,933,000	11.6
Bankers Trust	1,652,546,000	169,126,000	9.8
Central Hanover	1,478,597,000	136,640,000	10.8
Chase National	4,846,661,000	354,936,000	13.7
Chemical Bank	1,565,612,000	117,202,000	13.4
Commercial National	192,130,000	21,983,000	8.7
Corn Exchange	720,484,000	48,124,000	15.0
First National	640,609,000	141,891,000	4.5
Guaranty Trust	2,579,929,000	375,820,000	6.9
Irving Trust	1,142,131,000	118,251,000	9.7
Manufacturers Trust	2,396,264,000	151,225,000	15.8
Morgan, J. P.	657,548,000	62,635,000	10.5
National City	5,279,828,000	350,193,000	15.1
New York Trust	743,257,000	68,892,000	10.8
Public National	466,344,000	32,993,000	14.1
U. S. Trust	136,218,000	30,334,000	4.5

National City with a deposit to capital ratio of 15.1 and Public National with a ratio of 14.1 are both selling stock. Solely on this basis Manufacturers Trust, Corn Exchange and Bank of Manhattan might also be considered logical candidates. Corn Exchange, however, has a relatively small portion of its deposits invested in loans and because of smaller risks involved is not as likely to obtain more capital.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Arthur C. Person has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 169 East Flagler Street.

With Craigmyle, Pinney

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.— James L. Richmond is with Craigmyle Pinney & Co., 128 East Park Avenue, South.

Did You GUESS?

Here's the 1951 version of the two angels appearing on page 26.

William J. Herr Earl L. Combest

(A) William J. Herr, Alex. Brown & Sons, 135 East Baltimore Street, Baltimore 2, Md. Former President of the Baltimore Security Traders Association.

(B) Earl L. Combest, Prugh, Combest & Land, Inc., 1016 Baltimore Avenue, Kansas City 6, Mo. President of the Kansas City Security Traders Association.

Smith, Moore & Co. Partnership Changes

ST. LOUIS, Mo.—Smith, Moore & Co., 509 Olive Street, members of the Midwest Stock Exchange, announce the retirement of Charles W. Moore, senior partner and co-founder of the firm. Robert Brookings Smith, formerly a general partner, has become a limited partner.

E. E. Haverstick, Jr. and F. A. Dunnagan, effective May 1, became general partners in Smith, Moore & Co. Both have been with the firm for some years.

Walston, Hoffman Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Hugh W. Fraser is now associated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

J. A. Hogle Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Kenneth D. Russell has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street. He was formerly with Fewel & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has assumed a constructive attitude, which has been demonstrated through its ability to rally from recent lows. Although there will no doubt be considerable backing and filling, and a large part, if not all, of the recovery in prices may be given up, the fact that the market is in a position to move away from its lower reaches, as a favorable development. Buyers have come into the market in sufficient numbers to push prices up, which means that the not too sizable amount of securities which have been in for sale have been absorbed and quotations still went ahead. Yields of Treasuries have become attractive enough to bring income buyers into them, especially in the more distant maturities. Pension funds, state funds and trust funds, according to reports, have been the principal buyers of the higher income long-term governments. The short-term end of the list has demonstrated considerable steadiness, and this is due in no small measure to the desire for liquidity.

Although the restricted issues, led by the Vics and the 1959/62s, have been making a good showing, the longer eligibles have also been under accumulation, with the large money center and out-of-town deposit banks the main buyers. The 1954 and 1955 maturities have also been well-taken, according to advices.

Market Confidence Seen

Although the first robin does not make it spring any more than the initial rally which has taken place in the government market means the money markets are out of the woods, but both nonetheless are considered to be very hopeful signs. The ability of the government market to move up from its lows even though this has taken place on restricted volume, does show that there is some confidence coming back into the picture. It is believed that a trading area is being developed and with more data on the subject with the passing of time, it is the opinion in some quarters that the government market will be better able to stand on its own feet. While there has been a certain degree of professionalism in the rally, there has also been a fair amount of investment buying for income purposes. As previously noted, the market on the rally has not been large, from the standpoint of volume, but this is not unusual. After a sharp decline has taken place, there is generally a period of restricted operations, because buyers and sellers are both cautious. The former is not going to exhaust all the buying power at one level, because of the fear that prices might go lower. The latter lets securities out slowly so as not to scare away the purchasers and also because of the desire to get the best possible price for the obligations that are being liquidated.

It seems that the really important factor to the money markets has been the appearance of buyers which had been decidedly among the missing. They will be selective and cautious and they might even be frightened away again, but it is not expected they will be deterred from taking on Treasuries when they are attractive from the standpoint of income. There is a growing confidence appearing that will be a more important market force among current and prospective buyers of Treasuries as time goes along.

Distress Selling Believed Ended

The market has been able to perform mainly on its own, and this is not losing sight of many issues, which still have to be liquidated. Nevertheless, it seems as though the bulk of distress selling is out of the way for the time being and this should make for a more orderly market but one in which there will be definite limits on both the up side and the down side. This does not, however rule out the possibility of new highs on the recovery or new lows for the year. An important change in ownership of government securities is in the making, with the opinion that this movement is from weak into strong hands. It will take time to bring this about, but it should make for a more active moving market operating within a trading range which is in the process of being established.

Treasury Dilemma?

The mid-year financing is beginning to stare the Treasury in the face, because there isn't too much time left in which to condition the market for this sizable undertaking. One thing seems rather certain and that is the operation will be handled mainly with short-term obligations. Herein, again, it appears to be "Hobson's choice," because there are practically no funds available for investment from insurance companies and savings banks, the usual buyers of long-term government obligations. With short-term securities, will they be certificates or fifteen or eighteen months notes? Will there be some cash payments or will there be a combination offer? Will there be a combining of the June, July and August maturities? Will there be an offer to non-commercial bank owners of these maturities to convert into non-marketable 2¾s? These are some of the questions that are being discussed in the money markets now in connection with the impending Treasury refunding.

Liquidity preference is again a very important force in the money market and this is building up a sizable demand for near-term Treasuries. The buyers of the shorts include nearly all types of investors but the commercial banks are the leaders of this movement.

Although the market rally has not been under way too long and activity has not been too great, switches and swops are again being suggested and are being made. One of those being suggested is from the 2¼s of June 1959/62 into the 2½s due June 15, 1962/67. Also sale of the December 2¼s of 1959/62 is being recommended with the proceeds to be reinvested in the December 2½s of 1963/68. In both cases, income would be bettered, and the bank eligibility date would be shortened slightly.

Continued from page 4

Problem of Investing Pension Fund Reserves

sort to another form of plan, or to allow a large amount of pension fund business to be concentrated in a very few cities.

The final basic type of pension fund organization is the self-administered plan. This type of organization is growing in popularity. It has been adopted by U. S. Steel and Shell Oil Company. Under this type of organization the management maintains a close touch with finances and personnel. Employee participation in management is possible and practicable. The employee assumes part of the responsibility, and this in turn reduces possible future criticism of the plan.

All types of pension fund organizations provide for accumulation of reserves which are invested in some manner. Also, the amount of reserves is actuarially determined. An actuary plays an essential part in determining soundness and in giving general advice to the fund.

Recommended Investment Authority

The concensus is that a full time administrator is needed in pension matters. An investment committee of from five to seven members is deemed desirable. There should be enough members to represent the interested groups, and there should be an actuary and investment counsellor. The board should provide for rotating membership, as this assures continuity.

An investment counsellor can be a very valuable addition to the board. He will give advice for specific needs. He will give an outside viewpoint, which is advantageous. He will maintain the continuity of the board, as he will serve as a semi-permanent member, although not a voting member. Since he neither owns securities nor holds them as trustee, his advice will be impartial. It will be his function to keep the board informed, but the final decision will rest with the board members. It is also interesting to note that investment counsellors are employed by the majority of insurance companies and practically all large investment companies. Pension funds would fall into this category.

The actuary can provide conclusions based in a study of many plans. His specialized experience can be invaluable. He will act as a special consultant in furnishing cost data and other pertinent information needed by the fund.

Differences in Policy Between Private and Public Pension Funds

The first difference which occurs to me is that of the political factor—caused by elections—all of you have heard of elections and the results thereof. It is not necessary to dwell on this, but I am thinking that under certain conditions, the pension fund could be considered campaign material and could get into politics. Another difference between public and private pension funds is that there is some difficulty in fixing responsibility for the public fund. Also, while corporate income tax rates tend to reduce the cost of private pensions, no such saving is available to municipalities. This means that it is a little more difficult to get pensions started in municipalities than would be the case in a corporation under present Federal tax laws. Almost anything the corporation puts into the pension fund in the form of donations would be 62% paid by the Federal Government through reduction of taxes. This is so because corporations are, for the most part, in a 62% tax bracket under the Excess Profits Tax law.

There is no real difference in investment procedure between the public and private funds, except that the public fund operates in a "gold fish bowl" type of atmosphere. In the public fund, the tax payer must be considered, as he is contributing in most cases out of the general fund. Furthermore, the tax payer must be educated to appreciate pension requirements, as his continuous support of the program is necessary.

In many cases public fund members may not be businessmen and may be out of touch with business. This increases the chance of their becoming discouraged at the wrong time. This could be a colossal error in an investment plan. It is necessary to adopt a plan and follow it through if it is to be successful.

Types of Investments to Be Acquired

There are many types of investments which can be acquired by pension funds. We will discuss a few of the main categories. The first group is that of U. S. Government bonds; all of your are familiar with Government bonds. The return is around 2.50% on this type of obligation. Municipal bonds, including state, county and revenue bonds, provide tax-free income of around 2.50%. There is really no need for municipals in a pension fund, except in special instances. We see no reason for a tax-free organization to be buying the tax-free privilege afforded by purchase of municipal bonds. Such bonds are naturally bid up in price by wealthy individuals who find the tax shelter to be very valuable to them. Corporation bonds are affording a yield of from 2.90% to 3.00%. Preferred stocks are giving a yield of around 3.75% to 4.00.

Common stocks of good quality provide from 5.50% to 6.50%. In buying common stocks, it is our suggestion that you buy only those issues that you would be willing to add to at lower prices, if they are reached. Also, you should buy issues where the long-term prospects are favorable. In buying common stocks, an added feature is the plow-back of earnings over the years. This can be illustrated by studying one particular company, General Electric Company. This important company in 1937 had 60 odd plants. In 1950 it owned 116 plants. Since there had been no major change is the capitalization during this period it is obvious that the plants were acquired through plow-back earnings. Another illustration of this same factor can be applied to the Dow-Jones stocks. These stocks from 1946 to 1950 earned approximately $105 per share. They paid dividends of $55 per share, leaving some $50 per share retained in the business for the benefit of the shareholders. This means that there is more capital per share working for the shareholder. Stockholders own their proportionate part of these retained earnings.

Relative Proportions of Different Types to Be Maintained

One of the questions you are interested in hearing about is that of the relative proportion of the different types of securities to be maintained in an account at this time. This is a very difficult question to answer for obvious reasons. Also, the answer depends somewhat upon the objectives of the plan, the general level of the markets, and the position of the business cycle. We are not inclined to dodge this important question, and based upon normal circumstances, we would suggest the following ratio or proportion of securities to be held in such accounts: 15% in Government bonds; 20% in real estate mortgages, if they are permitted; 35% in corporation bond (if real estate mortgages are not permitted, put 55% in corporation bonds); 10% is preferred stocks; 20% in common stocks. I would like to warn you that this policy is suggested now but that it cannot be followed blindly. It may be changed a great deal as conditions change. Therefore, watchfulness is needed, as was pointed out earlier in my talk. Also, you will be interested in the income rate provided by such a diversified portfolio. It is calculated that a program such as that outlined may be expected to furnish an income return of from 3.25% to 3.75%, excluding capital gains.

Present Trends of Investment Policies and Their Long-Term Implications

It seems to me that there is a tendency among pension managers to disassociate pension problems from the general welfare of the nation. This is another way of referring to the group against group action that you hear so much about, a certain selfishness. There also appears to be a lack of confidence in our capitalistic system and capitalistic methods. There is an intense urge for security which seems to be very great, but it is quite costly in several ways. The way I see it, our capitalistic system is active and dynamic. In 1950 alone some 8 million vehicles were produced in the automotive industry. If these vehicles were placed bumper to bumper, they would reach some 26,500 miles or slightly more than around the world. What other nation can boast of such production?

It is also noted that the past investment advices, particularly in the period of 1943 to 1948, and past investment performances, have not been impressive. Several speakers in the past have urged pension managers to invest solely in Federal Government bonds and have gone so far as to say that there is no place in pensions for corporation securities or other types of securities. This advice has been very costly. There has been loss of purchasing power. The fund has been deprived of opportunities to better itself.

Pensions have been treated as a dollar obligation, and this conclusion may be erroneous. Fortunately, this historical approach is becoming obsolete. It has been popular partly because pension managers lived through the depression of the 1930's, and many of them are still depression conscious. Their thinking is affected by what they went through rather than by their present appraisal of the conditions we are facing. The purchasing power of the dollar is decreasing, and it is expected to decrease.

Isn't it more reasonable to consider pensions to be a call on a certain standard of living rather than consider them to be a dollar obligation? General electric company, for instance, in recognition of this fact, gave its retired employees a cost of living increase in bonus payments last year. In order to carry out this approach, corporate and equity investments are necessary. The main advantage is that, if the investment program justifies it, pensions can be retraded within 15 years from now, giving employees the benefit of improved investment experience.

Legal restrictions have hampered pension development and have retarded the working out of satisfactory investment programs for many funds. This has been recognized by New York, New Jersey and other states in recent years, and these states have been among the leaders in amending their laws. The most important change occurred in New York State in July of 1950 in which trustees were given the right to invest up to 35% of their money in non-legal forms of securities even though the will or trust under which they were operating stated otherwise. This is a very important step.

These legal restrictions and their effect upon pensions can be illustrated by talking about Texas, but there are possibly other similar situations known to some of you. It has been said that the State of Texas is backward financially and industrially, and that it was about 100 years behind in 1940. If this is the case, judging from the rapid way we do things down here, it is presumed that we will catch up soon. However, a study of the state permanent funds and the way they are invested may be enlightening. It is observed that in the Permanent School Fund, a total of $168 million, you will find $111 million in government bonds and the rest in cash and municipals. In the State Teachers' Retirement Fund of $108 million, you find $83 million in government bonds and the remainder in cash and municipals. In the University of Texas fund of $106 million, you will find $96 million in government bonds and $10 million in cash and municipals.

These large funds are invested in sterile form at this time. Compare these funds with the capital funds of all the national and state banks in the State of Texas and you find that the permanent funds of the State of Texas are approximately the same size as the capital accounts of all of the banks in the state. This gives you some idea of the importance of the fund. This is particularly true in view of the sterile form in which they are invested. It seems that some better arrangement could be worked out to use these funds for regional development of the Southwest, and this would be justified in the State of Texas. Why is it that insurance companies are actively making loans in this area while the State invests in sterile assets? This seems comparable to a pension fund being restricted to the purchase of government bonds.

If this trend of thinking continues, who will furnish equity money in the future? Capitalism thrives on equity money and few sources are left available to it. Wealthy individuals, who formerly were able to provide equity capital, have been affected by the high surtax rates and are unable to supply equity money in any volume. The government with its RFC and other lending agencies makes fixed income credit available to business. Insurance companies make fixed income investments by law, although the State of New York has recently passed legislation enabling life insurance companies to purchase common stocks up to 3% of admitted assets or 1/3 of surplus, whichever is smaller. Fortunately for the capitalistic system, pension funds offer interesting possibilities at this time. There are some 7 million employees participating under pension funds now. The annual contributions amount to $1,700,000,000 and of this total $1 billion falls into the trustee and self-administered types of organizations. In view of the high tax rates affecting corporations at this time, it is our belief that within a very few years there will be some 40 million employees covered in these pension funds. They will be contributing some $10 billion per annum, of which approximately $6 billion will fall into the trustee and self-administered plans. These figures are very large indeed. Compare, for example, that the admitted assets of the entire life insurance industry approximate $65 billion.

Pension managers, following diversified investment policy, can go along with the capitalistic system by taking some of the risks and by accepting some of the gains. This type of action will help the system rather than allow it to be used to purchase government bonds and become a mere tool of the Treasury. If a policy of this sort is followed, pensioners of the future will reap the benefits through lower costs and more liberal pensions; whereas, if the fixed income policy is followed exclusively, a development of pensions will tend to stagnate the economy and bring about a lack of security for all citizens.

60th Anniversary For Goodbody & Co.

The New York Stock Exchange firm of Goodbody & Co., 115 Broadway, New York City, marked its 60th anniversary May 1 with eight line descendants of the founder, Robert Goodbody, taking an active part in the business, four as general partners, and four as limited partners. Marcus Goodbody, present senior partner and son of the founder, is rounding out his 53rd year with the firm. Robert Goodbody senior died in 1911.

Marcus Goodbody

Formed May 1, 1891 as Robert Goodbody & Co., the firm was the successor to Goodbody, Glyn & Dow, organized in 1885. The Dow member of that firm, Charles W., was one of the founders of "The Wall Street Journal" and the author of the famed "Dow Theory" which has been the basis for the equally famed Dow-Jones stock market averages.

Starting 60 years ago with five employees and three partners, the firm of Goodbody & Co. now ranks as one of Wall Street's largest brokerage and investment houses, with membership in most of the leading exchanges; 25 branch offices in 14 states in the eastern half of the country; about 650 employees and 30 partners.

In addition to the present senior partner these members of the Goodbody family are partners: John L., Robert and Harold Goodbody (general partners) and Robert 2nd, Agnes E., Nellie J. and D. Goodbody (Limited).

John Place With North. Trust in N. Y.

The Northern Trust Company of Chicago announced that John F. Place has become associated with it in the Bond Department of its New York City office, 15 Broad Street. Mr. Place formerly was with the Bankers Trust Company, New York City.

Three With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — George A. Holley, William K. Ring and William T. Stoffel are now with Hamilton Management Corporation, Boston Building.

Waddell-Reed Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Al W. Des Marteau, Jr. is now associated with Waddell & Reed, Inc., U. S. National Bank Building.

Railroad Securities

Illinois Central

Illinois Central common gave signs of coming to life again in the early part of this week's opening session, but later fell victim to the general market lassitude and returned to its rut. Rails generally have been unable to get anywhere in recent weeks despite the continuing strength in industrials. Perhaps one of the reasons for this hesitancy was the decision of the Economic Stabilization Administrator to grant non-operating employees their six cent an hour cost-of-living pay increase even though it pierces the 10% ceiling put on wage increases previously.

Obviously the decision of the Stabilization Administrator is an expensive one for the railroads. Approximately 1,000,000 employees are involved. Also, it is quite possible that the escalator clause of the present agreement will again come into play at the end of another three months. Granting that traffic continues at high levels, as is expected in most quarters, such wage news rarely influences the market for any great length of time. It appears likely, then, that a renewed upward trend of rail stocks may be expected over the reasonably near future. As a matter of fact, most technicians are convinced that the rise in other sections of the market can hardly continue unless confirmed by the carrier stocks.

The improved financial status and the high current earning power of Illinois Central put its common stock in an excellent position to participate fully in any renewal of investment interest in the group. One of the outstandingly favorable aspects of the Illinois Central picture, and a phase that has been commented on in this column before, has been the sharp reduction in recent years in the non-equipment debt outstanding. From Jan. 1, 1940 to Jan. 2, 1951 this debt had been cut by more than $164 million. At the end of the period the amount outstanding had been reduced to $168,276,615. Another $12,546,000 maturing this year will be paid off in cash and presumably the same will be true of the $15,505,500 falling due in 1952 and 1953.

One very important plus factor has been added to the Illinois Central picture in the past few months. Late last February it was announced that plans were finally under way for the development of the air rights over the road's freight yards on Chicago's lake front north of Randolph Street. Analysts have long been looking forward to this step. There is a total of some 80 acres involved but the development of the whole tract will probably be gradual. The initial step announced involved the purchase by Prudential Insurance Company of rights over three acres for the construction of a large office building. No figures were released but press reports stated that real estate interests in Chicago estimated that the entire 80 acres could mean as much as $180 million to Illinois Central. The importance of these potentialities is obvious when it is realized that this amount would be almost equal to the road's present total debt, including equipments.

Even without considering the possibilities inherent in the valuable air rights Illinois Central stock is considered by most analysts as having outstanding appeal on the basis of its current earnings. Last year these earnings amounted to $20.83 a share. The $29,412,202 of net income realized, however, included $2,839,186 retroactive mail pay increases and a tax credit of $3,995,920 for over-accruals in previous years. Both of these are obviously non-recurring. It is considered unlikely, therefore, that last year's results can be matched in 1951. Nevertheless, it does seem reasonable to look for earnings of between $15.00 and $17.00 this year. Such a level of earnings should certainly prove sufficient to warrant the expected increase later this year of the dividend above the present $3.00 annual level.

Jules Graubard Has Joined Bache & Co.

Jules M. Graubard has joined Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, as director of personnel in charge of employee relations, it was announced by Harold L. Bache, senior partner of the firm.

Jules M. Graubard

Mr. Graubard has been director of personnel research for The Chase National Bank since 1947. He also is an instructor in industrial and applied psychology at Brooklyn College. Mr. Graubard is a member of the faculty of New York State School of Industrial and Labor Relations, Cornell University, where he is an instructor and conference leader of Executive and Supervisory Training Methods, Human Relations for Executives, and Employee-Relations Clinic, for management or industrial groups.

Ryan, Hanauer Co. Formed in Newark

NEWARK, N. J.—Ryan, Hanauer & Co. has been formed with offices at 786 Broad Street, to conduct an investment business in tax-exempt municipal bonds. Ryan, Moss & Co. and Leonard Hanauer & Co. have been dissolved.

Principals of the firm are John J. Ryan and William Beckelman, a limited partner.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John L. Druhan, Jr. has become associated with Barclay Investment Co., 39 South La Salle Street. Mr. Druhan was formerly with Paul C. Rudolph & Co., of San Francisco.

Continued from page 8

Truman Seeks New Powers in Extended Defense Production Act

for meeting any new military demands.

For example, the capacity of the steel industry, which was 100,000,000 tons a year last June, will be expanded, within two years, to at least 117,000,000 tons a year. The aluminum industry had a capacity last June of 750,000 tons a year; by 1953, it should rise to 1,300,000 tons. The electrical power capacity of the nation—67,500,000 kilowatts at the beginnng of this year—is being rapidly increased; we need to add at least 22,000,000 more kilowatts in the next three years.

The Defense Production Act carries powers under which the government is helping to build new plants and finance additional output. The government is making or guaranteeing loans to private businessmen. It is buying some critical materials and equipment—particularly imported materials—and reselling them to private businessmen. It is also supporting the development of new domestic and foreign sources of supply for vital materials. These powers will have to be used to an increasing extent as our defense production expands.

In addition to these production aids under the Defense Production Act, under the Revenue Act of 1950, the government is allowing businessmen, in certain cases, to write off part of the cost of new plants and equipment needed in the defense effort more rapidly than the usual depreciation periods under the tax laws. Some $5,000,000,000 worth of new plant construction is being encouraged in this way.

More Powers Needed to Expand Production

Even with the existing production aids, it may not be possible to obtain the supplies and equipment needed unless the government is given one power to help expand defense production which it does not now have. That is the general power, which was used extensively and successfully in World War II, to build defense plants. At the present time, with some exceptions, whether or not defense plants are built depends finally upon the decision of private business men. Certainly, if private businessmen can and will build all the necessary facilities, without excessive cost to the taxpayers, that is preferable. But, first and foremost, the government must have the authority to obtain essential production.

To help expand defense production, the government also needs the power to give special financial aid to high-cost producers in order to obtain essential production from them without increasing price ceilings. Such "differential" subsidies were used very successfully in World War II, and saved American consumers and taxpayers many millions of dollars, because it was much cheaper to subsidize some high-cost producers than to raise prices on the entire production of the commodities affected.

In summary, to accomplish our defense production goals, the Defense Production Act should be extended and strengthened, and adequate funds to carry out its provisions should be authorized.

Titles IV, V and VI of the Defense Production Act relate to stabilization.

It will be a tough job to accomplish the production goals of our defense effort. It will, in many respects, be even harder to prevent our defense effort from resulting in skyrocketing prices—with increased defense costs, disruption of production and hardship for millions of families.

Economy Mill Run at Forced Draft

For the next two or three years, the economy will be running at forced draft. Industrial production and employment will be reaching new records. People will be working longer hours, many at overtime pay. Farmers will be producing and selling more crops. All of this will mean higher incomes — more money available for people to spend. At the same time, such of our manpower and plant capacity will be diverted to building defense plants and producing military goods—leaving that much less civilian goods for people to buy.

More money to spend than there are goods to buy — that creates the so-called "inflationary gap." Without an effective stabilization program, the excess spending power could be translated into higher and higher prices.

If we are successful in preventing another world war, at the end of two or three years we should be able to close the inflationary gap by producing enough civilian goods to match the buying power of business and consumers. This can be done when our expenditures for military purposes and for new plants will have leveled off—and the vastly increased productive power of the country can be devoted in greater proportion to civilian goods.

But in the meantime, until we are "over the hump," we face an extremely difficult problem in stopping inflation.

Fortunately, we are now in a relatively good position to prepare for the tough period ahead. After the Korean invasion, and again after the Chinese intervention, there were speculative buying rushes by businessmen and consumers which, coupled with the expansion of defense orders, resulted in prices surging upward. The wholesale price index rose 16% from June 27, 1950, to Feb. 6, 1951. The index of consumer prices rose 8% from June 15, 1950, to Feb. 15, 1951.

Inflation Still the Problem

Now, however, tax, credit, and price and wage control actions have taken hold. Production has increased substantially, and the buying wave has—at least for the time being—died down. Consequently, the upward rush of prices has been checked. The wholesale price index rose only 0.5% between Feb. 6 and April 17, 1951. The latest consumer's price index figures, those of March 15, show a rise of only 0.4% in the month following Feb. 15—the first full month of price control. We have made a good beginning and we must now go on to achieve more complete stabilization.

Breathing Spell

We are now having something of a "breathing spell." But it will not last. This fall and winter the economy will be hit by the full impact of military production. Supplies of civilian goods will be reduced while larger production, employment and military spending will be putting still greater buying power in the hands of the public.

Inflationary pressures, which are serious now, will be critical then. We must therefore use the present period to get prepared for the hard problems which lie ahead. The present "breathing spell" is a fortunate occurrence—it gives us a chance to get hold of the price structure and build a set of controls which will hold firm. This opportunity will not come again. We must not waste it. The executive agencies will do their utmost with the powers they have and the Congress will need to enact additional legislation.

In taking action now, our simple, central goal must be to bring the rise in prices and the cost of living to a halt—and hold the line. It will take strong and determined measures to do that.

(1) Most important of all, we must increase taxes quickly and adequately—paying for government expenditures as we go, through a fair tax program. This will spread the cost of defense equitably and help stop the inflationary spiral.

(2) We must increase personal savings — dollars saved now are subtracted from the buying power pushing prices upward, and will be available later when more consumer goods will be produced.

(3) We must reduce borrowing and buying on credit for nondefense purposes—by consumers and businessmen—since borrowed money adds to the pressure on prices.

(4) We must have fair ceilings on prices, including the prices of farm products, and on rents, in order to stabilize the cost of living during the defense period, to hold down the cost of the defense program to the taxpayers, and to prevent profiteering.

(5) We must stabilize wages and salaries at fair levels, to restrain excessive consumer demand and to prevent rising business costs from forcing price increases.

This is an anti-inflation program that will work. It includes measures to absorb excess purchasing power, and measures to stop prices and costs from jumping upward. This program will work if all these measures are employed to support and reinforce one another. We must fight inflation on every front and with every possible weapon if we are to succeed.

Taxes

A large Federal deficit would be a powerful inflationary force, because the government would be pouring more money into the economy than it was taking from it. The effects would be multiplied in a period of rising expenditures, when government orders and the private borrowing and spending which they stimulate exceed the actual budget expenditure figures.

An effective stabilization program requires that we hold Federal expenditures to the minimum necessary for national security and a strong nation. The January budget reflects such a policy, and I know the Congress will apply the same standard in reviewing it.

An effective stabilization program also requires that taxes be high enough at least to balance the budget.

The Federal Government will show a surplus for the current fiscal year, ending on June 30. This is a good record. But, unfortunately it does not mean we are on a pay-as-you-go basis. During the present quarter and from here on out, until taxes are raised, we will be operating at a deficit. The latest figures show that to balance the budget as defense outlays continue to rise will require the Congress to enact during this year at least the $10,000,000,000 in additional taxes I have recommended.

The people of our country are going to have to pay for the defense program sometime the sensible thing to do is for us to pay for it as we go, through fair taxes.

This is also the sensible time to put every possible dollar into savings. Every additional dollar saved helds hold down the cost of living, and puts aside money that will be available later on, when consumer goods are again plentiful.

During World War II the American people invested unprecedented amounts in savings bonds, thus withdrawing billions of dollars which otherwise would have pushed prices upward during the war; after the war those savings helped many a family. It is vital again now to encourage savings —through pay-roll savings plans and other regular methods of savings-bond purchase, and through encouraging people to hold on to their savings bonds as they come due, and thereby earn more interest.

The most effective of all to assure adequate saving is to provide convincing assurance to savers that inflation will not cut down the value of their savings. This is one of the many reasons why we need to increase taxes and to extend and strengthen present economic stabilization legislation.

Credit controls, like taxation and savings, attack inflation at the source, by reducing purchasing power which would otherwise be directly used to bid up the prices of goods.

A good deal has been done since last June to curtail the expansion of consumer and real estate credit. Higher down payments and quicker payment of balances are being required of buyers of new houses, automobiles, household appliances, and other durable goods. These credit controls are already showing good results—for example, the amount of credit outstanding to buyers of automobiles, which had risen steadily since 1945, has declined every monthh since last October and total instalment credit dropped by about half a billion dollars in the first three months of this year. The provisions in the Defense Production Act authorizing such credit controls need to be extended; furthermore, we need the authority to control credit terms on the sale of existing houses, as well as new ones.

We are in a less favorable situation regarding bank credit to businessmen. Bank loans have risen, week after week, almost without interruption. Many of these loans are necessary—for example, loans to businessmen to expand defense production. But it is very important to cut down on unnecessary loans. Non-essential business investments should be deferred because they compete for scarce materials and man power.

Several steps have been taken to dampen bank credit expansion. The discount rates of the Federal Reserve Banks have been raised. The Federal Reserve Board has increased the reserve requirements of member banks almost to the legal maximum. The Treasury has offered long-term non-marketable bonds in exchange for long-term marketable bonds, in order to cut down the supply of securities that might be used for credit expansion. In addition, the Federal Reserve Board has recently requested all banks and other leaders to cut down on their non-essential lending. Government lending agencies are already applying strict standards in screening and limiting their loans.

It is not yet clear whether further actions will be needed, but we should obviously be prepared to take them. The government has certain emergency powers it can use to place direct controls over bank lending, if that proves to be necessary. In addition, I believe that the Federal Reserve Board should be given authority by the Congress to impose additional requirements for bank reserves. I expect to transmit specific recommendations on this subject to the Congress in the near future.

Furthermore, I recommend that the Congress authorize the control of margins for speculation on commodity-futures markets. Whenever the speculative fever hits these markets, we should be able to dampen it promptly with reasonable requirements for minimum margins. This is the same kind of authority which the Federal Reserve Board now exercises in respect to the stock markets.

Price and wage controls do not cure the basic cause of inflation —the inflationary gap between the supply of goods and the volume of buying power.

The cure can come about only by closing the gap—through tax, saving, and credit programs, which reduce the demand for goods, on the one hand, and production programs, which increase the supply, on the other. But until the inflationary gap is closed through these measures, price and wage controls are indispensable in checking the price rises which otherwise would result. At the present time it is clear that these controls must be maintained and strengthened.

On Jan. 26 a general ceiling-price regulation was issued, freezing most prices at the highest level they had reached in the previous four weeks. At the same time, a similar regulation stopped, for the time being, further wage increases.

Both the price and wage freezes of January were intended as emergency measures to hold down price and wage increases temporarily, until more workable regulations could be developed and the staff assembled to put them into effect. These January regulations were a necessary step. But, inevitably, they froze all sorts of distortions and inequities in the price and wage structure.

They left some sellers operating at a loss and others making excessive profits. They caught many retailers in an unfavorable position as against their wholesalers; many wholesalers as against manufacturers; many manufacturers as against raw-materials producers. They caught many workers in the process of negotiating for wage adjustments which other workers had already obtained.

Many of these kinks in the price-wage structure have to be ironed out in order to achieve a situation which is fair and reasonable enough to hold firm against the new inflationary pressures we expect. Necessarily, there will continue to be some differences in the impact of price and wage regulations as among individuals or firms; these will be minimized, but they are inevitable if we are to have real stabilization.

Price Stabilization

In the case of prices, the Office of Price Stabilization has been moving ahead with the adjustment process since the January freeze. Adjustments have been completed for many products and industries, but not for all. Rollbacks from January prices have been required on a number of raw materials and finished products. More rollbacks are planned. In other cases, some price increases will have to be allowed where sellers are caught unfairly between high costs and low prices. But these increases must be held to the minimum that will result in adequate production and reasonable returns. The upward spiraling of prices which is involved in translating cost increases into price increases must be prevented.

The Office of Price Stabilization expects to complete this adjustment process in the near future, and to have then a firm structure of price control with prices on the average very close to the January level. This adjusted price structure is the line we proposed to hold against the new inflationary pressures which we foresee.

The Office of Price Stabilization will move as rapidly as is administratively feasible to apply a general standard of not permitting price increases in any industry when the level of profits for that industry is more than 85% of its average profits for the best three of four years 1946-1949.

This standard is roughly the same as that used in the excess profits tax law, and is fair and reasonable during a time of national emergency. Corporate profits are now running at the all-time record rate of $48,000,000,000 a year—more than $14,000,000,000 higher than in 1948, and about $20,000,000,000 higher than in 1949. There is clearly room for cost absorption in profits such as these.

In addition, the Office of Price Stabilization has been directed to work out specific dollars and cents ceilings on individual commodities wherever possible. This is of vital importance both as a means of checking unwarranted price increases and in order that the buying public may know the legal price and help enforce it.

In the case of wages, unfortunately, the process of changing over from the wage freeze to a fair longer-run wage stabilization program was interrupted by the split-up of the Wage Stabilization Board in February. In the absence of a board, only slow progress has been made toward establishing fair and workable wage stabilization policies.

Within the last week, however, I have issued an executive order re-establishing the Wage Stabilization Board. The further development of fair wage stabilization policies for the longer run should now go rapidly forward. In formulating such policies many factors will have to be weighed, including changes in the cost of living, substandards of living, and cases of hardship or inequity. At the same time, it is obvious that workers will have to forego substantial increases in wages which would be permissible if the danger of inflation were not so great—just as businessmen and farmers will have to forego substantial increases in income for the same reason.

Ceilings on Farm Products

The Defense Production Act has special provisions regarding ceilings on farm products. It prohibits setting price ceilings on agricultural commodities below either the parity price or the highest price attained in the May 24-June 24, 1950, period, whichever is higher. This provision has led to considerable misunderstanding; it has often been said to prevent price ceilings on farm products. This is, of course, not so. Prices of several of the major farm products, including meats, cotton and wool, are above the legal minimums and consequently are subject to price ceilings. For example, a dollars-and-cents ceiling has been placed on cotton at the producer level.

Prices paid to farmers for some farm commodities, however, are below parity. These prices cannot be controlled under the present law until they rise to the parity level. This has led to some proposals to change the law to permit price ceilings to be placed on farm products below parity levels. I do not believe such proposals are justified under present circumstances. The parity principle, which is the basis for our agricultural laws, is the best guide we now have available to judge what is a fair return to farmers.

I do believe, however, that for price-control purposes, the parity price for each commodity prevailing at the start of its normal marketing season should be applied throughout the balance of the marketing season, just as in the case in most of our agricultural price-support programs. I recommend that the Defense Production Act be amended to provide for this. Under this amendment the parity price will continue to be a minimum standard for each price ceiling. The amendment will, however, substantially improve the administration of price control on food products and will forestall the inflationary effects of frequent changes in the computation of the parity price of individual farm commodities.

The current outlook is for stable food prices, at least for some months to come. However, if we find that we can not hold the line on food prices with the powers recommended here, we shall need to consider legislation authorizing the use of other devices, including limited food subsidies to prevent necessary farm price increases from being reflected in rises in the cost of living. Such subsidies were very successful in World War II and saved consumers and taxpayers far more than they cost. The stabilization agencies are keeping close watch on the areas where need for these subsidies may develop, and the Congress will be kept informed.

Price controls will be successful only if buyers and sellers are well informed about what the law and regulations require. The Office of Price Stabilization is now doing its best to inform them. But there is need also for tough and aggressive enforcement action against the small minority who would willfully violate the law. The Defense Production Act needs to be strengthened in a number of respects to tighten up the government's enforcement powers. For example, the courts should be given authority to impose higher civil penalties for violations than the law now permits.

Rent Control

A serious deficiency in the present stabilization structure is the absence of an effective rent control law. For millions of families with low or moderate income, rent accounts for as much as 15% or more of the total family budget. If costs of living are to be stabilized, it is obvious that increases in rents must be stopped and the line held, just as with other prices.

There is still in effect a rent control law, due to expire on June 30. We are fortunate that this law is still on the books. But it is entirely inadequate to help meet the inflationary pressures which will confront us in the coming months.

The present law was enacted before the Korean outbreak as a last step in the liquidation of the rent controls left over from the war. About 6,700,000 housing units are still under Federal control, compared to 16,000,000 housing units under control at the peak of the World War II rent-control program. In addition, one State and one municipality have control measures of their own.

Before the Korean outbreak, it was contemplated that Federal control would be removed from these last remaining units by June 30, 1951, at the latest. Since Korea, however, reactivation of military camps and other installations in various parts of the country has placed great pressures on near-by housing accommodations and in a number of instances has brought a shocking increase in rents. This has become a heavy and totally unjustified burden of many men in service. In some communities where rents have been decontrolled, service men's rents have risen as much as 100%. In some defense areas, also, expansion of production facilities by private industry and by the military services or the Atomic Energy Commission has begun to send rents soaring. Over the nation as a whole, the volume of new housing—which was helping to relieve the housing shortage and the pressure on rent levels—has had to be sharply curtailed.

New Rent Legislation Requested

All of these circumstances call for new rent legislation. The government should have power to establish rent controls in any community where they are needed to stabilize the situation, stop profiteering and hold down living costs. Of course, if State and local action results in holding rents to reasonable levels, the Federal Government would not act.

In addition to the control of rents on residential housing, an effective stabilization program in this period requires that the government be able to control business rents. Rents are an important part of the cost of doing business at wholesale and retail levels. With the high levels of business activity, sales and warehouse space has been at a premium for mony months. Business rents are rising in many cities and further sharp increases are threatened in the coming months. Unless controls are authorized, many businesses, particularly small firms, will face rent and hence cost increases, which will either drive them out of business or require a break in price ceilings.

The keystone of our stabilization program is to share fairly the necessary burdens imposed by the defense effort. We can do this best by holding the cost of living stable, by preventing profiteering by any one, and by paying for our military needs through higher taxes. A rounded stabilization program, such as I have outlined, can accomplish these ends.

Changes Requested Are Summarized

In this message I have discussed the more important of the amendments which I believe should be made in the Defense Production Act at this time. Others will be presented to the Congressional committees by appropriate officials of the Executive Branch.

In summary, the more important amendments to the Act which I now recommend would:

(1) Extend the life of the Act for two years, until June 30, 1953.

(2) Authorize the government to build and operate defense plants, where necessary, to produce essential materials and equipment.

(3) Permit the use of differential subsidies to obtain essential production from high-cost sources of supply without increasing price ceilings.

(4) Provide for controls over credit on existing housing, and regulation of speculative trading on commodity exchanges.

(5) Allow the parity price for each farm commodity as of the beginning of its marketing season to be used for price-control purposes throughout the marketing season.

(6) Provide stronger means to enforce price-control regulations.

(7) Authorize effective control over both residential and commercial rents, wherever needed to stabilize the cost of living and the cost of doing business.

If, as we proceed with the Defense Mobilization Program, it becomes evident that we need further legislative action to assure that our goals are met, I shall make further recommendations to the Congress.

While the Congress is considering these proposals and enacting those which it deems desirable, the Executive Branch will continue to use vigorously the range of powers it has now. In the course of its forthcoming deliberations, the Congress will have available to it for consideration all of the experience and information which the executive agencies can provide.

We are engaged in a historic effort to hold together all of the free peoples of the world in the face of the greatest danger ever confronting them. As a leader in that effort, we must demonstrate to the whole world that the Founding Fathers were wise in their faith that our government of divided powers would never suffer disunity or frustrate necessary action in time of peril. The Executive Branch and the Congress are both responsible to the American people—and the needs of the people are now both clear and imperative.

Public Utility Securities

By OWEN ELY

Ohio Edison Company

Ohio Edison, with annual revenues of $85 million, serves electricity at retail in Ohio to 570 communities (and rural areas) and at wholesale to 23 municipalities, 6 rural cooperative associations, 4 electric utilities, etc. Its subsidiary, Pennsylvania Power Company, serves electricity at retail to 125 communities, as well as to rural areas, in western Pennsylvania, together with some wholesale business. The two companies' lines interconnect at a number of points and there are also interconnections with other large utility companies serving these areas.

The population served by the two companies approximates 1,635,000. Among the larger cities in the area are Akron, Alliance, Barberton, Elyria, Lorain, Mansfield, Marion, Massillon, Sandusky, Springfield, Warren, and Youngstown in Ohio; New Castle in Pennsylvania, etc. In addition to electricity, there is a small amount of heating service.

The following table summarizes the company's consolidated earnings record in the postwar period. The figures include those of Ohio Public Service (merged with Ohio Edison on May 1, 1950) and Federal income taxes are adjusted to an individual company rate basis. Figures are in millions.

Year	Gross Revenue	Gross Income	Net Income	Balance for Common
12 mos. ended Feb. 28, 1951	$88.1	$20.4	$14.5	$13.0
Calendar Year—				
1950	85.8	20.2	14.4	13.0
1949	77.3	17.3	13.1	11.7
1948	75.6	16.4	12.6	11.2
1947	68.1	15.5	11.8	10.4
1946	58.6	14.9	10.2	8.6

Ohio Edison's residential rates are low as compared with the U. S. average and also as compared with other utilities in Ohio. Average residential usage is 25% above the national average. 98% of the farmers in the area are served and farm usage per annum is far above the average for the eastern United States. Competition from public agencies is small; independent REA's serve only about 12,000 population, and municipal plants 52,000; other municipal plants serving about 100,000 obtain their power wholesale from Ohio Edison.

Ohio Edison has enjoyed excellent growth. Since the war the company (and predecessor company acquired) has made gross property additions of over $130 million and retired about $12 million property. The company and its subsidiary expect to spend about $31 million for construction this year, and $41 million in 1952.

Capacity of the system is currently 1,141,000 kw. "capability." They expect to add 85,000 kw. in 1952, 212,000 in 1953, and 135,000 in 1954, bringing the total up to about 1,511,000 (after small retirements). Capacity is now 72% larger than at the end of the war, and by 1954 will be about double. They also have 575,000 kw. available through connections with other utilities, and while this is not always "on tap" there is excellent cooperation in emergencies. The merger with Ohio Public Service is yielding substantial operating economies.

Ohio Edison's earnings are above 6% in relation to net plant account and working capital, and the company does not enjoy immunity from excess profits taxes. In 1950 these taxes were equivalent to about 17 cents per share on the common stock (covering the last half of the year only). In 1951, the higher Federal income tax, and the increase in equity capital resulting from the sale of preferred stock in March, 1951, by Pennsylvania Power and the proposed sale of additional common stock by Ohio Edison, will operate to reduce the amount of EPT so that this may not exceed some 20-25 cents per share, it is estimated; and if the income tax rate is upped to 52%, EPT would be greatly reduced.

In Ohio the rate base (as fixed by state law) is not net plant account, but cost of reproduction less depreciation. Despite the fact that a considerable part of the plant has been installed at construction costs approaching today's high levels, Ohio Edison's total plant value if set up on a cost-of-reproduction basis would doubtless be well above book figures. Hence earnings in relation to the allowable rate base would probably be in line with, or below, what is usually considered a "fair return." Last year Ohio Edison received rate increases totaling $1,325,000, the first part of which became effective in August, 1950, with other portions taking effect in January and February. They also have an application before the commission for an increase of $860,000, covering rural rates (the number of schedules will be reduced from 150 to 4).

The consolidated capitalization, after giving effect to the proposed sale of common stock, is estimated to be as follows:

Funded debt	$141,000,000	49%
Preferred stock	42,000,000	15
Common stock equity (4,798,000 shs.)	*104,000,000	36
	$287,000,000	100%

*Including $10 million plant acquisition adjustments and other reported intangibles.

Share earnings for the twelve months ending March 31, 1951 were $2.99. The company is currently planning to offer additional common stock for subscription (with a standby underwriting group to be selected by competitive bidding). Assuming that this offering is consummated, pro forma share earnings would be reduced to $2.72. On the latter earnings basis, the present $2 dividend rate would represent a payout of 73%. The stock is currently selling around 32 to yield about 6¼%.

Continued from first page

As We See It

effort in which we are now engaged. At one point, he says:

"We must increase personal savings—dollars saved now are subtracted from the buying power pushing prices upward, and will be available later when more consumer goods will be produced."

He gets back to the subject again a few paragraphs later, where he sets forth his ideas at somewhat greater length. Here is what he then says:

"This is also the sensible time to put every possible dollar into savings. Every additional dollar saved helps hold down the cost of living, and put aside money that will be available later on, when consumer goods are again plentiful.

"During World War II, the American people invested unprecedented amounts in savings bonds, thus withdrawing billions of dollars which otherwise would have pushed prices upward during the war; after the war those savings helped many a family.

"It is vital again now to encourage savings—through payroll savings plans and other regular methods of savings-bond purchases, and through encouraging people to hold on to their savings bonds as they come due, and thereby earn more interest.

"The most effective way of all to assure adequate saving is to provide convincing assurance to savers that inflation will not cut down the value of their savings. This is one of the many reasons why we need to increase taxes and to extend and strengthen present economic stabilization legislation."

Few words in economic literature are oftener used and more often abused than this term "savings." In any effort to understand what the President is saying, and what the many other users of this term are saying, we must begin with the question: "What does the President mean, and what do the others mean, when they use the term 'savings'?" It may well be questioned whether the President has ever stopped to formulate even in his own mind any precise definition of the term, and it would be quite understandable if he has not. As to the others, some have and some have not defined for themselves at least the concept of savings which they weave into a system of economic philosophy as it applies to rearmament and, for that matter, into their thinking about things economic and social in general.

Savings of Individuals

So far as the savings of individuals are concerned—and it appears to be savings of individuals that the President has in mind—the most common definition of the term is simply the difference between disposable income and consumption expenditures. This is the concept employed by the Department of Commerce in the national accounts, and on the surface it appears simplicity itself. The fact is, however, it will not do to leave the matter there. First, we must define consumer goods. Is a new automobile a consumer good? A new refrigerator? A set of dining room furniture? Are expenditures for such things to be regarded as outlays for consumption? The Department of Commerce regards them as part of ordinary consumption, and includes in savings only that part of income after taxes which is left after these and other "consumption expenditures." Other economists, including those employed by the SEC, say these are not consumption expenditures, but are made from savings. And so it goes.

Nor is that the whole story even as to individual savings. In all current statistics, at any rate, individual savings include profits of unincorporated business enterprises—the corner grocery store (if it is not incorporated), the partnership operating as security dealers or brokers, as a stationery store, as a gasoline station, or what not, and the farmer whose income comes from the business enterprise known as his farm—that is, all of these profits not spent by the single proprietors or the partners as individuals for articles or services defined (by some in one, by some in another way) as consumer goods.

Again, although the President apparently did not take it into consideration, there is another type of saving, ordinarily called corporate saving. This is usually defined as corporate income less dividends paid. These are the funds left in corporate enterprises by their owners, and correspond to funds left in the business by unincorporated enterprises, which, however, are included in individual savings. Now it may be true that the economic significance of a large accumulation of corporate savings, or a corporate policy which is accumulating such savings at any point in time, may be somewhat different in some circumstances at least from similar behavior on the part of individuals, but it would, of course, be silly to suppose that the two are of different orders so far as the impact upon the economy is concerned.

"Savings" and "Expenditures"

Now an all too common error is to reason as if "savings" and "expenditures" were mutually exclusive or even antithetical concepts or phenomena. Another seems to be the notion that if they can be made mutually exclusive, a great and permanent gain would be registered during any such period as that through which we are now passing. This is the save-now-and-spend-later notion so commonly heard and set forth and repeated by the President in his latest message to Congress. A third is that savings drawn from individuals and corporations through sale of bonds and spent by the Government on armament and the like are not expended at all, but can effectively be added to purchasing power after the emergency is passed without danger of inflation. Of course corporations normally spend their savings by reinvestment in the business. Individuals normally spend their savings in houses, in some sort of business venture, or in some other way through deposit in some institution which in turn spends the funds. Funds saved during war or other emergency and spent by government can be spent again by the savers after the emergency only if there is corresponding post-emergency saving or if government debt is monetized.

Let the President and his advisers study not only what happened in these matters during World War II but also what occurred during the two or three years after hostilities ceased.

Continued from first page

The Outlook for Business

Korea in late June last year:

Business was booming.

Industrial production was at a postwar peak.

New orders and unfilled orders were exceedingly large.

Prices were about double the prewar level.

Civilian employment was near record levels.

Few were unemployed.

Demand exceeded supply in many lines.

The national debt was about $258 billion.

Consumer credit was the highest on record and the threat of further inflation was serious.

As already indicated, a huge military program is now under way which tends to subordinate civilian activities. Both national and private business policy must be reappraised and reconsidered in the light of these facts.

For the first time in our history, we have a part-peace, part-war economy. This is a new experience for business; for labor; and for Government. It is vital, therefore, in any analysis of future business to distinguish between the near-term and the long-term impact of the military program.

At the present time, military expenditures are only a relatively small percentage of the national income; but they are rising and are likely to reach 13 to 15% of the national income by this time next year. Consequently, business management must evaluate this shift in the economy in terms of individual needs.

The current slackening in business activity is explained largely by the fact that the military program has failed to cut into civilian production as deeply and as soon as many had expected. But military expenditures are now expanding rapidly and the impact will become increasingly important in the coming months. Thus, the present lull in business is likely to be only temporary.

I realize, of course, the hazards in making estimates of future business trends. Even in less trying times, attempts to anticipate future operations are likely to go wrong. Under the uncertain conditions prevailing now, both on the domestic scene and in foreign affairs, forecasts are doubly precarious.

Yet, every company or individual doing business must plan for the future, and the ones best able to foresee coming trends and to allow for them are the ones that will be able to remain in business.

One of the chief difficulties in making future estimates is the failure to evaluate properly the current business tendencies. Many forecasts fail because of an improper diagnosis and the wrong conclusion.

Favorable Volume of Business in 1951

From the point of view of dollar volume, the outlook for business through 1951—perhaps even longer—is favorable. There are a number of strong reasons for this conclusion. In the first place, most of the fear that the country was plunging headlong into socialism or some kind of statism has disappeared.

It looks as if personal income will be higher in 1951 than in 1950, and there is almost sure to be a further increase in 1952. Personal income is now running at an annual rate of about $239 billion. In my opinion, personal income is probably the best single indicator of future business trends; it should be watched for changes.

Since retail sales follow closely personal income, total retail purchases in 1951 should exceed those in 1950 by at least 5 per cent and it may be 10 per cent greater.

It appears that farming areas will offer very favorable possibilities for bank loans this year, both for moving crops and for the purchase of machinery.

Farm income was somewhat lower in 1950 than in 1949 partly because of smaller acreage and partly because of lower prices; it is expected to be higher in 1951 than in 1950 and may reach a new high record. You may not agree with the farm price support program; but there are reasonable arguments for it. In past depressions, farm income was the first to decline; and the slump in agriculture was soon followed by a drop in industrial production. Consequently, the theory is, if agricultural prosperity can be sustained, a depression will be avoided. Therefore, a few billion dollars spent on agriculture support is a low price to pay for prosperity in peacetime.

Inventories have increased rapidly in the past eight months; and the time is approaching when further stocking becomes inadvisable. Total inventories on March 1 were in excess of $65 billion in comparison with about $52 billion a year earlier. Thus, you can see the danger of a sudden price decline.

Despite the fact that retail sales in dollar volume in the first quarter of 1951 were by far the highest on record, inventories held by manufacturers, wholesalers, and retailers have risen to new high levels. Although retail sales on a dollar basis have been running at record levels, it is questionable how much unit volume has increased. With the current high prices, any drop in the rate of buying could mean a sharp drop in dollar sales. And if business generally should take a tumble, retailers and wholesalers holding heavy inventories would be headed for trouble. As a result, many are beginning to wonder how much longer production of civilian goods can continue at the present rate without serious disruption of the markets.

Many companies that had completed their postwar expansion programs have now made new plans for further expansion, which means that capital expenditures are again on the increase.

For this reason and because of expected lower earnings, corporate dividends are likely to be smaller in 1951 than in 1950.

It looks now as if the construction industry will continue active through the rest of this year despite rising building costs. Prospects appear to be good for public utility and public works construction. Demand for new homes in the low-price brackets is still far from fulfilled. Unless efficiency improves, construction costs may rise a little more in 1951 as a result of higher freight rates, increased prices of building materials, and higher labor costs.

Automobile production in 1951 is expected to be curtailed one-fifth to one-fourth from the record rate in 1950. But a reduction of even one-third would still leave production of new cars at a relatively high level. Production of new automobiles was actually 21 per cent greater in the first 14 weeks of 1951 than in the same weeks last year.

Apparently, a seller's market in most lines will continue through the rest of 1951 and probably into early 1952. Nevertheless, business firms should wisely retain their sales forces to keep in touch with customers and tell them why the goods cannot be supplied.

Ample credit will be available for all business needs this year, and interest rates will probably remain low, although they may harden as the year advances.

As you bankers know, total loans to customers have been rising since about the middle of 1949. Mainly because of this increase, there has been a gain in the money supply; i.e., the total of bank deposits and money outside the United States Treasury and the Federal Reserve Banks. Here is another reason why inventories have been rising for many months.

Chances of changing the price of gold by the United States Treasury are negligible in the foreseeable future.

Average wholesale prices will probably move upward, although the rate of increase will slow down appreciably. Likewise, the cost of living will go higher.

There may be need for slightly more coal in 1951 than in 1950.

Railroads can expect a good year.

Every ton of steel that can be produced will be needed.

Railway equipment can look forward to a very active year.

The outlook is better for soft goods in 1951 and 1952 than for hard goods, owing to the fact that people overbought in hard goods lines in 1949 and 1950 because of fear of shortages. Credit restrictions have tended to reduce sales of hard goods in recent months; and it requires time for those people who have already bought hard goods on credit to pay for them.

As more factory jobs are created, population will tend to be drawn to urban centers; and with higher pay and shorter hours, it will become increasingly difficult to keep young people on the farms.

The difference in policy of the Treasury and the Federal Reserve Board over credit controls and interest rates will enter a new phase in 1951; indeed, the shift has already started.

In 1950, the Treasury was faced primarily with refunding problems. It looks now as if the increase in Government expenditures for the military program will be far greater than the increase in taxes in 1951 and 1952. It seems almost certain, therefore, that late this year, the Treasury will have the additional problem of deficit financing in spite of a current surplus in the cash budget. And when deficit financing is again necessary, my guess is that the Treasury will dominate the decisions.

Since new construction and installment purchases have already been restricted, the problem of credit control has now shifted largely to checking the rise in commercial loans. For this reason, it seems reasonable to suppose that the emphasis on credit control will shift away from interest rates to direct curbs on bank loans. There is some hope that the recently appointed monetary policy committee may offer a workable solution.

A combination of renewed confidence in the survival of the capitalistic system, the increase in the money supply, and the record earnings of corporations goes far to explain the rise in the stock market from June 1950 to early February this year. There was a decline in the market with the outbreak of war in Korea; but most of the drop has been recovered. Stock prices are still low when measured either (1) by earnings; (2) by yield, or (3) by the spread between the return on stocks and the return on bonds.

But the old standard for the price-earnings ratio is probably obsolete. The investor is now demanding a much lower price-earnings ratio than he did in earlier years.

Although the outlook for business in the next year or two is favorable, there are some weak aspects which must not be overlooked. Two of the most important problems confronting the economy are (1) how to manage the national debt, and (2) how to prevent wild inflation.

Despite the great business boom of the past three years, the national debt has increased slightly; which is to say that the national budget showed a deficit much of the time.

A survey made several years ago indicates that corporation officials serve in the higher managerial positions on the average about 20 years. If this estimate is even roughly correct, then about one-half of the present top executives have been appointed since 1939. These younger executives have experienced only a sustained boom economy and a sellers' market. They have never experienced declining prices, falling markets, keen competition, and hard times. Here could be a potential weak spot in the economy should there develop a period of slack or falling business, following completion of the current military program. And perhaps here is a partial explanation of why many business executives are now so fearful of a "peace scare."

It is easy to see why those who have built up huge inventories on borrowed money could become worried. The possibility of loss becomes strikingly apparent when it is realized that a drop of only 10 per cent in prices would mean a loss of $6.5 billion in inventories.

What those who fear a "peace offensive" overlook, however, is that the military program would not be changed essentially. It may slow the rate of expansion somewhat, but the program would go on.* And when deficit financing is again necessary, inflationary forces will return. Moreover, a budget deficit later this year means a further rise in the debt in 1951 and 1952, unless Government expenditures are drastically cut, or unless taxes are greatly increased. And neither party seems anxious to reduce expenditures or to increase taxes sufficiently to pay-as-we-go.

The important question is, how much longer can the national budget run at a deficit and the national debt increase before people lose confidence in the dollar and in Government bonds. Therein lies the danger of a continued deficit in the national budget. You may be sure the management of the national debt will have a profound effect on the economy for generations to come.

There has been a marked setback in the inflationary psychology in recent weeks. It is reflected in:

(1) Dullness in the stock market;

(2) Decreasess in the prices of some commodities, such as grains, livestock, and tin;

(3) Some easing in the frenzied retail buying rate, and

(4) Durable goods are again showing signs of "piling up" in the hands of retailers and wholesalers.

This shift in psychology should be regarded with skepticism, because the basic cause of inflation will still be there when deficit financing is again resumed later in the year. There was a similar letdown in the attitude toward inflation about this time last year.

Another significant problem is what the future policy should be regarding consumer credit. Consumer credit has been rising rapidly for several years, although there was a moderate decline in the rate of increase late in 1950 following the mild restrictions imposed in October. It is true that the ratio of consumer credit to sales is lower now than it was before World War II. But the ratio would increase if consumer expenditures decline. Furthermore, as the volume of consumer credit increases, a larger proportion of the current payrolls must go for payment of past purchases. In other words, those people who are heavily committed by past purchases are proportionately less able to buy in current markets.

It will be the third quarter before industry can be fully converted to large-scale military production.

Deflationary Factors

Furthermore, some mildly deflationary factors will be in operation, including:

(1) heavy Treasury receipts;

(2) a cut in nonmilitary expenditures;

(3) a continued outflow of gold, and

(4) probably some hardening in interest rates.

Consequently, there may be some slackening in business in the next few months.

Recently the decision was made among the Atlantic Pact nations to rearm Western Europe. Apparently, the plan is to produce in European countries a large share of the military needs by expansion of the plants now producing war materials and by building new ones. I am far from qualified to comment on our foreign policy. Indeed, I am probably more confused than the ones called on to make the decisions. One observation, however, seems clear. The chief difficulty with the present rearmament program for Europe is that it doesn't solve the economic problem.

Suppose Europe is rearmed in sufficient strength to cope with Russia and her allies in the next three or four years?

And suppose plants are built and expanded sufficiently in Europe to maintain this army?

There would still be the problem of supplying consumer goods during and after rearmament in order to raise the standard of living of the people in Europe.

Where has communism made the greatest strides? It is in those countries with exceedingly low living standards and with limited educational facilities. As I see the problem, the only way short of war to defeat communism is to raise the standard of living in those countries that are likely to fall to it.

Following the end of World War II, the Communists hoped for a collapse of the capitalistic system through postwar depression. Their hopes failed. But we should consider the possibility that they may have shifted ground, and they are now hoping to destroy free enterprise through inflationary pressure, by maneuvering us into a perpetually expanding armament program. There is another reason why wild inflation must be avoided.

The normal work-week will probably decrease in future years. And as the work-week shortens, labor will fight for higher wage rates to prevent a declining standard of living. A drop in prices, of course, will partly compensate for lower payrolls. But in terms of long-run policy, any substanial rise in wage rates must come from an increase in the productivity of labor. Otherwise, prices will advance in periods of heavy demand when prices can be raised without losing markets, thus offsetting the benefit to the worker and reducing the market for the commodities involved. For these reasons, the growing practice of gearing wage rate changes to changes in the cost of living is unsound and does not improve the workers' standard of living either in the short run or in the long run. Here is the challenge to both labor and management in the 1950's.

The Expansion Problem

The United States has now reached a point where important decisions must be made with respect to future production policy. The choice is between: (1) the diversion of already scarce materials to the expansion of productive capacity; and (2) of trying to get along with present plant and equipment in the hopes that current capacity will meet the demand. Naturally, plant and equipment must be expanded to meet a rising demand in a growing economy. The problem is to determine when the expansion should be done and at what rate.

More productive capacity will surely be diverted to the production of war materials in the coming months and in the coming year which will tend to reduce the volume of civilian goods. And if additional materials on a large scale are diverted to plant expansion, still less goods will be available to the public. Meanwhile, the wages of those employed in the production of war materials and of those engaged in plant expansion will be added to public purchasing power. Thus, demand will be increasing at the same time that the supply of goods will be decreasing. This condition could lead only to further inflation and higher prices. Increased taxes or some kind of forced savings would tend to check the rise in prices.

A large part of those people who have savings in the form of (1) cash, (2) Government bonds, (3) annuities, and (4) life insurance, have seen these savings dwindle in purchasing power in the past five years. Continued decreases in the purchasing power of these savings can only further weaken this important segment of the population.

Events have been moving so swiftly in recent months that today's decisions frequently become obsolete tomorrow. One thing appears to be certain. The country is going into some kind of a military program of unknown duration and of unknown magnitude. Present plans call for many billions of dollars to be added to military expenditures. And it seems reasonable to expect that the sums now appropriated are only the beginning.

Here again arises the serious problem of financing the increased expenditures without causing further inflation.

Six methods are suggested that should help:

One is further restriction of credit, including tighter regulation of consumer credit.

The second is sharply increased taxes, both individual and corporate.

The third is the reduction of Federal and State expenditures for projects that can be postponed.

The fourth is some plan for forced savings.

The fifth is the elimination of the support price for government bonds by the Federal Reserve banks.

And the sixth is increased production of civilian goods.

In an attempt to check further inflation, the government recently took action through direct price controls when price rollbacks were ordered for automobiles and steel scrap. And pressure was exerted to get other industries to hold prices voluntarily. The basic weakness of this policy is that it deals only with the symptoms of inflation, not with its causes. The cause of inflation is an excess of money in relation to the supply of civilian goods in the market. Unless checked, the volume of money is bound to increase faster than consumer goods under a rearmament program, because large amounts of goods are produced that the consumer cannot and does not want to buy. Consequently, the only way to deal with inflation is to check it at the source.

It is not the military program that has caused the actual and threatened shortages of commodities in the past year. Rather it is the accelerated buying because of the Korean war by individuals and corporations that is causing the pinch and forcing prices higher. The increased buying by corporations and individuals was done because of the fear that commodities will become scarce or as a protection against further price rises.

There is a widespread belief that rapid inflation occurs only in periods of heavy deficit financing. The past ten months shows that this belief is not necessarily true. Indeed, the national budget on a cash basis is now and has for some time been running at a surplus. Furthermore, the budget may show a cash surplus at the end of this fiscal year. Yet, inflation made extraordinary gains in the past year.

From the outbreak of the war in Korea to the end of 1950, bank deposits, exclusive of government and interbank deposits, rose about $8 billion; these deposits resulted mainly from a gain of about the same amount in bank loans. In other words, inflation has been credit financed, not deficit financed, since the outbreak of the war in Korea. Many are convinced that if the pegs were removed from government bonds, prices of these securities would decline to levels which discourage sales. Thus, the main cause of the current inflation would be checked at the source.

Probably nobody other than the rulers in the Kremlin knows whether the Korean war will be confined to that country or whether it is the beginning of World War III. We can only surmise. My own guess is that it is not the start of World War III. In the meantime, we should prepare for whatever comes. If this policy is adopted, then plans must be made for diverting a growing proportion of our productive capacity to the military program. And as more and more of our production goes for military purposes, there will be a proportionate drop in the amount left for civilian uses. Greatly increased capacity, if used, of course, would mean more civilian goods.

An expanded military program will act as a double drain on our manpower resources:

First, by inducting more men into the armed services.

And, second, by diversion of manpower into the production of war materials.

Diversion of manpower to military production in turn has a twofold effect on the economy, since it tends to reduce the production of goods for civilian uses at the same time that the earnings of those producing for the military are being added to the stream of purchasing power.

Future Controls

Undoubtedly, additional controls and regulations will be imposed in future months. And they are likely to remain in force until productive capacity is increased sufficiently to supply both the military and the civilian demand. It should be clearly recognized that the military program is being imposed on an economy already operating at boom levels. Thus, when companies are making estimates of future demand for their products, they should consider the military program as an entirely new industry.

Whether we like it or not, the military program must proceed with as much speed as possible, if we expect the free enterprise system to survive.

For a free enterprise system to expand and remain strong, a nation must have an abundance of natural resources, industrial skill, good managers, and the people must have undying faith in the future of their country in order that the economy can furnish the maximum of goods and services to the people.

This country most certainly has an abundance of natural resources. In addition it has vast plants, trained management, and skilled labor capable of producing goods in ever growing volume.

The question is, do we have sufficient faith in the future of ourselves?

I think we do!

There have been many dark periods in our history before, when timid souls ran to cover with their chins over their shoulders. But men of vision and courage bent to the oars and steered us to greater heights.

* Perhaps it is not too much to hope that our way of life may be taken as a working model of free enterprise in action, and an example to the world that the way of economic freedom is also the best way to social progress.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last Tuesday when the previous column was written, it was stated here that the market was jockeying for "position from which it can start an up move. It is quite likely that such a move may be on its way by the time you read this."

* * *

Taking a look at the market today, it looks like the crystal ball behaved admirably. They did start up last Thursday or so and at this writing, Tuesday, the industrial Dow averages are up to a new high.

* * *

All this probably makes everybody concerned with stock movements feeling light-hearted. The same old cliches of price movements are being trotted out. It seems that not only is the weather getting nicer but the market's also pleasanter daily.

* * *

The only fly in the ointment are the rails. Here are the industrials daily making new highs and the rails are sulking in the background. Such a condition, however, hasn't disturbed participants unduly. At least not so far as I can see. Instead that hoary cliche is pulled out, "The rails have to go up because they're due." Apparently if there are enough rail buyers the rails will go up, if for no other reason than the weight of buying will advance them.

* * *

Basically, however, it seems to me that the rails are bought by people who feel sorry for them. It's a kind of market manifestation of the mother instinct.

* * *

Last week I said here that there were signs that instead of a pending market decline to be followed by a strong forward surge, the opposite was anticipated. In other words I foresaw an almost immediate rise followed by a much greater - than - expected downtrend. When the second phase will be here is something you'll have to puzzle out by yourself. Right now the indications are more up, which should satisfy any optimists except those that have the wrong stocks. By the way did you notice that one always has the wrong stocks?

* * *

Fundamentally there are about 10% of the stocks listed that are continuing to show a strange reluctance to participate in the current advance. I don't mean the rails. The prime movers are the oils, which were in the fore on the first move and the romance stocks I referred to last week. The chances are that the public doesn't have too many of those. They're held mostly by the investment trusts.

* * *

To sum up—I still think the industrials will add about another ten points, with the rails threatening all the time but failing to come through. Top signs are daily increasing, the chief thing lacking is the timing element. So if you're long, take a long look around while there are more buyers than sellers willing to take them off your hands. You probably won't get the top but no one does except by accident.

[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.]

Continued from page 2

The Security I Like Best

JOHN P. O'ROURKE
J. P. O'Rourke & Co., Chicago 4, Ill.

H. H. Robertson Company

The common stock of H. H. Robertson (only 250,000 shares outstanding) earned $10.03 for 1950, and today is selling about five times last year's earnings. The capitalization is a most simple affair. No bonds, no preferred, no bank loans—only common stock.

John P. O'Rourke

Robertson, through aggressive research, has developed a product line of labor-saving, specialized industrial and commercial building equipment.

Building industry acceptance of the quickly installed Q-line would appear to impart growth characteristics to the common shares. Dividends paid in 1950, $2 regular and $2 extra. Only the present shortage of vital metals keeps Robertson from increasing sales 50 to 100%.

Their Q-line of flooring is a *must* for large buildings constructed today. It consists of fluted steel sections, welded in various combinations to form sections two feet wide and up to 25 feet long.

In addition to being a structural sub-floor, Q-floors also provide electrical facilities easily installed on any six-inch square of the floor exposed surfaces at any time.

Originally established in 1906 to produce non-corrosive, rust-resistant industrial roofing and siding material, Robertson was the pioneer in this field. Under their patented process, steel sheets were sheathed with a covering of asbestos felt which was in turn waterproofed and then corrugated to give them structural strength.

Demand for the revolutionary new product quickly carried the company into a position of prominence in the building field.

Research is carried on at the well-equipped company laboratories and at the Mellon Institute in Pittsburgh, where Robertson established the first building material fellowship. It was here that development work began on what was later to become Robertson's principal product—the first scientifically designed roof-ventilator—a puttyless skylight—and the Robertson Q-floor, Q-deck, and Q-panel; the latter represented an entirely new concept in industrial building. Hubbelite, a unique functional flooring, was later developed.

The company's modern plant is situated in Ambridge, Pa., located on the Ohio River and only 18 miles from Pittsburgh. Canadian plants are located at Hamilton and Sarnia, Ontario, while an expanded British plant is located at Ellesmere Port, England, which presently handles only RPM roofing and siding, ventilators and sheetlite.

I feel this active, well-managed corporation is in a trend of tremendous expansion and believe it is the type of security suitable for recommendation to investors.

STEPHEN J. SANFORD
Manager, Investors' Research Dept., Amott, Baker & Co. Inc., New York City.

NORFOLK SOUTHERN

Some rail analysts have a rule of thumb which states that the only desirable roads in the Middle Atlantic States are those that run roughly parallel to the coast (Atlantic Coast Line, Seaboard Air Line), and that the east-west roads (Norfolk & Western, Chesapeake & Ohio, Virginian Railway, Norfolk Southern) should be avoided as investment media.

But there are certainly exceptions to every rule, and for those analysts willing to do some dilligent research, among the exceptions may often be found the greatest bargains. The ensuing rewards are then proportionately greater, since they are magnified at the expense of popular fallacy.

Back in the thirties, there was certainly nothing in the picture which even remotely suggested that the common stock of the reorganized Norfolk Southern Railway Company would in little more than a decade become one of the bargain rail equities available to investors. There was the ever-increasing truck competition which is still with us today; the traffic density left much to be desired; the territory served appeared to lack the dynamic growth possibilities already beginning to be discernible further south along the coast, and certainly in the Texas-Oklahoma area.

But before we explore the intriguing present and the extremely promising future, perhaps we should take a brief look at the past to provide basic background material.

The Norfolk Southern Railway Company operates main line trackage extending roughly 385 miles from Norfolk, through Washington, N. C., and Raleigh to Charlotte. Spurs branch off to New Bern, Durham, Asheboro, Fayetteville, Aberdeen and Ellerbee. Altogether, trackage totals about 600 miles, exclusive of yards and sidings. It is entirely a freight road, the unprofitable passenger business having been completely discontinued.

When the road emerged from reorganization at the beginning of 1942, funded debt totaled $13,105,300, including equipment obligations and an RFC loan. At the beginning of this year, it had been reduced to $7,005,397—a reduction of 46%. The end is not yet.

This substantial reduction was not happenstance. It is part of a long-range program inaugurated by present management which took control early in 1947. Patrick B. McGinnis, senior partner of the New York brokerage house bearing his name, is Chairman of the Board, the road's largest single stockholder, and the person largely (we almost said solely) responsible for the road's complete rehabilitation.

Mr. McGinnis, who has long been recognized as one of the country's outstanding rail experts, has very positive ideas about the best way to run a railroad, and also the added knack of selecting assistants able to put his plans into effect. If the progress of the Norfolk Southern in the past few years is any criterion, more roads would do well to adopt them.

In addition to wholesale debt reduction, the Chairman of the Board has pursued a policy of rapid dieselization, of substantial abandonment of unprofitable trackage, and has been quick to realize the value of favorable public relations as a means of persuading new industries to locate on the line.

Methods employed have not always been orthodox. The case history of the General Mortgage 5% Convertible Income Bonds due in 2014 will illustrate the point.

When the road emerged from reorganization, the issue totaled $6,892,300. During the five-year period, January 1, 1942 to January 1, 1947, the Company reacquired $270,000 principal amount of the bonds at a cost of $118,542. It should be mentioned that this period included the lush war years when railroads enjoyed unparalleled prosperity.

The bonds were still selling at a substantial discount when the new Board of Directors assumed control. During tthe two-year period, April 1947 through April 1949, the Railway Company directly, or through the Norfolk Southern Bus Corporation, a wholly-owned subsidiary, purchased $2,057,000 principal amount of Income Bonds at a cost of $1-207,394 in cash, or at an average cost of $587 per $1,000 Bond.

By April 1949, other cash demands, such as capital expenditures for plant, principal payments on equipment debt, and maintenance of a conservative dividend on the common stock, invited the prospect of exploring another means of reducing the debt.

Thereafter, the directors authorized an open account with a financial house for the continued purchase of the Income Bonds, using as collateral bonds already in the road's treasury.

In 1949, through this account, the Company purchased $520,500 principal amount at a cost of $415,599, and in 1950 the program was continued by the purchase of $218,000 principal amount at a cost of $195,795. The open account debit in September 1950 was $611,368. In October 1950, this debit was reduced $100,000, and in December 1950, the balance of $511,368 was paid, thereby completely liquidating the account.

Thus, at the beginning of 1951, only $1,831,800 of the Income Bonds remained outstanding. The figure is actually below that now, since a call for $500,000 of the bonds was issued for April 2, 1951. The bonds have recently been selling around 130 on the New York Stock Exchange, and it is safe to assume that practically all of the called bonds will be converted into common stock, since it is highly profitable for a holder to convert into 40 shares of this security. The $3 dividend means an annual income of $120, as against the $50 interest payment.

In fact, it would not be surprising if conversions eliminated this bond entirely before the end of 1951.

That would leave the road with only equipment obligations plus a first mortgage issue of slightly under $3 million, the latter being held by five insurance companies.

Reviewing Mr. McGinnis' accomplishments in debt reduction since 1947, it is not hard to visualize the not-too-distant day when the Norfolk Southern Railway Company will be debt free.

A glance at the following table will show how far toward this goal the road has progressed:

	Jan. 1, 1942	Jan. 1, 1951
Percent funded debt to total capitalization	68%	48%
Percent stock to total capitalization	32%	52%

Debt reduction does not tell the whole story. In 1950, diesels accounted for 86% of gross ton miles, and that record should be bettered this year, since five steam locomotives were retired in December, 1950, and diesels will take their places. The road does not expect to become 100% dieselized, because certain branch lines and outlying yards do not generate sufficient traffic to make dieselization economical, when capital expenditures are considered. However, the transportation ration declined from 33.73% in 1949 to 32.21% last year, and continued improvement is anticipated this year.

The road serves the Norfolk Naval Base area, and its tracks enclose the Fort Bragg military establishment on three of its four sides. All indications are that our rearmament efforts will continue for a minimum of two years, at least. But civilian business, which is more or less permanent, is not being neglected at the expense of the military, which may be transitory. In 1950, no less than 16 new enterprises representing varied industries located on the road's lines. Thus, the trend of car loadings and revenues should continue upward.

Last year about 50 miles of unprofitable trackage were abandoned. While this year-end write-off substantially reduced reported net income, it also effected a tremendous tax saving. Also, the five steam locomotives retired in December had been less than 40% depreciated, and decidedly worthwhile charge-offs will be possible against them this year. As a matter of fact, the road estimates that it will not be liable for any large Federal tax payment before Mar. 15, 1952 at the earliest.

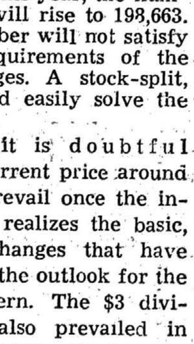
Probably the main reason the stock has thus far escaped the notice of bargain hunters is because of the relatively small floating supply, and the fact that the shares are not listed at the present time on any stock exchange. The small number of shares outstanding—125,391 at the year-end —mitigates against that. However, if all remaining 5% income bonds are converted this year, the number of shares will rise to 198,663. Even that number will not satisfy the listing requirements of the major exchanges. A stock-split, however, would easily solve the problem.

Meanwhile, it is doubtful whether the current price around 33 will long prevail once the investing public realizes the basic, fundamental changes that have taken place in the outlook for the Norfolk Southern. The $3 dividend, which also prevailed in both 1949 and 1950, affords a return of 9%—liberal indeed, when one considers that the medium-term outlook for the rail industry generally is extremely favorable.

A dynamic railroader took an obscure, mediocre rail orphan when it was a weakling, and made a healthy, robust prize-winner out of it. Such is the history of Patrick B. McGinnis and the Norfolk Southern Railway Co. in the last four years.

Edward G. Webb With Scott, Horner, Mason

LYNCHBURG, Va.—Scott, Horner & Mason, Inc., Krise Building, announce that Edward G. Webb has become associated with the firm as Manager of the municipal bond department. Mr. Webb was formerly Manager of the municipal bond department for Merrill Lynch, Pierce, Fenner & Beane.



Edward G. Webb

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The State of Trade and Industry

grams is not uniform for all items. For example, beginning July 1 the steel industry's entire production of oil country goods will be shipped on DO orders only. The National Production Authority has indicated the same will probably be true shortly for structurals, states this trade paper.

A breakdown of DO and essential program orders at one mill quickly shows the significance of product mix. Of this mill's total steel output during June, 56% is scheduled for these programs. But these programs will get 92% of this mill's bars, 96% of its plates and 97% of its structurals during that month.

Of course some other products are not being hit so hard. This mill makes considerable tonnages of tinplate, rails and track accessories which carry few DO's. These items help pull the overall DO percentage down to 56%. But it is questionable if much tonnage could be taken away from these products to relieve the others because they are as essential as some of the programmed orders. This shows why purchasing agents are so keenly watching the impact of the defense program on steel product mix, "The Iron Age" notes.

Steel producers are convinced that once the Controlled Materials Plan gets going limitation orders on steel consumption will have to be imposed. This would be to prevent consumers from inflicting casualties in the procurement battle for the "free" steel not programmed under CMP. If some control has to be imposed they prefer it that way, rather than limiting the number of units a manufacturer can produce.

Limitations on consumption are more flexible because they leave consumers an incentive to produce as many units as possible. They can do this by conservation and by substituting other materials to make their available tonnage stretch farther, this trade authority observes.

The auto industry is still producing as fast and as long as it can with available material. Although some cutbacks are beginning to show, most auto firms believe they can get by May, some say they can weather June if cries for help from their suppliers don't pull them down from behind. Alternate specifications are being used for many auto parts today.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 104.0% of capacity for the week beginning April 30, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 103.3% a week ago, or an increase of 0.7 of a point.

This week the mills are scheduled to produce the largest amount of steel ever to be made in a week.

This week's operating rate is equivalent to 2,079,000 tons of steel ingots and castings for the entire industry, compared to 2,065,000 a week ago. A month ago the rate was 102.4% and production yielded 2,047,000 tons. A year ago it stood at 100.2% of the old capacity and amounted to 1,910,100 tons.

Electric Output Declines Further in Latest Week

The amount of electrical energy distributed by the electric light and power industry for the week ended April 28, 1951, was estimated at 6,673,505,000 kwh., according to the Edison Electric Institute.

The current total was 56,959,000 kwh. below that of the previous week, 771,337,000 kwh., or 13.1% above the total output for the week ended April 29, 1950, and 1,369,664,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise 4.1% Above Week Ago

Loadings of revenue freight for the week ended April 21, 1951, totaled 809,520 cars, according to the Association of American Railroads, representing an increase of 31,531 cars, or 4.1% above the preceding week.

The week's total represented an increase of 86,832 cars, or 12% above the corresponding week in 1950, and an increase of 40,173 cars, or 5.20% above the comparable period of 1949.

Auto Output Drops Slightly in Latest Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 163,883 units, compared with the previous week's total of 166,502 (revised) units.

Ward's attributed the decline to production cutbacks by Kaiser-Frazer and Hudson last week, following abnormally high rates most of this year. Losses due to the municipal transportation strike in Detroit were held to a minimum, the agency added.

For the United States alone, total output was 154,433 units against last week's revised total of 157,013 units, and in the like week of last year 141,323. Canadian output in the week totaled 9,450 units, compared with 9,450 units a week ago.

Total output for the current week was made up of 120,553 cars and 33,880 trucks built in the United States and a total of 6,880 cars and 2,570 trucks built in Canada.

Business Failures Turn Slightly Upward

Commercial and industrial failures increased to 162 in the week ended April 26 from 151 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were considerably less numerous than in the comparable weeks of 1950 and 1949 when 186 and 204 occurred, respectively. They were 50% below the prewar level of 326 in 1939.

Casualties involving liabilities of $5,000 or more rose to 125 from 108, but were below the 145 in this size group reported a year ago. A decline occurred among small failures, those with liabilities under $5,000; they dipped to 37 from 43 and compared with 41 last year.

Most of the week's increase centered in retail trade. Slight rises also appeared in manufacturing and commercial service. Wholesaling casualties dipped as did construction. More concerns failed than a year ago in construction, while manufacturing failures were one-half the 1950 figure. Changes from the 1950 levels were moderate in other lines.

Four geographic regions reported an increase last week in failures; the Pacific States had 45 against 31, the Middle Atlantic 55 as against 53, and the East North Central 29 as against 25. No change from last week appeared in three regions, while casualties in the New England and West South Central States were down moderately. In comparison with last year, a slight downward trend prevailed in most areas, although increases occurred in the Pacific, East North Central, and West North Central States.

Food Price Index Scores First Rise in 7 Weeks

Reversing a six-week downtrend, the wholesale food price index, compiled by Dun & Bradstreet, Inc., scored a rise of 3 cents last week to stand at $7.16 on April 24. This was up 22.8% as compared with $5.83 a year ago, and represented a gain of 20.1% above the pre-Korea level of $5.96.

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 Presents a Steady Tone in Latest Week

Moving in a very narrow range throughout the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 322.93 on April 24. This was up slightly from 322.65 a week earlier, and compared with 255.12 on the corresponding date last year.

Grain futures prices on the Chicago Board of Trade closed slightly lower after moving irregularly over a narrow range during the week. Trading volume showed little change from a week ago, totaling 174,638,000 bushels, or a daily average of 29,000,000 bushels for the latest period. The latter compared with 28,600,000 bushels the previous week, and 34,000,000 for the same week last year. Better weather was reported in some producing areas but prospects for the winter wheat crop continued uncertain. There was a moderate export business in corn, but eastern demand for the cash grain continued slow. The country movement of corn fell off as farmers became increasingly busy with field work. Seeding of oats was reported far behind schedule due to continued cold and wet weather.

The flour market remained steady in the absence of new price developments. Domestic bookings of bakery flours continued on a hand to mouth basis; export business remained very quiet.

Raw sugar developed a stronger undertone as the result of a broader interest for raws among leading refiners. Demand for the refined product also showed improvement.

Lard worked lower in quiet trading. Following early declines to the lowest prices of the season, hog values turned upward to score moderate advances for the week on fairly active demand and relatively small receipts. Wholesale pork prices were generally higher. Cattle prices were mostly steady to firmer, while wooled lambs continued to recede from recent peak levels.

Spot cotton prices continued at ceilings the past week. Futures prices finished with moderate gains following irregular fluctuations. Strengthening factors included the tight supply situation, cold and wet weather which continued to delay crop preparation and planting, and reports that export quotas may be raised in the closing months of the season. Domestic mill demand was slow and sales for export continued in small volume. Trading in the ten spot markets slackened; sales were reported at 59,000 bales for the week, compared with 74,200 the preceding week, and 116,200 in the corresponding week a year ago. Domestic mill consumption of cotton during March, as reported by the Bureau of the Census, averaged 45,600 bales per day. This was in line with trade expectations and compared with 45,500 per day in February and 42,500 in January. In March a year ago mills consumed 36,000 bales per day. Demand for some cotton gray goods has shown signs of slackening during the past few weeks and prices for many standard constructions showed indications of an easier trend.

Trade Volume Recedes Slightly From Week Ago

Conspicuous for their downward effects on the nation's shopping propensities were the homecoming of General MacArthur and the opening of baseball season. Retail spending in the period ended on Wednesday of last week declined somewhat from the level of the week before, but remained even with to slightly above the spending volume in the corresponding week of last year, states Dun & Bradstreet, Inc., in its current review of trade.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% above that of the comparable 1950 week. Regional estimates varied from a year ago by these percentages:

New England and Northwest —1 to +3; East +1 to +5; South —3 to +1; Midwest +2 to +6; Southwest —2 to +2; and Pacific Coast 0 to +4.

Total order volume for the nation remained at about the same level as in the previous week, but exceeded last year's level by a sizable margin. Reduction of retailers' inventories in many parts of the country spurred reorders for some fast-moving items of merchandise. The number of buyers attending major wholesale centers throughout the nation was moderately exceeded by attendance in the corresponding week of 1950.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 21, 1951, increased 1% from the like period of last year. This compared with an increase of 13% in the previous week, and a decrease of 3% for the four weeks ended April 21, 1951. For the year to date department store sales registered an advance of 13%.

Retail trade in New York last week aided by good weather and promotion sales lifted sales volume about 5% above the level of the corresponding 1950 period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of April 21, 1951, showed no change from the like period of last year. In the preceding week an increase of 20% (revised) was registered above the similar week of 1950. For the four weeks ended April 21, 1951, a decrease of 2% was recorded from that of a year ago, and for the year to date, volume advanced 13% from the like period of last year.

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)	May 6	104.0	103.3	102.4	100.2
Equivalent to—					
Steel ingots and castings (net tons)	May 6	2,079,000	2,065,000	2,047,000	1,910,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Apr. 21	6,143,750	6,120,200	6,037,500	5,026,100
Crude runs to stills — daily average (bbls.)	Apr. 21	¶6,265,000	6,127,000	6,380,000	5,266,000
Gasoline output (bbls.)	Apr. 21	20,060,000	19,371,000	20,028,000	17,652,000
Kerosene output (bbls.)	Apr. 21	2,778,000	2,691,000	2,619,000	1,872,000
Gas, oil, and distillate fuel oil output (bbls.)	Apr. 21	8,172,000	8,492,000	8,951,000	7,167,000
Residual fuel oil output (bbls.)	Apr. 21	8,601,000	8,834,000	9,720,000	7,688,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 21	138,891,000	139,431,000	141,239,000	131,266,000
Kerosene (bbls.) at	Apr. 21	14,698,000	14,337,000	13,032,000	12,433,000
Gas, oil, and distillate fuel oil (bbls.) at	Apr. 21	42,957,000	43,203,000	43,626,000	37,121,000
Residual fuel oil (bbls.) at	Apr. 21	35,899,000	36,826,000	37,327,000	39,767,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 21	809,520	777,989	748,804	722,688
Revenue freight received from connections (number of cars)	Apr. 21	698,070	691,086	702,406	645,779
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 26	$284,691,000	$220,797,000	$414,878,000	$219,148,000
Private construction	Apr. 26	129,041,000	98,768,000	246,377,000	124,212,000
Public construction	Apr. 26	155,650,000	122,029,000	168,501,000	94,936,000
State and municipal	Apr. 26	62,031,000	69,376,000	82,285,000	88,113,000
Federal	Apr. 26	93,619,000	52,653,000	86,216,000	6,823,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 21	10,565,000	9,973,000	10,120,000	11,386,000
Pennsylvania anthracite (tons)	Apr. 21	730,000	529,000	516,000	738,000
Beehive coke (tons)	Apr. 21	129,000	*132,800	138,500	121,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Apr. 21	281	288	304	279
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 28	6,673,505	6,730,464	6,767,344	5,902,168
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 26	162	151	136	186
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 24	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Apr. 24	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	Apr. 24	$43.00	$43.00	$43.00	$29.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 25	24.200c	24.200c	24.200c	19.200c
Export refinery at	Apr. 25	24.425c	24.425c	24.425c	19.425c
Straits tin (New York) at	Apr. 25	142.000c	142.000c	134.000c	76.750c
Lead (New York) at	Apr. 25	17.000c	17.000c	17.000c	10.750c
Lead (St. Louis) at	Apr. 25	16.800c	16.800c	16.800c	10.550c
Zinc (East St. Louis) at	Apr. 25	17.500c	17.500c	17.500c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 1	97.85	97.82	99.50	102.72
Average corporate	May 1	111.62	111.44	112.56	116.02
Aaa	May 1	115.63	115.43	115.82	121.04
Aa	May 1	114.46	113.89	115.04	119.61
A	May 1	110.70	110.52	111.81	115.63
Baa	May 1	106.21	106.04	107.98	108.70
Railroad Group	May 1	108.16	107.98	109.60	111.25
Public Utilities Group	May 1	111.62	111.25	112.56	117.00
Industrials Group	May 1	115.24	115.04	115.63	120.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 1	2.64	2.64	2.53	2.30
Average corporate	May 1	3.08	3.09	3.03	2.85
Aaa	May 1	2.87	2.88	2.86	2.60
Aa	May 1	2.93	2.96	2.90	2.67
A	May 1	3.13	3.14	3.07	2.87
Baa	May 1	3.38	3.39	3.28	3.24
Railroad Group	May 1	3.27	3.28	3.19	3.10
Public Utilities Group	May 1	3.08	3.10	3.03	2.80
Industrials Group	May 1	2.89	2.90	2.87	2.64
MOODY'S COMMODITY INDEX	May 1	515.4	521.1	523.5	369.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 21	225,583	199,937	188,865	193,646
Production (tons)	Apr. 21	256,538	248,406	247,911	211,568
Percentage of activity	Apr. 21	107	102	105	93
Unfilled orders (tons) at	Apr. 21	694,218	726,783	687,931	356,134
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Apr. 27	154.5	154.8	154.4	120.8
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	Apr. 14	30,496	30,980	40,423	25,262
Number of shares	Apr. 14	911,732	896,196	1,173,540	770,822
Dollar value	Apr. 14	$40,480,963	$38,575,902	$50,552,440	$30,239,610
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 14	28,718	25,798	33,794	28,801
Customers' short sales	Apr. 14	398	728	465	167
Customers' other sales	Apr. 14	28,320	25,070	33,329	28,634
Number of shares—Total sales	Apr. 14	806,061	713,919	984,004	812,260
Customers' short sales	Apr. 14	13,969	27,004	17,660	6,237
Customers' other sales	Apr. 14	792,092	686,915	966,344	806,023
Dollar value	Apr. 14	$32,976,365	$29,017,008	$40,109,761	$28,677,102
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 14	227,210	198,160	280,410	261,850
Short sales	Apr. 14	------	------	------	------
Other sales	Apr. 14	227,210	198,160	280,416	261,850
Round-lot purchases by dealers—					
Number of shares	Apr. 14	362,890	370,870	424,470	243,750
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Apr. 24	183.6	*183.1	183.9	154.0
Farm products	Apr. 24	202.4	201.2	203.8	161.2
Grains	Apr. 24	189.9	189.5	186.3	170.9
Livestock	Apr. 24	273.8	268.0	273.6	204.8
Foods	Apr. 24	188.0	186.8	187.3	157.2
Meats	Apr. 24	276.8	273.2	275.4	222.9
All commodities other than farm and foods	Apr. 24	171.8	*171.8	172.3	146.9
Textile products	Apr. 24	184.1	*184.1	185.1	136.2
Fuel and lighting materials	Apr. 24	138.3	138.9	139.0	131.7
Metals and metal products	Apr. 24	189.6	189.6	189.3	169.1
Building materials	Apr. 24	227.5	227.5	227.6	195.4
Lumber	Apr. 24	358.9	358.9	358.9	‡
Chemicals and allied products	Apr. 24	144.0	144.5	145.5	116.8

*Revised figure. ‡Not available. ¶Includes 376,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of February (in thousands)	$101,414,000	$123,224,000	$86,292,000
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES—Month of February (millions of dollars):			
Manufacturing	$35,600	*$35,000	$29,000
Wholesale	11,200	*11,100	9,000
Retail	17,800	*17,400	13,600
Total	$64,600	*$63,400	$51,300
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of February (000's omitted)	$219,300	*$493,400	$213,200
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Feb. 28:			
Total consumer credit	$19,529	*$19,921	$16,159
Instalment credit	13,068	*13,251	10,884
Sale credit	7,523	*7,695	6,213
Automobile	3,986	*4,056	3,256
Other	3,537	*3,639	2,957
Loan credit	5,545	*5,556	4,671
Noninstalment credit	6,461	*6,670	5,275
Charge accounts	4,016	*4,233	3,233
Single payment loans	1,363	*1,352	1,034
Service credit	1,082	*1,085	1,008
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 31	23,134,000	23,143,000	23,188,000
Spinning spindles active on March 31	20,953,000	20,385,000	20,340,000
Active spindle hours (000's omitted) March	10,436,000	10,394,000	11,130,000
Active spindle hours per spindle in place Mar.	554.2	562.8	472.0
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSRUCTION)—Month of March:			
Contracts closed (tonnage)—estimated	230,409	*205,184	189,420
Shipments (tonnage) estimated	194,774	*166,929	156,781
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION) — Month of March:			
Factory sales of washers (units)	368,455	341,328	423,902
Factory sales of ironers (units)	34,700	32,400	37,800
Factory sales of dryers (units)	44,020	36,851	27,125
INTERSTATE COMMERCE COMMISSION — Index of Railway Employment at middle of March (1935-39 average = 100)	127.9	125.8	115.3
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (millions of dollars):			
Inventories:			
Durable	$16,705	$16,255	$13,493
Nondurable	19,171	19,059	15,687
Total	$35,876	$35,314	$29,180
Sales	22,043	23,095	16,243
METAL OUTPUT (BUREAU OF MINES) — Month of February:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	73,137	*80,373	†75,583
Gold (in fine ounces)	160,240	*173,911	†199,307
Lead (in short tons)	34,370	*35,476	†35,823
Silver (in fine ounces)	3,486,036	*3,358,570	†3,534,927
Zinc (in short tons)	57,748	*59,382	†51,517
MONEY IN CIRCULATION—TREASURY DEPT.—As of Feb. 28 (000's omitted)	$27,188,000	$27,048,000	$27,068,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOC.)—Month of March:			
Total number of vehicles	755,022	618,321	580,662
Number of passenger cars	617,399	505,865	469,618
Number of motor trucks	136,794	111,935	110,845
Number of motor coaches	829	521	199
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of February (in billions):			
Total personal income	241.0	*240.9	215.4
Wage and salary receipts, total	158.7	*156.7	131.5
Total employer disbursements	162.0	*160.2	134.2
Commodity producing industries	72.0	*71.1	55.8
Distributive industries	43.4	*43.2	39.3
Service industries	19.9	*19.9	18.1
Government	26.7	26.0	21.0
Less employee contributions for social insurance	3.3	3.5	2.7
Other labor income	3.5	3.5	3.0
Proprietors' and rented income	47.7	*49.3	41.0
Personal interest income and dividends	19.1	*19.0	17.7
Total transfer payments	12.0	*12.4	22.2
Total nonagricultural income	222.1	*220.9	199.0
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1914 = 100 —As of February 15:			
Unadjusted—			
All farm products	313	300	237
Crops	283	275	215
Food grain	254	240	219
Feed grain and hay	222	214	171
Tobacco	440	442	389
Cotton	351	347	231
Fruit	204	192	186
Truck crops	333	324	203
Oil-bearing crops	379	374	228
Livstock and products	340	323	257
Meat animals	425	391	306
Dairy products	285	286	250
Poultry and eggs	205	203	155
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of February (000's omitted):			
Savings and loan associations	$362,733	$391,574	$620,213
Insurance companies	129,560	151,254	184,546
Bank and trust companies	246,702	280,323	419,132
Mutual savings banks	67,523	78,141	121,697
Individuals	183,848	201,511	321,346
Miscellaneous lending institutions	192,387	228,280	360,156
Total	$1,182,753	$1,331,083	$2,027,090

*Revised. †Monthly average 1950.

Continued from page 7

Productivity—The Key To National Security

nomic progress—to give us a powerful dynamic economy instead of the static or declining society which had been foreseen. I list them in the following sequence: (1) scientific discoveries and inventions; (2) engineering applications to productive processes; (3) business organization and management; (4) the economic system; and (5) the governmental system. Scientific discoveries would not yield practical results if we did not have invention; patented technological devices would be impotent without engineering applications to productive processes; engineering can function in a private enterprise system only in conjunction with a business organization able to appraise the commercial feasibility of new developments; individual business enterprise in turn will be thwarted if the economic system is defective; and, finally, the functioning of the economic system is dependent upon the character and the administration of the governmental system. Thus scientists, inventors, engineers, business managers and professional students of economics and government cooperate in a common objective—that of increasing the capacity of the people to satisfy their wants.

Some of these factors and results we can readily visualize. We are confronted at every hand with new types of machines, ever bigger and better machines—Diesel engines, leviathan liners, cargo planes, bulldozers, electric turbines, generators, cranes and conveyors. It is not so easy, however, to grasp the underlying significance of scientific discoveries in such realms as chemistry and physics, or the importance of changes in business and economic organization.

The Significance of Chemistry

Perhaps the most remarkable scientific achievements of the last century have been those in the field of chemistry. Chemistry has not only given us many new products and increased the value of old ones; it underlies so many productive processes and industries that its influence ramifies throughout the economic system. Not the least of its contributions is found in its effects upon medical science and health.

Chemistry is creative because of its capacity to transform matter. Through the re-arrangement of molecular structures it has created vast new resources of oil. It is of similar importance in the field of agriculture where knowledge of the chemical composition of soils and the requirements for plant growth produce phenomenal results. Scientific chemical processes have converted waste materials into useful products and also given us numerous new products and synthetic materials—often equal, if not superior, to natural products. Among these may be mentioned rayon, rubber, oil, leather, and plastics. Chemical science has also played a role of vast importance in many phases of modern metallurgy. Finally, it discovered and developed the principle of catalysis, by which the presence of a small quantity of a given material permitted other materials to be fruitfully combined.

The significance of chemistry is manifest not only in the wealth of new and important products which it has created or made possible, but also in its competitive stimulus and in its effects upon productive efficiency in the varied industrial fields to which it contributes. By developing methods which reduce costs of production and improve quality, its economic effects are cumulative in character. Chemistry is truly the equivalent of a new fundamental productive factor—comparable in importance to the primary factors—land, labor, and capital.

The Power Revolution

A century ago the economic importance of steam power was already apparent. The steam engine (1775) had made possible a small-scale factory system and to some extent had broadened market areas by expediting and cheapening transportation. But the electric motor and the gasoline engine belonged to the future.

Electric power development exerted a very great influence on nearly every phase of economic life. It not only conferred direct benefits of inestimable importance upon consumers, but it also increased productive efficiency, especially in the fields of mining, manufacturing, and transportation.

The significance of electric power lies in its transmissibility and its divisibility. Electric energy possesses a supreme advantage over steam power in that electric current may be sent along distances from its source, and at low cost. Moreover, it can be divided into whatever sized power units may be needed for particular tasks. If 1,000 kilowatts are necessary per hour, that amount is furnished at whatever spot desired; if only 10 watts are needed, that amount is supplied. Within a factory it may be used for lighting, heating, and cooling purposes, or for propelling machinery—both heavy installations and small portable tools.

The very high temperatures generated in electric furnaces have brought extraordinary advances in metallurgy, especially in the development of alloys, making possible the high-speed, precision machine tools, which have so remarkably increased the efficiency of production in recent times. Electricity has also permitted the development of the electrochemical industry, including aluminum and magnesium.

The production of electric power has not been subject to diminishing returns. That is, despite the fact that it is derived from natural resources (coal for steam power; falling water for hydroelectric power), the most productive of which would presumably have been utilized first, the cost of electric current has been progressively lowered. This has been made possible in the case of steam power by better mining techniques, and by vast improvements in power generating methods. In the case of hydroelectric power, decreased costs have been made possible both by the development of larger power works and equipment and the evolution of ever more efficient transmission systems.

Oil, and the internal combustion engine, introduced mobile power. The invention of the internal combustion engine, using a then inconsequential by-product of kerosene—gasoline—opened the way to a new revolution in transportation. The distinguishing feature of this new type of power lay in the fact that an individual could carry it with him—in whatever amounts suited his convenience. To a limited extent only had this been true of either steam or electricity.

This new type of power was of greatest significance in expediting and cheapening *local* transportation—within urban communities, between farm and town, and on the farm. In these areas gasoline power was replacing chiefly horsepower. Motor transport thus contributed enormously to the efficiency of production, particularly in farming and in local distribution. The importance of the automobile from the standpoint of personal enjoyment is of course another story.

The significance of the internal combustion engine was most strikingly revealed by the developments during the Second World War. The speed and mobility of motor vehicles radically altered the character of ground warfare, while the airplane created a new operational dimension.

The economic consequences of the power revolution have been so far-reaching and pervasive that some writers have asserted that the development of modern power (like chemistry) has been the equivalent of the creation of new basic factor in production. It is clear in any case that it has enormously increased the effectiveness with which labor and capital may be employed.

Physics and Electronics

Recent developments in the realm of physics are of far-reaching significance for the future. These developments include atomic fission, ultrasonics, and a wide range of phenomena comprehended in the term "electronics," which related to the phenomenon of electrons passing through space in a vacuum tube.

Electronic devices are already highly important in industrial production. Imperfections in metals can be immediately spotted. By electronic vibration studies the fatigue of metals can be precisely measured. The heat of molten metals can be precisely controlled by chemical analysis and the electronic recording of the light given off. Another development has to do with induction heating and resistance welding—involving sharp thrusts up to nearly 2,000 a second.

Other applications of electronic science include: the creation of new chemical compounds; the mixing and drying of paint; increasing the yield of plant seeds; the production of smoother ice cream, etc.; the sterilization of food; the acceleration of the aging of wines and spirits; and the preservation of food, drugs, and flowers.

Electronic instruments of superhuman sensitivity increase human efficiency many-fold. It is believed that in time electronic devices will relieve the worker of most routine labor and at the same time secure a performance immeasurably better than anything unaided human skill can achieve.

Improvements in Business Organization

In the field of economic and business organization brief reference may be made to the increasing size of business enterprises made possible by the corporate form of industry. It was the assembling of vast amounts of capital into a single operating unit that made possible production for national and international markets. In turn it was the development of very extensive markets that made possible the effective use of such principles as mass production with low profit per unit.

Mechanization Nearly Universal

We have had a progressive substitution of machinery, especially power-driven machinery, for hand labor in virtually every field of production. In all of the major branches of industry, every worker has been provided with many thousand dollars worth of machinery and tools. In railroads, for example, the value of the capital equipment at the present time is equal to approximately $20,000 per man employed. In industry, and even in agriculture, the hours of work required to achieve a given result have been continuously reduced, so that one man becomes able to do the work of two, five, ten, or even a hundred in some types of operation.

Since mechanization has provided the cutting edge for increasing productivity, it is obvious that the use of efficient capital equipment should be universalized if we are to achieve the largest possible output of goods and services with a given expenditure of human energy. The relative economic advancement of nations reflects principally the extent to which machine production has replaced hand labor.

Obsolete plant and equipment must be rapidly replaced. It appears that with rapid technical advances, capital equipment may become obsolete long before it has suffered any appreciable physical deterioration. American industry affords countless illustrations of this fact. Indeed, a substantial percentage of our industrial equipment is older than the life estimated in the depreciation accounts. At the moment it can be shown that the reduction in cost made possible by a new, more efficient, machine is sufficient to offset the loss involved in scrapping the old equipment, replacement should be made. In a dynamic technological age it can frequently be demonstrated that a new machine can within a very short time absorb the loss from scrapping the old machine and pay for itself.

Business Management

Organization and management policies may also greatly increase productivity. I refer to factors which most of you understand much better than do I, such as: (1) location, in relation to sources of materials, markets, labor supplies, etc.; (2) internal layout; (3) specialization of tasks; (4) reduction of the number of types or brands of products; (5) interchangeable machine parts; and, finally, in better personnel management.

Related to these technical considerations and of perhaps equal importance under modern conditions is the achievement of better relations between management and labor with consequent greater incentive to efficiency on the part of the workers. Man-hour productivity is obviously affected adversely by periodic strikes or lockouts. Of equal importance is the level of efficiency of the working force when on the job. Time does not here permit further discussion of this vital phase of the larger problem under consideration.

Requirements for the Future

The maximum increase in man-hour output in the years ahead will depend upon the degree to which the several factors outlined above work together in the common purpose of reducing costs. The key to a stable dynamic economy for the future is a progressive increase in productivity. Great as or progress along these lines has been in the past, we can make quite as rapid advances in the future through concerted effort along the lines indicated. Management's task is to study every possible means of increasing the producing capacity of plant and equipment and of improving the internal organization of the company. Labor's responsibility is to carry out assignments effectively; and also to suggest to management ways and means whereby efficiency on the job may be increased. Many things occur to workers whereby the task can be more quickly and efficiently performed. These should be called to the attention of management, and management should study the possibilities with open minds.

At the present juncture increasing productivity is indispensable to national security. We are endeavoring, simultaneously, to expand the nation's over-all production while at the same time shifting workers to the armed services. The limiting factor in the war effort is thus likely to be men. A shortage in the number of men can be overcome only by increasing output per man.

Halsey, Stuart Offers Peabody Coal Debs.

Halsey, Stuart & Co. Inc. on May 2 offered $6,000,000 Peabody Coal Co. 4⅞% sinking fund debentures, due April 1, 1966, at 98.75% and accrued interest, to yield close to 5%. Proceeds from the sale of the debentures are to be applied by the company to finance part of an estimated $7,500,000 of expenditures required to complete a new mine.

The debentures will have the benefit of a sinking fund which will require the retirement of $300,000 debentures in each of the years 1955 to 1962, inclusive, and $900,000 in the three successive years, leaving only $900,000 outstanding at maturity. They may be redeemed, beginning April 1, 1951, at prices ranging from 102% to 100%. For sinking fund purposes they may be redeemed, beginning in the year 1955 at 100%.

Peabody Coal Co. and its subsidiaries own coal lands having an estimated 991 million recoverable tons of coal, and in addition it leases coal lands having an estimated 61 million recoverable tons of coal. These properties are largely in the State of Illinois. The company's largest customers are the Commonwealth Edison group of companies and certain other public utilities in the Chicago metropolitan area. A new agreement with Commonwealth Edison Co. extents through 1982 and provides, among other things, that the utility will purchase not less than 50% and is entitled to purchase up to 66⅔% of its coal requirements from Peabody. These contracts are on a cost-plus basis, including in cost depreciation and depletion on active mines, amortization on mines discontinued and a return on the company's net investment balances in such mines computed at 5% per annum, plus a profit of 15 cents per ton of coal delivered. The company also sells a substantial amount of coal to railroads, industrial customers, and at retail through its own subsidiaries.

French & Crawford Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Roy B. Culbreth and Carl W. Poss, Jr., have become affiliated with French & Crawford, Inc., 22 Marietta Street Building.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — James W. Johnson has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 23 North Pryor Street.

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ira N. Loren, has become affiliated with Cruttenden & Co., 209 South La Salle Street. He was previously with Otis & Co., for several years.

With Walter Connolly

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Raymond P. Carr is now affiliated with Walter J. Connolly & Co., Inc., 30 Federal Street.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Air Lifts Inc., Washington, D. C.
April 23 (letter of notification) 30,000 "senior shares" (par $1). **Price** — $10 per share. **Underwriter** — None. **Proceeds** — For equipment and administrative costs to manufacture aircraft. **Office**—1835 K St., N. W., Washington 6, D. C.

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. (5/14-21)
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.

• Anaconda Lead & Silver Co., Denver, Colo.
April 23 (letter of notification) 1,200 shares of common stock (par 10 cents). **Price**—25 cents per share. **Underwriter** — None. **Proceeds**—To purchase machinery and equipment. **Office** — 1717 East Colfax Ave., Denver 6, Colo.

Arizona Edison Co. (5/14)
April 24 filed 40,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—William R. Staats Co., Los Angeles, Calif.; A. C. Allyn & Co., Inc., Chicago, Ill.; and Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Proceeds**—To repay bank loans and for new construction.

Artloom Carpet Co., Inc.
March 27 filed 78,556 shares of common stock (no par), being offered to common stockholders of record April 25 on basis of one share for each four shares held, with oversubscription privileges; rights to expire on May 18. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital. Statement effective April 18.

Arwood Precision Casting Corp.
April 18 (letter of notification) 4,000 shares of 5½% cumulative non-convertible preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—70 Washington Street, Brooklyn 1, N. Y.

• Athens Flooring Co., Athens, Ohio
April 24 (letter of notification) $175,000 of 4¾% first mtge. bonds, due April 15, 1962 (in denominations of $1,000 and $500 each). **Underwriter**—The Ohio Company, Columbus, O. **Proceeds**—For working capital.

Atlantic City Electric Co. (5/8)
April 15 filed 117,200 shares of common stock (par $10) to be offered to common stockholders of record May 8 at rate of one share for each 10 shares held; rights to expire May 28. Unsubscribed shares to be offered up to May 25, 1951, to employees and to stockholders on an oversubscription privilege. **Price** — To be supplied by amendment. **Underwriters**—Union Securities Corp. and Smith, Barney & Co., New York. **Proceeds** — For construction program.

• Ba-Mont Mining Co., Virginia City, Mont.
April 23 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To develop mining properties.

• Boston Fund, Inc.
May 1 filed 500,000 shares of capital stock. **Price**—At the market. **Underwriter** — Vance, Sanders & Co., Boston, Mass. **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 April 30 to May 23. Georgeson & 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.

Canam Copper Co., Ltd., Vancouver, B. C., Canada
April 20 filed 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Harry M. Forst. **Proceeds**—For exploration and development work.

• Cane Creek Oil Co., Moab, Grand County, Utah
April 23 (letter of notification) 150,000 shares of common stock (par 10 cents), of which 100,000 shares are to be publicly offered for account of the company at $1 per share, and 50,000 shares are to be offered for account of H. L. Rath at approximately 75 cents per share through brokers. **Proceeds**—To operate and drill well.

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 of record May 3 at rate of one share for each two shares held (with a right of oversubscription); rights will expire on May 17. 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. **Offering**—Expected to be made next week.

• Central Cooperative Wholesale, Superior, Wis.
April 24 (letter of notification) 4,000 shares of 4% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office**—1901 Winter St., Superior, Wis.

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 June 15. 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.

Chester Telephone Co., Chester, S. C.
March 15 (letter of notification) 360 shares of common stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds** — For plant improvements. **Office** — 109 Wylie Street, Chester, S. C.

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. **Offering**—Not expected before the middle of June.

• Cleveland Trencher Co., Euclid, Ohio
May 1 filed 117,660 shares of common stock (par $5), of which 99,100 shares are to be offered by certain stockholders and 18,560 by company (7,000 of latter to be underwritten). **Price**—To be supplied by amendment. **Underwriter**—Hayden, Miller & Co., Cleveland, O. **Proceeds**—For working capital.

• Commercial Shearing & Stamping Co.
April 19 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At the market (approximately $24.50 per share). **Underwriter**—Beadling & Co., Youngstown, O. **Proceeds**—To Ward Beecher, the selling stockholder.

• Condor Radio Manufacturing Co., Prescott, Arizona
April 11 (letter of notification) 400 shares of common stock, of which 100 shares are to go to Herbert Brooks, President, for his equity in the Condor Radio business now incorporated into the company. **Price** — $25 per share. **Underwriter**—None. **Proceeds**—To expand facilities and to manufacture radio and electronic equipment.

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 date postponed.

Consolidated Natural Gas Co. (5/14)
April 4 filed $50,000,000 of sinking fund debentures due 1976. **Underwriters** — To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Dillon, Read & Co. Inc., Morgan Stanley & Co. and First Boston Corp. (jointly). **Proceeds**—To purchase securities of operating companies, which will use the funds for their construction program. **Bids**—To be received at office of company, 30 Rockefeller Plaza, New York 20, N. Y., up to 11:30 a.m. (EDST) on May 14. Statement effective May 1.

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 June 29. 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. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Expected sometime in May.

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.

Cotter & Co., Chicago, Ill.
April 16 (letter of notification) 1,250 shares of common stock (par $100) and 625 shares of preferred stock (par $100) to be issued in units of 10 common and five preferred shares to shareholder-dealers. **Price**—$1,500 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—365 East Illinois St., Chicago, Ill.

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 stock in 24 companies. **Price**—$2 per unit. **Underwriter**—None. **Proceeds**—For drilling and exploration expenses and working capital.

Cudahy Packing Co.
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. **Offering**—Date postponed.

Culver Corp., Chicago, Ill. (5/15)
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 $6.77 per share. **Underwriter**—Dealers may be underwriters. **Proceeds**—For investments in railroad and kindred securities. Statement effective April 11. **Offering**—Expected about May 15.

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.

• Edmonton (City of), Province of Alberta, Canada (5/16)
April 27 filed $10,468,000 of debentures, of which $1,001,000 are due on May 1, 1961; $3,218,000 on May 1, 1971; $799,000 on May 1, 1975; and $5,450,000 on May 1, 1981. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp.; The Dominion Securities Corp.; Smith, Barney & Co.; Harriman Ripley & Co., Inc.; Wood, Gundy & Co. Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir Inc. **Proceeds**—For purchase of buses for a transit system, to repay bank loans, and for new construction.

• Edmonton District No. 7 (The Board of Trustees of), Province of, Alberta, Canada (5/16)
April 27 filed $2,440,000 of debentures, of which $700,000 will mature on May 1, 1971 and $1,740,000 on May 1, 1981. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp.; The Dominion Securities Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc. **Proceeds**—For new school buildings.

• Ekco Products Co., Chicago, Ill.
May 2 filed 24,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For working capital.

• Elgin Sweeper Co., Elgin, Ill.
April 18 (letter of notification) 38,864 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—5 Oak St., Elgin, Ill.

Fairchild Camera & Instrument Corp.
April 13 filed 69,406 shares of common stock (par $1) to be offered to common stockholders May 2 at rate of one share for each five shares held with an oversubscription privilege; rights to expire May 17. **Price**—$27 per share. **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For expansion program.

Foote Mineral Co.
March 30 filed 23,206 shares of common stock (par $2.50) being offered to stockholders of record April 27, 1951, for subscription at rate of one share for each 10 shares held; rights expire May 10. **Price**—$42 per share. **Underwriter**—Estabrook & Co., New York. **Proceeds**—For expansion program.

● **Frontier Industries, Inc.**
April 30 (letter of notification) 18,500 shares of common stock (par 50 cents). **Price**—$16 per unit. **Underwriter**—Hamlin & Lunt, Buffalo, N. Y. **Proceeds**—To reduce term bank loan. **Office**—315 Babcock St., Buffalo 10, N. Y.

● **Frontier Refining Co., Cheyenne, Wyo.**
April 30 filed $1,000,000 5½% convertible debentures due May 1, 1961. **Price** — At par (in denominations of $1,000 each). **Underwriters**—Peters, Writer & Christensen, Inc., and Boettcher & Co., both of Denver, Colo. **Proceeds** — To drill eight wells in San Juan County, N. M., and for working capital.

Gamble-Skogmo, Inc. (5/14)
April 24 filed 304,270 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Piper, Jaffray & Hopwood. **Proceeds**—To a selling stockholder.

● **Gas & Oil Development Corp., Carson City, Nev.**
April 25 (letter of notification) 25,000 shares of common stock. **Price** — At par ($10 per share). **Underwriter**—None. **Proceeds**—For operating capital. **Office**—Virginia & Truckee Bldg., Carson City, Nev.

● **General Electrosonics, Inc. (Del.) (5/4)**
April 27 (letter of notification) 20,000 shares of 5% cumulative participating preferred stock (par $5) and 20,000 shares of common stock (par five cents) to be offered in units of one share of each class of stock. **Price**—$5.05 per unit. **Underwriter**—Singer, Bean & Mackie Inc., New York. **Proceeds**—For working capital. **Office**—32 West 22nd Street, New York 10, N. Y.

General Telephone Corp.
April 19 filed 150,000 shares of common stock (par $20) to be offered for sale to employees of the company and its subsidiaries. **Price**—Fixed at $3 below the average market price either for the month in which payments are completed or for the next succeeding month, whichever is lower, but in no event more than $35 nor less than $25 per share. **Proceeds**—To make additional investments in common stock equities of subsidiaries and temporary advances to the subsidiaries in connection with their construction programs and for general corporate purposes.

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**—Expected to be withdrawn and new filing expected to be made covering 30,000 shares of preferred stock (par $100), with warrants attached.

Globe & Rutgers Fire Insurance Co.
March 30 filed 10,000 shares of $5 convertible second preferred stock (par $15) to be offered to common stockholders of record April 30 for subscription on basis of one preferred share fo reach 24 common shares held, with oversubscription privileges; rights expire May 16. 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**—$100 per share. **Underwriter**—None. **Proceeds**—Together with other funds, to retire presently outstanding preferred stocks.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

● **Gray Manufacturing Co. (Conn.)**
April 27 (letter of notification) 3,100 shares of capital stock sold to six employees at $7.50 per share. Latter will re-offer these shares at market (about $12 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—521 Fifth Ave., New York, N. Y.

Gyrodyne Co. of America, Inc. (5/7-12)
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 York 5, N. Y. Offering expectedy week of May 7.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Grubbs, Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing indefinitely delayed.

● **Hiller Helicopters, Inc. (5/15)**
April 25 filed $2,500,000 of 5% convertible income debentures due May 1, 1961. **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc. and Lehman Brothers, New York. **Proceeds**—For plant expansion, to purchase additional equipment, to reduce outstanding loans and for working capital.

Hilton Hotels Corp., Chicago, Ill.
March 30 filed 153,252 shares of common stock (par $5) now 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; offer expires on May 28. **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.

NEW ISSUE CALENDAR

May 4, 1951	
General Electrosonics, Inc.	Preferred & Com.
May 7, 1951	
Gyrodyne Co. of America, Inc.	Common
Ludman Corp.	Common
Montour RR.	Equip. Trust Ctfs.
May 8, 1951	
Atlantic City Electric Co.	Common
Montana-Dakota Utilities Co. 11:30 a.m. (EDT)	Bonds
Ontario (Province of)	Debentures
May 9, 1951	
Denver & Rio Grande Western RR. 1 p.m. (CDT)	Equip. Trust Ctfs.
Sylvania Electric Products, Inc.	Common
Tennessee Gas Transmission Co.	Common
May 14, 1951	
American Dairy Products Corp.	Preferred & Com.
Arizona Edison Co.	Common
Consolidated Natural Gas Co. 11:30 a.m. (EDT)	Debentures
Gamble-Skogmo, Inc.	Common
Mid-Continent Airlines, Inc.	Debentures
Panhandle Producing & Refining Co.	Common
May 15, 1951	
Culver Corp.	Common
Hiller Helicopters, Inc.	Debentures
Opelika Manufacturing Corp.	Common
May 16, 1951	
Edmonton (City of), Province of Alberta, Canada	Debentures
Edmonton District No. 7, Canada	Debentures
Illinois Power Co.	Common
May 17, 1951	
Illinois Central RR., noon (CDT)	Equip. Tr. Ctfs.
Thorer & Hollender, Inc., 11 a.m. (EDT)	Common
May 21, 1951	
Mays (J. W.), Inc.	Common
May 25, 1951	
Virginia Electric & Power Co.	Common
June 1, 1951	
Dewey & Almy Chemical Co.	Common
Glenmore Distilleries Co.	Preferred & Com.
June 4, 1951	
Public Finance Service, Inc.	Debentures
June 5, 1951	
Georgia Power Co.	Bonds
June 6, 1951	
Buffalo Electro-Chemical Co., Inc. 1:30 p.m. (EDT)	Common
July 17, 1951	
Mississippi Power Co.	Preferred
September 11, 1951	
Alabama Power Co.	Bonds

● **Illinois Power Co. (5/16)**
April 26 filed 203,594 shares of common stock (no par). **Price**—To be related to the market at time of offer. **Underwriter**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To repay bank loans and for new construction.

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.

Israel American National Construction Corp.
April 20 (letter of notification) 2,281 shares of preferred stock (par $25) and 570 shares of common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—None, since stock offering is for promotional plan under which three promoters will receive one share of common for every share sold but not to exceed 2,500 shares. **Office**—756 So. Broadway, Los Angeles 14, Calif.

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For corporate purposes and the purchase of merchandise (steel) for resale. **Office**—Care of Efrein & Metrick, 320 Broadway, New York, N. Y.

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. **Amendment**—Filed April 24 seeks exemption from competitive bidding. Preferred may be privately placed.

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.

Keystone Custodian Funds, Inc., Boston, Mass.
April 23 filed 750,000 shares of series B-2 capital stock. **Price**—At market. **Underwriter**—Keystone Co. of Boston. **Proceeds**—For investment.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
March 1 (letter of notification) 6,000 shares of capital stock (par $1). **Price**—$5.25 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Fewel Bros., Inc., the selling stockholder. A total of 3,300 shares was placed privately and the balance of 2,700 shares has for the time being been withdrawn.

● **Lake Charlotte Resort Corp., Equinunk, Pa.**
April 25 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share (in blocks of 10 shares only). **Underwriter**—None. **Proceeds**—For additions and improvements and working capital. **Address**—c/o Albert J. Huber, President, 133 Cedar Street, Hempstead, L. I., N. Y.

● **Lincoln Telephone & Telegraph Co.**
April 24 (letter of notification) 10,002 shares of common stock (par $16.66⅔ per share). **Price**—$24 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1342 M Street, Lincoln, Neb.

Long Island Lighting Co.
April 6 filed 574,949 shares of new common stock of which 524,949 shares are being offered common stockholders of record May 2 in the ratio of one share for each six shares held, with an oversubscription privilege; rights to expire on May 18. Unsubscribed shares first to be offered to employees up to a maximum of 200 shares each. **Price** — $13 per share. **Underwriter** — None. Blyth & Co., Inc., has been engaged as Dealer-Manager to obtain subscriptions. **Proceeds** — For additions and improvement to property.

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 March 10; rights to expire on July 1. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—203 West Ninth St., Lorain, Ohio.

Loyalta Oils, Ltd., Edmonton, Canada
April 16 filed 750,000 shares of capital stock (par $1). **Price**—50 cents per share. **Underwriter**—James T. Chiles of Denver, Colo., who will conduct offering to public by means of a mail campaign directed from Edmonton, Canada. **Proceeds**—To carry on drilling program.

Ludman Corp., Opa-Locka, Fla. (5/7-12)
April 16 filed 250,000 shares of common stock (par $1), of which 25,000 shares will be offered to employees. Any unsubscribed shares, plus the remaining 225,000 shares, are to be offered to public. **Price**—$3.50 per share (with an underwriting commission of 35 cents) to employees; $3.75 per share (with an underwriting commission of 60 cents) to public. **Underwriter**—Floyd D. Cerf, Jr. Co., Chicago, Ill. **Proceeds**—To redeem 1,873 shares of 5% preferred stock and $75,000 of 3% debentures and for general corporate purposes. Expected next week.

● **Mays (J. W.), Inc., Brooklyn, N. Y. (5/21-26)**
April 27 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Proceeds**—To Joe Weinstein, President of the company, the selling stockholder.

Mid-Continent Airlines, Inc. (5/14)
April 24 filed $2,000,000 20-year 4½% convertible debentures due May 1, 1963. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers, New York, and Kalman & Co., Inc., Minneapolis, Minn. **Proceeds**—For purchase of six Convair aircraft and for construction of new hangar.

Montana-Dakota Utilities Co. (5/8)
April 12 filed $3,000,000 of first mortgage bonds due April 1, 1976, and $2,000,000 of first mortgage serial bonds to mature $100,000 each April 1 from 1952 to 1971, inclusive. **Underwriter** — 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 reduce bank loans and for construction program. **Bids**—To be received up to 11:30 a.m. (EDT) on May 8 at offices of the New York Trust Co., fifth floor, 100 Broadway, New York 15, N. Y.

Nash Finch Co., Minneapolis, Minn.
April 13 (letter of notification) 1,000 shares of common stock (par $10). **Price**—At $18 or $20 per share. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn. **Proceeds**—To Willis King Nash, the selling stockholder.

National Research Corp., Cambridge, Mass.
April 16 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$27 per share. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—To William A. Coolidge, the selling stockholder.

Norris Oil Co., Bakersfield, Calif.
April 20 (letter of notification) 500 shares of capital stock (par $1). **Price**—$4.50 per share. **Underwriter**—

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None. **Proceeds**—To Arthur W. Scott, the telling stockholder. **Office**—Haberfelde Building Arcade, Bakersfield, Calif.

North American Acceptance Corp.
March 20 (letter of notification) 15,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Underwriter**—Michael Investment Co., Inc., Providence, R. I. **Proceeds**—For working capital. **Offering**—Postponed temporarily.

● **North Penn Gas Co., Port Allegany, Pa.**
May 1 filed $2,700,000 of debentures due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co., Inc.; Drexel & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—To repay bank loans.

Ohio Edison Co.
March 30 filed 436,224 shares of common stock (par $8) being offered for subscription by common stockholders of record May 2, 1951, on the basis of one share for each 10 shares held, with an oversubscription privilege; rights to expire on May 18. **Price**—$29.25 per share. **Underwriters**—Issue was awarded on May 2 to Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Proceeds**—For construction program. Statement effective April 18.

Ohio Edison Co.
March 30 filed shares of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: 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. **Proceeds** — For construction program. **Bids**—Temporarily postponed. Were to have been submitted up to 11:30 a.m. (EDT) on May 2.

Olympic Radio & Television, Inc.
April 16 (letter of notification) 8,800 shares of common stock (par $1). **Price**—At the market. **Underwriter**—None, but Van Alstyne, Noel & Co., New York, will act as broker. **Proceeds**—To two selling stockholders.

Ontario (Province of (5/8)
April 20 filed $50,000,000 of 20-year debentures due May 15, 1971. **Price**—To be supplied by amendment. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Proceeds**—To be advanced to The Hydro-Electric Power Commission of Ontario to be used in part for capital expenditures in connection with the Commission's capital construction program and to repay the temporary loans of the Commission which amounted at March 31, 1951, to $35,221,465.

Opelika Manufacturing Corp. (5/15)
April 25 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—To certain selling stockholders.

Pacific Refiners, Ltd., Honolulu, Hawaii
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. Statement effective April 27.

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.

Panhandle Producing & Refining Co. (5/14).
April 24 filed 192,500 shares of common stock (par $1). **Price**—At a price "not less than the closing bid on the first business day (except Friday or Saturday) on which shares close at $7.75 per share or better." **Underwriter**—White, Weld & Co., New York. **Proceeds**—To Atlas Corp., the selling stockholder.

Peabody Coal Co.
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. **Offering**—Tentatively postponed.

● **Pearson (Harry Per), Wallace, Ida.**
April 20 (letter of notification) 500,000 shares of common stock. **Price** — 20 cents per share. **Underwriter**—None. **Proceeds**—To pay obligations and to install a mill and buy equipment for mine. **Office**—Scott Bldg., Wallace, Ida.

● **Provincial House, Inc., Los Angeles, Calif.**
April 23 (letter of notification) 300 shares of 6% cumulative preferred stock (par $100) and 300 shares of common stock (par $1) to be sold in units of one preferred and one common share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds**—To promote furniture by publication of a magazine on home furnishings. **Office**—527 West Seventh St., Suite 703, Los Angeles 14, Calif.

Prudential Acceptance Corp., Los Angeles, Calif.
April 19 (letter of notification) 8,000 shares of 6% preferred stock (par $25) and 2,000 shares of common stock (par $1) to be offered in units of four shares of preferred and one share of common stock. **Price**—$110 per unit. **Underwriter** — None. **Proceeds** — For working capital. **Office**—520 West Seventh St., Los Angeles 14, Calif.

● **Public Finance Service, Inc., Phila., Pa. (6/4)**
April 30 (letter of notification) $250,000 of 6% cumulative debentures, 1950 series. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For additional operating capital. **Office**—18 West Chelten Ave., Philadelphia 44, Pa.

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. **Offering**—Indefinitely postponed.

Seaboard Container Corp.
March 1 (letter of notification) 12,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Underwriter**—Barrett Herrick & Co., New York. **Proceeds**—To Frederic R. Mann, President, who is the selling stockholder.

Skyline Broadcasting Corp., Dayton, O.
April 13 (letter of notification) 250 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—Ball, Burge & Kraus, Cleveland, O. **Proceeds**—For working capital. **Office**—5 So. Jefferson St., Dayton 5, Ohio.

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 State Uranium Mines Ltd. (Canada)
April 9 filed by amendment 384,000 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.

● **Southwestern Investment Co., Amarillo, Tex.**
April 30 filed 15,000 shares of $1 cumulative sinking fund preferred stock (no par) to be offered first to stockholders. **Price**—$20 per share. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds** — For working capital.

● **Southwestern Investment Co., Amarillo, Tex.**
April 30 filed 22,288 shares of common stock (no par) to be offered first to stockholders. **Price**—$20 per share. **Underwriters** — Schneider, Bernet & Hickman, Dallas, Tex.; G. H. Walker & Co., St. Louis, Mo.; and Dewar, Robertson & Pancoast, San Antonio, Tex. **Proceeds**—For working capital.

● **Spiegel, Inc., Chicago, Ill.**
May 2 filed 85,850 shares of common stock (par $2) to be offered to holders of cumulative preferred stock upon exercise of stock warrants on basis of one share of common stock for each share of preferred stock at $13.50 per share on or before May 31, 1953; $15 per share thereafter and on or before Nov. 30, 1954; and $16.50 per share thereafter and on or before May 31, 1956. **Proceeds**—For general corporate purposes.

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.

Stanley Works, New Britain, Conn.
April 20 (letter of notification) 5,450 shares of common stock (par $25). **Price**—At the market (approximately $55 per share). **Underwriter**—None. **Proceeds**—To repay loans and for working capital. **Office**—Lake St., New Britain, Conn.

Steak'n Shake, Inc., Bloomington, Ill.
April 4 (letter of notification) 18,180 shares of common stock (par 50 cents). **Price**—$5.50 per share. **Underwriter**—None. **Proceeds**—To three selling stockholders. **Office**—1700 West Washington St., Bloomington, Ill.

● **Sterling Engine Co., Buffalo, N. Y.**
April 27 (letter of notification) an aggregate of not to exceed 16,000 shares of common stock (par 10 cents). **Price**—At market (about $2.25 per share). **Underwriter**—None, but Bachs & Co. will act as broker. **Proceeds**—To Addison F. Vare, the selling stockholder.

● **Stevens (J. P.) & Co., Inc.**
April 27 filed 100,000 shares of capital stock (par $15) to be offered under "Stock Purchase Plan for Employees" to certain employees of company. **Price**—At average of high and low quotations on day preceding offering. **Proceeds**—For general corporate purposes.

Suburban Gas Service, Inc., Upland, Calif.
April 20 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$4.50 per share. **Underwriter**—Wagenseller & Durst, Inc., and Lester & Co., both of Los Angeles, Calif. **Proceeds**—To Richard Harris, the selling stockholder.

Sunland Life Insurance Co., Scottsdale, Ariz.
April 19 (letter of notification) 5,000 shares of class A 10% cumulative preferred stock (par $30) and 10,000 shares of class B common stock (par 10 cents). **Price**—$55 per share for the preferred and 10 cents per share for the common stock. **Underwriter**—None. **Proceeds**—To meet requirements for operating insurance business. **Office**—106 E. 1st Ave., Scottsdale, Ariz.

Super Electric Products Corp.
April 2 (letter of notification) $300,000 of unsecured 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. **Offering**—Expected this month.

Superdraulic Corp., Detroit, Mich.
Feb. 23 (letter of notification) 100,000 shares of 6% non-cumulative convertible preferred stock (convertible into common stock par $1, share-for share) to be offered to common stockholders. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Offering**—Subsequently withdrawn.

● **Swansea Mines, Inc., Helena, Mont.**
April 24 (letter of notification) 2,500,000 shares of common stock (par 10 cents) and $250,000 of debenture warrants to accompany stock "on basis of $1 for each $1 invested." **Underwriter**—None. **Proceeds** — To rebuild mill and for equipment. **Address**—P. O. Box 904, Helena, Mont.

● **Sylvania Electric Products, Inc. (5/9)**
April 26 filed 400,000 shares of common stock (no par). **Price**—To be related to current market at time of offering. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds**—To purchase equipment and for working capital.

Telegift, Inc., New York
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. (5/9)
March 7 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Stone & Webster Securities Corp. and White, Weld & Co., New York. **Proceeds**—To repay bank loans and for expansion of pipeline.

● **United Mining & Leasing Corp.**
April 23 (letter of notification) 696,490 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Prcoeeds**—For mining equipment, and to further development of its gold properties and lead-zinc property. **Office**—Central City, Colo.

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. Offering, which may be reduced to 100,000 shares, expected after May 10.

Veterans Broadcasting Co., Inc.
April 19 (letter of notification) 26,575 shares of capital stock. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To construct a television station. **Office**—17 Clinton Ave., South, Rochester 4, N. Y.

Video Corp. of America
April 20 (letter of notification) 36,000 shares of common stock (par 10 cents). **Price**—At market (about 34 cents per share). **Underwriter**—None. **Proceeds**—To selling stockholders. **Office**—229 West 28th St., New York, N. Y.

● **Virginia Electric & Power Co. (5/25)**
May 1 filed 449,674 shares of common stock (par $10) to be offered to common stockholders of record May 25 on basis of one share for each ten shares held; rights to expire on June 11. **Price**—To be supplied by amendment. **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For new construction.

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.

● **Waverly Oil Works Co.**
April 26 (letter of notification) 20,000 shares of capital stock (par $1) offered to stockholders of record May 1, 1951 on a one-for-four basis; rights to expire on June 15. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—4403 Centre Ave., Pittsburgh 13, Pa.

West Virginia Coal & Coke Corp.
April 16 (letter of notification) 3,700 shares of common stock (par $5). **Price**—At the market (not less than $18 per share). **Underwriter**—Tucker, Anthony & Co., New York. **Proceeds**—To Charles Dorrance, President, who is the selling stockholder.

Wheeling Steel Corp.
April 11 filed $14,238,900 of 14-year debentures due May 1, 1965 (convertible for a 10-year period), to be offered to common stockholders of record April 26 on basis of $100 of debentures for each 10 shares of common stock held; rights expire May 10. **Price**—To be supplied by amendment. **Underwriter**—Kuhn, Loeb & Co., New York. **Proceeds**—For improvement program. Statement effective April 26.

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.

● **Alaska Telephone Co.**
April 25 it was announced company may soon file a letter of notification with the SEC covering $300,000 of 6% convertible bonds. **Price**—At par (in units of $100 each). **Underwriter**—Tellier & Co., New York. **Proceeds**—For new equipment and for expansion.

Algonquin Gas Transmission Co.
Feb. 27 FPC authorized company to construct a pipe line system in New England to supply certain markets in Massachusetts, Rhode Island, Connecticut and New Jersey, which, it is estimated, will cost $30,477,800. It is planned to finance the project through sale of 20-year bonds (with interest to be about 3½%, equal to 75% of its capital and sale of common stock in an amount equal to 25% to be offered first to stockholders. Traditional underwriter: Dillon, Read & Co. Inc., New York.

● **American Natural Gas Co.**
April 25. William G. Woolfolk, Chairman, announced an offering of common stockholders under rights on the basis of one share for ten would probably be made during the year. No underwriting likely to be involved. Proceeds to be used for new construction costs.

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.

● **Buffalo Electro-Chemical Co., Inc. (6/6)**
Bids will be received at the office of Alien Property, 120 Broadway, New York 5, N. Y., at 1:30 p.m. (EDT) on June 6 for the purchase of 5,058 shares of common stock (no par value), being 45.98% of the outstanding stock. The sale does not represent new financing. A group represented by Charles A. Buerk (President of the company), Schoellkopf, Hutton & Pomeroy, Inc. and Lehman Brothers and including many of the stockholders and employees of the company, has formerly agreed to submit a bid for the stock is an amount aggregating $3,034,800. Accordingly the auction will be opened by the announcement of said bid.

Byers (A. M.) Co.
Jan. 25 L. F. Rains, President, revealed that the company is considering a plan to refinance its 7% cumulative participating preferred stock (par $100), about 50,000 shares outstanding. These shares are redeemable at 110 and accrued dividends. Holders may be offered in exchange a new convertible preferred stock, plus common stock. Company being advised by Blyth & Co., Inc., and Fahnestock & Co.

California Oregon Power Co.
April 20 it was stated that company plans to raise more than $11,000,000 through the sale of $6,000,000 new first mortgage bonds and 250,000 shares of common stock about mid-1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Carl M. Loeb, Rhoades & Co. (jointly); Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); White, Weld & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly). The previous stock offering was underwritten by Blyth & Co., Inc. and The First Boston Corp. Proceeds would be used to retire $11,000,000 outstanding bank loans.

California Water Service Co.
March 21 stockholders approved proposals to increase the authorized preferred stock to 971,743 shares from 471,743 shares and the authorized common stock from 500,000 shares to 1,000,000 shares. Probable underwriter—Dean Witter & Co., San Francisco, Calif.

Calvan Consolidated Oil & Gas Co., Ltd.
April 3 it was stated registration may be made of 1,000,000 shares of capital stock. **Price**—About $5 per share. **Underwriters**—Hemphill, Noyes, Graham, Parsons & Co., New York, and Gardiner, Watson & Co., Toronto, Canada.

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 Maine Power Co.
April 3 company estimated that outside cash requirements for 1951 for construction and other purposes will be about $10,000,000. No definite plans for permanent financing have yet been formulated, and in the interim company plans to obtain necessary funds through short-term bank borrowings.

Central & South West Corp.
April 10 it was announced company plans to issue and sell approximately 400,000 shares of common stock (par $5) late in 1951 or early in 1952. **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 on May 15 vote to increase authorized common stock from 8,000,000 to 10,000,000 shares.

Chicago & Western Indiana RR.
April 16 reported company will probably issue in the near future some bonds to refund the $49,988,000 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the $14,662,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market late this year or early in 1952 between $25,000,000 and $30,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds will be used for construction program.

Cleveland Electric Illuminating Co.
April 4 it was reported company may in the fourth quarter of 1951 issue new preferred stock or first mortgage bonds, or obtain short-term bank credit to finance its construction and improvement program. Preferred stock sale, if negotiated, may be handled by Dillon, Read & Co., Inc. Probable bidders for any bond financing are: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Colorado Central Power Co.
April 13 it was reported that the company may do some debt financing to raise additional necessary funds for its 1951 construction program. Will probably be placed privately.

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. **Offering**—Postponed.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding 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.

Denver & Rio Grande Western RR. (5/9)
April 20 it was announced that the company plans to issue and sell $2,670,000 of series Q equipment trust certificates, to be dated June 1, 1951, and to mature in 30 equal semi-annual instalments of $89,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.). **Bids**—To be received until 1 p.m. (CDT) on May 9.

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.

● **Dewey & Almy Chemical Co. (6/1)**
May 1 it was stated company on May 8 plans to register with the SEC 200,000 shares of common stock (par $1). **Price**—To be named later. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Proceeds** — To retire $1,100,000 of notes issued in 1949, and for expansion.

Dow Chemical Co.
April 5, Leland I. Doan, President, stated that the company plans to spend $65,000,000 on plant expansion in the current fiscal year ending May 31, 1951, and expects to spend somewhat more in the following fiscal year. He added, however, that no decision has been reached on any possible financing in this connection. Traditional underwriter: Smith, Barney & Co., New York.

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. **Offering**—Expected in June or July.

Gas Service Co.
April 20 it was reported company plans to sell $5,500,000 of new bonds late in June or early in July. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Union Securities Corp. and Harriman Ripley & Co., Inc. (jointly). **Proceeds**—For new construction.

Georgia Power Co. (6/5)
April 12 company sought SEC authority to issue and sell $20,000,000 of 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.

Glass Fibres, Inc.
April 16 it was reported that company may do some common stock financing later this year. Traditional underwriter—McCormick & Co., Chicago, Ill.

● **Glenmore Distilleries Co. (6/1)**
April 23 it was announced company expects shortly to file a registration statement covering 30,000 shares of $100 par preferred stock (with warrants attached), and to withdraw statement covering 159,142 shares of class B common stock (par $1). **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For working capital and general corporate purposes.

Green Mountain Power Corp., Montpelier, Vt.
Feb. 23 amendment to plan for reorganization was filed. This plan, among other things, provides for sale of 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 Oil Corp.
April 24 directors stated that plans for expansion to meet military and civilian needs will be of major proportions during 1951 and will cost in the neighborhood of $200,000,000.

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. (5/17)**
April 30 it was announced that bids will be received May 17 for the purchase from the company of $3,900,000 equipment trust certificates, series GG, to be dated May 1, 1951 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc; Salomon Bros. & Hutzler.

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.

I-T-E Circuit Breaker Co.
March 30 it was announced stockholders on May 5 will vote on increasing the authorized indebtedness of the company to $3,500,000 from $1,500,000, and the authorized but unissued preferred stock from 15,000 shares to 30,000 shares, par $100.

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

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(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.

Kansas Power & Light Co.
April 4 it was announced stockholders will vote May 5 on proposals to increase the authorized preferred stock from 200,000 shares to 400,000 shares and the authorized amount of unsecured indebtedness from $9,000,000 to $14,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Laclede Gas Co.
Jan. 30, R. W. Otto, President, stated it appears likely that the company will sell additional mortgage bonds some time this year to finance its 1951 construction requirements. During the current fiscal year, he said, about $10,000,000 may be spent for new construction, of which more than $4,000,000 had been spent up to Dec. 31, 1950. It was also stated that the company is giving serious consideration to early refinancing of its outstanding $19,000,000 3½% bonds due Feb. 1, 1965, and $6,500,000 3½% bonds due Dec. 1, 1965, through the issuance of possibly $28,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Goldman, Sachs & Co.; White, Weld & Co.; Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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.

● **Michigan Consolidated Gas Co.**
April 25 it was stated company may issue later this year about $15,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co and Blyth & Co. Inc. (jointly); White, Weld & Co. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly) **Proceeds**—For construction.

● **Milwaukee Gas Light Co.**
April 25 it was reported company may issue some additional bonds this year, if conditions so warrant. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Kuhn, Loeb & Co., Smith, Barney & Co. and Blyth & Co. Inc. (jointly); Kidder, Peabody & Co.; Harriman, Ripley & Co. Inc. **Proceeds**—For construction.

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.
April 19 it was announced that if the proposed acquisition of the gas utility properties is authorized by the FPC and consummated, the company plans to issue and sell $2,000,000 of preferred stock and $3,000,000 of additional first mortgage bonds. This is in addition to present stock financing and proposed bond financing as reported under "Securities Now in Registration" in a preceding column.

● **Montour RR. (5/7)**
Bids will be received by noon (EDT) on May 7 for the purchase from the company of $1,000,000 equipment trust certificates, series D. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 Gas and Electric Association**
May 1 stockholders consented to an amendment to the Association's declaration of trust to permit the trustees to issue presently authorized but unissued common shares to provide funds to invest in additional stock of any natural gas pipe line company operating in Massachusetts or to acquire a majority interest on any Massachusetts gas or electric company. A year ago, the following served as managers of a group of participating dealers in obtaining subscriptions: Townsend, Debney & Tyson; A. C. Allyn & Co., Inc.; Draper, Sears & Co.; F. L. Putnam & Co., Inc.; Smith, Ramsay & Co., Inc.; Wagenseller & Durst, Inc.; and G. H. Walker & Co.

New England Power Co.
Jan. 24 it was estimated that $32,000,000 of new financing will be required prior to Dec. 31, 1952. 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 State Electric & Gas Co.
April 4 it was reported company is considering issue and sale of $10,000,000 to $12,500,000 of first mortgage bonds or a common stock issue. If bonds, they may be placed privately. Traditional underwriter: The First Boston Corp., New York. Proceeds would be used for additions and improvements to property.

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 Eastern Pipe Line Co.
April 4 it was reported that the company may issue and sell additional securities to provide funds for its expansion program. Traditional underwriter: Kidder, Peabody & Co.

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.

Peoples Gas Light & Coke Co.
April 6 it was reported that company may sell $20,000,000 of new bonds this Spring to provide funds for expansion program. If market conditions are favorable, it is also planned to sell an additional $15,000,000 of bonds to refund a like amount of 3% bonds due 1956. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp.

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).

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.

Sharon Tube Co.
March 29 it was stated company may issue $1,800,000 additional capital stock (par $10) to finance its new continuous buttweld mill expansion.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Gas Co.
April 4, the company indicated that it would soon be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (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.

Textron Incorporated
March 30 it was stated stockholders will on May 23 vote on increasing authorized common stock to 3,000,000 from 2,000,000 shares. Traditional underwriter: Blair, Rollins & Co., New York.

Thorer & Hollender, Inc., New York City (5/17)
Bids will be received at the Office of Alien Property, Department of Justice, 120 Broadway, New York 5, N. Y., on or before 11 a.m. (EDT) on May 17 for the purchase of 6,445 shares of capital stock (being 100% of the outstanding stock). The sale does not represent new financing. **Business**—Imports and sells furs, mainly Persian Lamb, in the United States.

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).

● **United Stores Corp.**
April 24 stockholders voted to increase authorized $4.20 non-cumulative preferred stock to 1,200,000 from 1,031,856 shares and the common stock to 1,808,144 from 1,640,000 shares. Company has no immediate plans for any financing.

United Utilities, Inc.
April 11 it was said company plans issuance and sale of between $2,000,000 and $3,000,000 additional debentures or bonds this year. Kidder, Peabody & Co. handled private placement of an issue of $2,500,000 debentures in March, 1950.

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.

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. (jontly); Equitable Securities Corp.; Alex. Brown & Sons.

Western Maryland Ry.
April 20, E. S. Williams, President, intimated that company may decide at a later date to attempt to refinance about $15,500,000 of first mortgage bonds due in October, 1952, which remained outstanding after expiration of an exchange offer in January, 1950.

Wilton Woolen Co.
April 6 it was reported company expects to file with the SEC shortly a registration statement covering an undetermined amount of common stock. **Underwriter**—A. C. Allyn & Co., Inc.

Our Reporter's Report

Investment bankers and institutional investors appear to be engaged once more in a struggle over what constitutes a proper yield basis for new securities. And from current indications the bankers seem to have their sights set just a few basis points below what the institutions would regard as attractive.

After several weeks of highly successful operations—in fact all deals brought out since the Duke Power Co.'s $35,000,000 flotation have gone very well—underwriters have come up with a slow one.

Consolidated Edison Co. of New York's $40,000,000 of new first mortgage bonds drew out three group bids all of them suggesting that bankers were thinking pretty much along the same line as far as ultimate pricing to the buyer was concerned.

Certainly none of the three could have been looked upon as "holding an umbrella" over the others since only a matter of about 44 cents a hundred dollar piece separated the highest and the lowest bids.

The successful group paid the issuer a price of 102.269999 for a 3¼% coupon and proceeded with reoffering of the bonds at a figure of 102.915 for an indicated yield of 3.10%. The utility's previous issue, $60,000,000, brought out in February, was reoffered on a 2.90% yield basis.

The market has undergone considerable readjustment in the meantime, however, and evidently potential buyers were not immediately anxious to take up the current issue.

What Buyers Want

Preliminary indications were that only a small part of the issue, probably between $5,000,000 and $6,000,000, had been spoken for up to the close last night.

One insurance company and a few of the pension trusts were understood to have subscribed for moderate amounts. Among market observers the consensus at the moment is that it is not a question of what a bond may be worth, but, more important, who wants to buy?

And right now it appears that buyers are expecting a good discount from the regular market on new issues. Those in close touch with the situation calculate that a new issue, to assure success, must be priced to yield 10 to 12 basis points better than is obtainable on outstanding bonds of the same quality.

May Be the Key

The Duke Power Co.'s recent issue is becoming something of a "signpost" among bond men these days. Brought out several weeks ago on a 3.15% yield basis, this issue was really the one that seemed to turn the market or at least halt the steady setback that had been in progress.

The undertaking was an immediate success and paved the way for favorable reception for a run of smaller offerings which followed in its wake.

Indicating that the Duke bonds were substantially placed on the original offering, this issue has since been marked up by persistent bidding to levels which have brought the current yield down to a 3.03% basis, some 12 basis points under the offering level.

Private Placements

Direct placements with institutional investors have been cutting heavily into the volume of business going through the regular new issue channels. And setting up of banking credits for financing defense operations of some larger concerns is having its effect.

This week witnessed a very substantial volume of such operations, with the largest direct placement being that of General American Transportation Corp. for a total of $20,000,000.

What is equally as interesting from a market point of view, with virtually nothing in immediate sight for the regular route, is the fact that reports indicate bankers are actively at work on a further sizable budget of private deals.

FINANCIAL NOTICE

McCRORY STORES CORPORATION

Notice of Adjustment in Conversion Rate of 3½% Cumulative Convertible Preferred Stock

NOTICE IS HEREBY GIVEN that the number of shares of Common Stock of the Corporation deliverable upon the conversion of shares of Preferred Stock has been adjusted to reflect the two for one stock split-up of the Common Stock which became effective on April 26, 1951. Five (5) shares of Common Stock, $.50 par value, will be delivered for each share of Preferred Stock surrendered for conversion on or after April 26, 1951, instead of two and one-half (2½) shares of Common Stock, $1 par value, as theretofore.

By order of the Board of Directors,
T. C. LAWRENCE, *Secretary*.

April 27, 1951.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

• A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable June 11, 1951, to the holders of record at the close of business May 14, 1951.

W. J. ROSE, Secretary.

May 2, 1951.

AVCO MANUFACTURING CORPORATION — *"A Family of Famous Names"*

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable June 20, 1951 to stockholders of record June 1, 1951.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N.Y.
April 27, 1951

AMERICAN RADIATOR & Standard Sanitary CORPORATION
New York — *Pittsburgh*

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable June 1, 1951 to stockholders of record at the close of business on May 25, 1951.

A dividend of 25 cents per share on the Common Stock has been declared, payable June 23, 1951 to stockholders of record at the close of business on June 1, 1951.

JOHN E. KING
Treasurer

ALUMINIUM LIMITED

DIVIDEND NOTICE

On April 26th, 1951, a quarterly dividend of Ninety Cents per share in U. S. currency was declared on the no par value Shares of this Company payable June 5th, 1951, to shareholders of record at the close of business May 7th, 1951.

Montreal J. A. DULLEA,
April 26th, 1951 *Secretary*

William Tegtmeyer Forms Own Firm

CHICAGO, Ill. — George R. Turley has retired from the investment firm of Turley & Tegtmeyer in order to devote his time to other interests and, effective April 30, the firm of Turley & Tegtmeyer was dissolved. William H. Tegtmeyer has formed Wm. H. Tegtmeyer & Co. to continue in the investment business. The new organization will take over all of the accounts of the former firm and will occupy the same offices at 120 South La Salle Street.

Joseph E. Hart, formerly associated with Bacon, Whipple & Co., will join the new firm.

DIVIDEND NOTICES

AMERICAN MACHINE AND METALS, INC.

A dividend of 50¢ per share will be paid on June 1, 1951, to stockholders of record at close of business May 10, 1951. To obtain dividend, holders of Voting Trust Certificates should exchange same for Capital Stock promptly.

H. T. McMeekin, *Treasurer*.

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street
New York, April 27, 1951.

The Board of Directors of this Company has this day declared a dividend of Twenty (20c) Cents per share on the outstanding capital stock, payable June 15, 1951 to shareholders of record at the close of business May 18, 1951.

C. O. BELL, Secretary.

Borden's

DIVIDEND No. 165

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable June 1, 1951, to stockholders of record at the close of business May 11, 1951.

E. L. NOETZEL
Treasurer

April 24, 1951

EATON MANUFACTURING COMPANY
Cleveland 10, Ohio

DIVIDEND NO. 112

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable May 25, 1951, to shareholders of record at the close of business May 8, 1951.

H. C. STUESSY, *Secretary*
Declared on April 27, 1951

1st Bank Stock Corporation

54th Consecutive Dividend

• Directors of First Bank Stock Corporation, Minneapolis, Minnesota, on April 18, 1951, declared a quarterly dividend of 30c per share on outstanding capital stock, payable June 11, 1951, to stockholders of record at the close of business May 21, 1951.

E. O. JENKINS, *President*

M. R. Trelles Joins Randolph Newman Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Macrino R. Trelles has become associated with Randolph Newman & Co., Marine Building. Mr. Trelles was formerly manager of the retail sales department of T. J. Feibleman & Co. and prior thereto was with Woolfolk, Huggins & Shober.

DIVIDEND NOTICES

DIVIDEND NO. 46

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar ($1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable June 11, 1951, to shareholders of record at the close of business on May 11, 1951.

H. E. DODGE, *Treasurer*.

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh — Pennsylvania

April 27, 1951

Board of Directors has declared for quarter ending June 30, 1951 dividend of one and one-half (1½%) per cent or $1.50 per share on Preferred Stock, payable July 20, 1951 to shareholders of record July 6, 1951.

Also declared a dividend of fifty cents per share on the No Par Common Stock, payable June 1, 1951 to shareholders of record May 11, 1951.

G. F. CRONMILLER, Jr.,
Vice President and Secretary

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular dividends:

41¼ cents per share on its
5½% Preferred Stock ($30 par)
35⅝ cents per share on its
4¾% Preferred Stock ($30 par)
30 cents per share on its
Common Stock ($15 par)

all dividends payable June 1, 1951, to stockholders of record May 15, 1951.

EDWARD L. SHUTTS,
President.

April 30, 1951

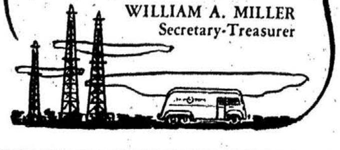
TECHNICAL OIL FIELD SERVICES

LANE-WELLS COMPANY

Dividend Notice

The Directors have declared a quarterly dividend of 30 cents on the common stock payable June 15, 1951, to stockholders of record May 23, 1951.

WILLIAM A. MILLER
Secretary-Treasurer



THE FLINTKOTE COMPANY

30 ROCKEFELLER PLAZA — NEW YORK 20, N.Y.

FLINTKOTE PROTECTION

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable June 15, 1951 to stockholders of record at the close of business June 1, 1951.

A quarterly dividend of $.50 per share has been declared on the **Common Stock** payable June 9, 1951, to stockholders of record at the close of business May 26, 1951.

CLIFTON W. GREGG,
Vice-President and Treasurer

May 2, 1951

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Oliver L. Hollopeter is with Waddell & Reed, Inc.

DIVIDEND NOTICES

DIVIDEND NOTICE

SKELLY OIL COMPANY

The Board of Directors has today declared a quarterly cash dividend of 75 cents per share on the common stock of this Company, payable June 5, 1951, to stockholders of record at close of business Apr. 24, 1951.

C. L. SWIM,
Secretary

April 10, 1951

Esso

The Board of Directors of the

STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared a cash dividend on the capital stock of $1.75 per share, on which $1.50 per share was designated as regular and $.25 per share as extra, payable on June 12, 1951, to stockholders of record at the close of business, three o'clock P. M., on May 10, 1951.

A. C. MINTON, Secretary

April 30, 1951.

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY
DIVIDEND NO. 21 DECLARED

Common Stock—25¢ per share

Payable May 15, 1951 to stockholders of record May 1, 1951.

R. GOULD MOREHEAD,
Treasurer

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable June 30, 1951, to stockholders of record May 31, 1951.

THE UNITED GAS IMPROVEMENT CO.
JOHNS HOPKINS, Treasurer
April 24, 1951 — Philadelphia, Pa.

UNION CARBIDE
AND CARBON CORPORATION

UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable June 1, 1951 to stockholders of record at the close of business May 7, 1951.

KENNETH H. HANNAN,
Secretary

PEPPERELL FABRICS REG. U.S. PAT. OFF.

100th *Dividend Year!*

PEPPERELL MANUFACTURING COMPANY

Boston, April 26, 1951

A regular quarterly dividend of Seventy-five Cents (75¢) and an extra dividend of Fifty Cents (50¢) per share have been declared payable May 15, 1951, to stockholders of record at the close of business May 8, 1951.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*
160 State Street, Boston, Mass.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — This town has looked over two of the most recent outpourings of the New Bureaucracy, Mike DiSalle's manufacturers pricing order and Eric Johnston's "profits standard" formula, said in effect that both are nuts, and is willing to let it go at that.

That being the attitude, neither of these gems of official wisdom is raising blood pressures much in conservative circles either in Congress or business.

Mr. DiSalle's contribution is a tidy little order of 30,000 words of official lingo. It says that producers can add certain costs to their computation of what price to charge, and certain other costs they must "absorb." The latter include front office administrative overhead increases, increases in promotional and sales expense, and overtime pay.

Thirty-thousand words is quite a bit of order. There aren't enough lawyers and cost accountants available in the whole wide world to permit but a handful of corporations to comply literally with the legal formula under which producers could figure out precisely what they would be entitled to charge.

And then the market right now is not conducive to adding costs unless it is necessary.

And then, too, Congress is about to get under way with revising the Defense Production Act, which otherwise expires June 30, and before the manufacturer's pricing rules can have much effect the rules will be changed again.

So what most manufacturers probably will do is to report their ceilings in some manner analogous to pinning the tail on the donkey while blindfolded, or consulting with a clairvoyant. As one conservative Senator explained, "with a 30,000-word order, there are enough words so that everybody can do that which is sensible, and there always will be words to quote in justification."

What Mike DiSalle will do will be to pick out an industry here and there for public chastisement. This will be an industry which will be physically big and whose products are widely used; hence this will be an industry an attack upon whose prices will be designed to show that Mike's heart —as when he singled autos for the first pricing action—is just in the right place for the consumer.

It won't matter much whether that industry has hired the most imposing array of cost accountants and lawyers and instructed them to hew literally to the law, or whether it has not. In any case that industry or those industries are bound to get it in the neck.

They will get it in the neck because the sober fact is that this town regards the Office of Price Stabilization and the whole price and wage control program as a farce. OPS must go through the gestures of price control and there must be many types and tons of papers for the enlarging staff to push around for the purposes of gainful Federal employment.

About the only practical effect is that with such an order in existence, the producer who really tries to get away with murder price-wise, does stand a fair chance of getting caught up and pilloried in public opinion, and it might be wise for him to desist therefrom.

Eric Johnston, long an originator of unusual ideas, has failed equally to get anybody mad with his supposed "profits standard" formula. This is in effect a relief formula. It says that where the majority of an industry applies for a relief from the "ceilings" imposed by the manufacturers pricing order or any of DiSalle's other pricing orders, past, present, or future, the industry is not entitled to charge higher prices unless as a whole its earnings before taxes fall below 85% of its average of the best four pre-Korea years.

Eric hasn't settled on a thousand and one ticklish little questions which would bog the administration of this particular little dream, such as, for instance, "what is an industry?" When General Electric makes a washing machine, is it in the electrical industry or the washing machine industry?

So far, the "profits standard" formula is regarded as being only about one step beyond a gleam in Mr. Johnston's eye, and nothing much to worry about. There, again, it will be two or three months before it becomes substantively necessary, if then, for an industry, whatever that is, to apply for relief.

And when it comes to practicalities, Congress is simply going to tell Eric that regulating profits is none of his blankety-blank business.

* * *

Harry Truman's message likewise failed to arouse any particular steam. The President backed down on two of the hottest ideas he was toying with. One was to ask for food subsidies right away —he said he would defer that one. The other was to attempt to really hold down farm prices somewhere. And besides, nobody much outside the United Labor Policy Committee pays any serious attention any more to Donald Dawson's protector.

* * *

Regardless, however, the proposal to extend the Defense Production Act of 1950 beyond June 30 will arouse a long and bitter battle in Congress, and would regardless of Truman. Agriculture was sure to win its battle against price control in Congress, and the President even capitulated in advance. Congress does not regard organized labor with the tenderness of the White House, and will attempt to re-affirm its idea that the Taft-Hartley Act should not be circumvented and that big labor shouldn't be allowed to get away with murder.

Congress, however, is hampered by the fact that union labor can take action when it is displeased and that the White House will not enforce the laws regulating labor.

So it will be a long, dreary stand-off between organized labor and agriculture with no sanguine hope that "anti-inflation" will amount to much.

* * *

When W. Stuart Symington was up for confirmation last week before the Senate Banking Committee to be Administrator of the RFC, Senator Bill Fulbright asked him a lot of questions all directed to get him to say for the record, as he did, that nobody from Donald Dawson down can monkey with his agency or its personnel.

This was really a staged affair. It gave Symington a list of statements emblazoned on the record which he can throw at anybody who might try to get funny with him after he becomes Administrator. For these questions were in fact "notice" to Symington that if anybody tries to pull any fast ones, all Symington has to do is go tell Papa Fulbright.

Chairman Maybank announced to the world that the new Defense Plant Corp., by whatever name it may be called, will be confined to building plants working solely for the government on defense products. Hence the impression is inferred that Mr. Truman and the Economic Expanders cannot build steel plants, TVA's seaways, or anything else. Just to be sure, Congress will write some prohibitions of its own in the legislation.

The White House wants a billion for its new DPA. It may get $500 million to start.

It is still unsettled whether the new defense plant agency will be set up by Defense Mobilizer Charles E. Wilson or under RFC. Guessing is that it will be the former.

Real drive against the RFC — as was hinted this week in a presentation by one of the country's foremost citizens—is to limit the size of all loans which RFC may make, either directly or in participation with banks or insurance companies, to some such figure as $250,000, or less. This would exclude genuinely defense loans, which could be made in larger amount.

Purpose of this limitation would be to eliminate "certain large regular customers of RFC for equity capital they should get elsewhere."

With such a limitation, RFC might be continued as a purely small business lending agency, and the drive to abolish RFC, doomed anyway because of the certainty of a Presidential veto, would collapse after the making of a record on the floor of the Senate of attempting to abolish the agency.

* * *

The idea of recreating the War Damage Insurance Corp., to insure property and leave to later the consideration of other and vast projects, such as re-insurance of workmen's compensation liabilities and care and housing of persons in bombed areas, is gaining headway in the Senate Banking subcommittee dealing with this subject. A bill along these lines may be on the floor of the Senate within three weeks.

The probable revenue target of a new tax bill in the House Committee is reported to be going down, with $5 billion the present maximum achievable, and $4 billion more likely. This would mean 2 points on corporations, 2 points on individuals, some, but not much, in excises.

Opponents of the reciprocal trade agreements program believe they can make stick the Senate and similar House bill with peril points and a statutory (as against a provision only in the agreements) escape clause. If Truman vetoes, then the Reciprocal Trade Agreements Act expires June 12.

(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

"Bet the boss will be surprised that we replaced that nasty old machinery with this lovely geranium!"

FHLB Notes on Market

Public offering of two new note issues of the Federal Home Loan Banks, aggregating $150,000,000 principal amount, is being made today by the Federal Home Loan Banks through Everett Smith, fiscal agent. The issues consist of $100,000,000 Federal Home Loan Banks 2% Series H-1951 non-callable consolidated notes, dated May 15, 1951, and due Sept. 14, 1951, and $50,000,000 Federal Home Loan Banks 2¼% Series A-1952 non-callable consolidated notes, dated May 15, 1951, and due Feb. 15, 1952. The notes are priced at par.

The offering is being made in connection with the maturity on May 15, 1951, of $174,000,000 Series B-1951 1⅝% consolidated notes. The Federal Home Loan Banks will retire $24,000,000 of the maturing 1⅝% notes from current cash resources. The balance of the 1⅝% notes will be retired with the proceeds from today's offering of new notes.

Upon completion of the financing and the retirement of the 1⅝% notes on May 15, outstanding consolidated obligations of the Federal Home Loan Banks will have been reduced to $499,000,000.

Milwaukee Bond Club Annual Summer Party

MILWAUKEE, Wis.—The Milwaukee Bond Club will hold its annual summer party on June 15 at the Oconomowoc Lake and Country Club.

With Barclay Inv.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Albert Siegel has been added to the staff of Barclay Investment Co., 39 South La Salle Street. He was previously with Bache & Co.

Joins Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harold C. Allan has become affiliated with Central Republic Co., 209 South La Salle Street, members of the Midwest Stock Exchange.

Goodbody Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles P. Leffel has been added to the staff of Goodbody & Co., 105 West Adams Street.