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EDITORIAL

As We See It

Among the thousand and one issues raised during the interrogation of General MacArthur last week was the old, old question of communism vs. Kremlinism. "Communism all over the world" and not the Kremlin is the real threat to us all in the view of the General. As to whether Moscow was the heart and brain of that threat, the General was a little evasive. He was not asked in so many words whether communism, pure and undefiled with Russian imperialism, existed anywhere in the world today. His answer to such a question would have been interesting, although possibly not as interesting as such an answer from able individuals better informed on the subject.

Of course, there are many rumors and reports of Titoism (as communism defiant of Moscow is now usually termed) in some of the European satellites of the Kremlin, and in China. In many of these the wish is doubtless father to the thought, as may well be the hope cherished in many bosoms that Titoism will grow vigorously as time passes. However all this may be, it is clear that the danger inherent in "communism all over the world" is enormously increased by reason of the obvious fact that the Kremlin is making vigorous and crafty use of it as an instrument of old-fashioned Russian imperialism. Were it not for this fact, there would be little need for the type of vast military preparations that are being made in this country, and certainly no point in us trying to drive the European world to large and exceedingly burdensome military expenditures in the years immediately ahead.

Let there be no misunderstanding about what we are saying, or are about to say. Communism

Continued on page 30

Tax Education of Mr. Jones

By IRVING S. OLDS*

Chairman of Board, United States Steel Corporation

Defending the "rapid amortization" section of 1950 Revenue Act, nation's leading industrialist denies it subsidizes or enriches business at public expense or that it diminishes Federal tax revenues. Points out purpose of law is to expand production under private enterprise, and urges businessmen carry on an education campaign to overcome public criticism of measure. Cites illustration of amortization effects and how the plan works as gain to individual, the public and the Government.

Someone has said that, in the absence of public knowledge, democracy becomes merely the consensus of ignorance. That such a fate has not overtaken our own democracy is due, in no small measure, to the unceasing contribution which the Chamber of Commerce of the State of New York — and countless other organizations like it — have made to the public understanding of current issues.

Irving S. Olds

But today, unfortunately, the issues which confront us—both global and domestic — have multiplied so rapidly and have become so complex that no man can possibly comprehend them all. Confusion and misunderstanding exist even in the minds of many of our most conscientious members of Congress and government officials; and with increasing frequency we find sincere and patriotic men making public statements which are wholly fallacious and basically untrue.

Our obligation to correct such statements when they fall within the scope of our own specialized knowledge in the field of business is an especially compelling one in these critical days; for it is only by spreading the light of human knowledge and by seeking the aid of Divine guidance that we can hope to find wise and just solutions to the fateful problems which beset us.

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*An address by Mr. Olds at the Annual Meeting of the Chamber of Commerce of the State of New York, New York City, May 3, 1951.

Rails and Utilities Feature Trusts' Purchases

By HENRY ANSBACHER LONG

Analysis reveals funds' first quarter buying exceeded sales by approximately 15%. Purchases predominated in aluminum, television, electrical equipment, and steel issues. Finds transactions in oils mixed, as buildings and chemicals were sold. Liquid reserves were increased; some managements shifting from long-term Governments

Investment company management favored the utility and rail issues during the hesitant markets of the first quarter of the year. Non-ferrous metals, particularly Aluminium, Ltd., and Reynolds Metals; the radio and television issues, and the steel stocks were also well bought. Profit taking and switching gave sellers a very slight edge in the oil department where purchases were almost 35% less than in the previous quarterly period. Buying also decreased by a third in the merchandising group, although here bulls were still in the ascendant. Textile, paper, rubber and liquor issues were added to portfolios, but the building and chemical stocks were sold on balance. Auto and auto parts, aviation and drug companies were also not too popular during the three-month period.

Henry A. Long

Despite the fact that over-all purchases topped sales of portfolio securities by from 15 to 20%, 35 of the companies surveyed increased their reserves of cash and equivalents during the period. Only 13 managements drew down on their liquid assets to complete buying programs for their portfolios. One of the interesting developments during the quarter was the switch in content of those liquid reserves held in other assets than pure cash. Two of the funds' chief executives comment significantly on such changes in their quarterly reports.

Government Bonds Sold

Thus, George Putnam, Chairman of the trustees of the George Putnam Fund of Boston, states: "All holdings of

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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

Mutual Funds—Herbert E. Harris, Dayton, Ohio (Page 2)

Great Northern Railway—Arthur J. Neumark, Partner, H. Hentz & Co., N. Y. City (Page 2)

HERBERT E. HARRIS
Dayton, Ohio

Mutual Funds

February, a year ago, I was invited to write for this Forum and "the security I like best" was expressed in terms of management rather than any individual stock. I stated: "This Forum being indirectly, at least, for the benefit of investors who naturally have many and varied investment objectives, I would not venture a 'best' stock that could meet every requirement. There is none." The past year has not changed that opinion. In fact, it has been considerably fortified.

Herbert E. Harris

My business is concerned with conservative, frugal persons whose main interest is the protection of their savings and assurance of satisfactory income rather than uncertain speculative risks. For that type of average investor—or any average investor, for all that—the task of maintaining a sound and successful investment program is more difficult than ever before. Besides constant vigilance and supervision and accessible and dependable sources of information, it requires reasonably accurate interpretations of kaleidoscopic political, economic and international developments; and, above all, an ability to weigh all factors impersonally and unemotionally.

Let us look at just one facet of the investor's problem. The nation was on its way toward a more "normal" status in 1950 when the Korean War broke. Over night we were thrown back to a similarity with 1917 and 1941, which made it necessary for many to re-orient their investment program, for economic protection. War changes many complexions. Some industries and particularly certain corporations which were faced with peace economy difficulties, suddenly found themselves headed toward salvation and "prosperity." Contrarily, other industries and corporations which had not fared well during the war and were beginning to see "the light of day," were again stricken with difficulties.

Railroad equipment, for instance, is an industry which was facing difficulty when the war broke; but by the end of the year, stocks of railroad equipment manufacturing corporations showed the greatest aggregate market advance—45% as compared with a 19% increase for the Dow-Jones Industrial average. Railroads, which certainly had not been in favor generally, advanced 40%. Steels, mining, aviation, chemicals, industrial machinery and petroleum increased 30% to 38%; merchandise, electrical equipment, automobiles and building increased 20% to 26%; food, utilities and tobacco increased 3% to 13%. This gives some idea of the futility of trying to cope with current and foreseeable conditions. It is difficult enough under "normal" conditions. It is next to impossible now—if you want to invest with success. (A representative investment company's shares increased 33%.)

To discuss all of the handicaps of successful investing would go beyond the limitation permissible here. But what I have written gives a clue to those who may not be to aware of the threat to their economic welfare. Buy (good) management—not merely securities, as such. This does not mean you should put all into investment companies but that such investments should be the foundation of your program.

The economic security of yourself and your dependents is serious business. Don't take chances with it.

ARTHUR J. NEUMARK
Partner, H. Hentz & Co.,
New York City

Great Northern Railway

In choosing one of the stocks I like best at this time, I am again favoring a railroad issue (in a way a sister railroad of Northern Pacific which I selected for this publication in 1949) because of the favorable outlook for this industry during the period of preparedness and the excellent values in relation to earnings and dividends which the group still affords. However, with the Dow-Jones rail average now more than 100% above its 1949 low, and because of the wide cyclical fluctuations in rail earnings, more caution must be exercised at this time. I have chosen Great Northern Preferred (the only capital stock of this company) because the stock possesses many investment characteristics, yet sells so low in relation to past, present and prospective earning power as to justifiably attract a good following among those seeking a good return on a quality security, as well as a good opportunity for substantial capital appreciation. The average mean price of the stock in the 1946-1950 period is [illegible], so that at current levels it has done little to reflect the high level of earnings of the past 10 years or to discount the record earnings anticipated for this year.

Arthur J. Neumark

The strongest of the northwestern trunk lines, the Great Northern operates over 8,300 miles of road, its main line running between St. Paul, Minnesota and Seattle, Washington. Through joint ownership with the Northern Pacific of the Chicago, Burlington & Quincy, the Great Northern obtains access to Chicago and has a major interest in a highly profitable mid-western system. Similarly, joint ownership and operation of the Spokane, Portland & Seattle provides access to Portland, Oregon. Of major importance to the Great Northern are its lines in Northern Minnesota, which carry about one-third of the iron ore produced in the northwest from the Mesabi Range to the system's docks on Lake Superior.

A combination of unfavorable factors in the first half of last year, including unusually severe weather, floods, late opening of the Great Lakes to navigation and a costly strike in its own yards, cost the road some $10 million and prevented the carrier from showing the degree of earnings improvement which it would otherwise have enjoyed. Despite these handicaps profits equalled $9.11 a share, compared with $6.05 in the preceding year. 1949 earnings were the lowest realized by the carrier since 1940. Average annual earnings in the 10 years ended Dec. 31, 1949 amounted to $8.09 a share. All of the aforementioned figures are exclusive of the road's undistributed equity in Chicago, Burlington & Quincy.

In the first quarter of this year gross revenues were approximately 18% over the comparable period of 1950 and the operating deficit of $5 million incurred in the first quarter of last year was reduced to $6[illegible]9,000 in the first quarter of this year. This is normally a period of non-profitable operations for the northwestern carriers. The early opening of the Great Lakes will result in a marked increase in April traffic as compared with last year; and the over-all traffic outlook in the territory served by this road indicates that it may enjoy record profits in 1951. Earning prospects for this year are between $11 and $12 per share.

The road's joint ownership with the Northern Pacific of Chicago, Burlington & Quincy is a major asset which must be given important consideration in any appraisal of Great Northern. The Burlington not only provides a connection between the Twin Cities and Chicago, and traffic interchange at other points, but is an important source of dividend income which is likely to increase in the period ahead. Last year, the Burlington earned $19.76 and paid $7 a share, which dividend was equal to nearly $2 a share on Great Northern's stock, while the undistributed equity on Great Northern's interest amounted to an additional $3 a share. Burlington has been one of the outstanding performers over the years and its operating results in the first quarter of this year showed about the largest gain of any of the Class I carriers. Volume of traffic was up sharply and net earnings amounted to $5 a share on Burlington's common compared with $2.91 in the first quarter of 1950. Indications are that Burlington will earn around $25 a share this year and will probably declare a substantial extra which would further swell Great Northern's earnings.

Lumbering, agriculture, mining and industry all make important contributions to Great Northern's traffic, but in relation to revenues, few bulk traffic movements are as profitable as Great Northern's heavy iron ore movement from the Mesabi Range to docks on Lake Superior during the Great Lakes navigation season. This highly mechanized, low cost movement should stay at peak levels so long as the steel industry maintains its present high operating rate. While much has been said about the rapid depletion of Mesabi ore deposits at current high rate of output, proven reserves are equivalent to 15 years' production and huge deposits of lower grade taconite ore, for which new enriching processes are being developed, suggest that this important source of traffic for the

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In Search of Freedom

By ADMIRAL BEN MOREELL*
Chairman and President,
Jones & Laughlin Steel Corporation

Maintaining businessmen seemingly have no more faith in freedom than other community groups, Admiral Moreell attacks both Socialist and Communist principles. Maintains control of prices and profits and other anti-freedom activities will not stop inflation; and suggests: (1) Ending of our headlong rush toward more collectivism; (2) orderly demobilization of many existing powers of centralized government, and (3) restoration to state and local governments of their former governing powers.

My dictionary defines "freedom" as "liberation from restraint or from the power and control of another." In the course of my studies there arose in my mind certain doubts, which merged into fears. I began to wonder whether we Americans have lost our zest for freedom; whether we really believe in liberation from restraints as a desirable way of life. I found evidence that many of us believe that we cannot trust freedom—because we are afraid it will not work! So, we vote against freedom and for governmental restraints at almost every opportunity!

Ben Moreell

Logical Restraints

Now, before you jump to the conclusion that I favor unbridled license, I want to say that I, too, favor certain restrictions on freedom. For example, I want a restraint against the freedom of any person to do bodily harm to any other person, or to cheat him, or to defame him, or to use force against him in any manner. I want adequate laws against fraud, coercion and monopoly. But I believe that type of law is designed to protect the individual's freedom of choice and action. It is true that it is restraint. But it is one that does not injure any person who desires to live in peace and deal fairly with his fellow men. That type of law is aimed solely at the person who wants to restrict or destroy the freedom of others by imposing his will and his ideas upon them.

I doubt that any right-thinking American opposes what we, in general, refer to as "the police and defense powers of government." These are designed to protect all of us equally against internal or external aggression. Those basic powers were provided for in our Federal and State Constitutions just about as they had developed under the common law of England. But over the years a different concept of the functions of government has grown up among us.

The founding fathers established a form of limited government with divided governmental powers designed to protect the smallest possible minority — one person — against the demands of the largest possible majority—all other persons combined. But, today, there is evidence that we are turning to the dictatorial thesis that "might makes right"; that there is no inviolable right for any person if the organized and formalized majority decrees otherwise; that the mere legalizing of an action makes it morally proper.

Thus we appear to be drifting from freedom and responsibility to restrictions and irresponsibility. We now demand that government "protect" us against the results of our own freedom of choice. We appear to have accepted the theory of group morality; of determining right and wrong by voting on it—and then accepting the majority decision. It makes one wonder what the future holds for a nation wherein the people lose their faith in individual freedom and in personal responsibility for one's own actions.

The Case of Businessmen

Now, before we consider specific examples of this rejection of freedom, I would like to make two points. First, I am not talking about "someone else" who is not with us today. I am talking specifically about myself—and about you, my fellow businessmen. For I see little evidence that we businessmen of America have greater faith in individual freedom than have farmers, industrial workers, doctors, teachers, ministers or any other occupational group. You probably have heard it said that if only others — the traditional "man in the street" — knew as much about this subject as "we businessmen," there would be no danger to our freedom. I believe that is a self-righteous position, built on a false premise. I believe that many of us have made the same errors as those in other groups. If you wish to see with what ease we "free enterprisers" can justify our tastes for socialism, you have only to examine the "resolutions" of almost any organization of businessmen as they emerge from the Annual Convention!

Let us admit, then, that it is we who need to learn and not a nebulous "someone else."

My second point is that I am quite sure that I do not know the answers to the weighty problems which we face. I do not have a pipeline to God, or eternal truth,

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*An address by Admiral Moreell before the Third General Session of the 39th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 2, 1951.

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It's Mutual I'm Sure

By IRA U. COBLEIGH

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

Containing some casual reflections on the "open-end" investment trust, and its position in defense of the "fifth" freedom —freedom from dollar depreciation.

If you had a brick in 1941, and you have it today, it's still a brick! If you had a bottle of bourbon in 1941, and by the expedient of not drinking it meanwhile, you still have it, it is still a bottle of bourbon. But if you had a dollar in 1941 and you still have it today, it isn't a dollar —it's 50 cents! This homely comparison will serve to describe to you the ravages of the epidemic economic disease of our time—dollar depreciation. And it will introduce our program for today, which is to analyze briefly the contribution of the mutual fund toward the defense of investor purchasing power against the fading buck.

Ira U. Cobleigh

What is a mutual fund anyway? Well primarily it's a cooperative society pooling the funds of many and employing trained investment managers to select, to supervise continuously, and to spread investment risks (as well as opportunities for gain) over a portfolio consisting of anywhere from 30 to over 600 different issues. In practice, the great percentage of securities selected have been common stocks and the spreading of the invested dollar over so broad a field seems to offer some mathematical insurance against destructive loss of capital, or elimination of dividend income. To snatch a phrase from a renowned legal opinion by one Judge Putnam, the purchaser who regards "the probable income as well as the probable safety of capital to be invested" will find in the mutual fund — in a single security — a unique device devoted to those ends.

You have to get back to fundamentals. Bonds are safer than common stocks. They always have been. Today the best bonds yield about 2.85%. Common stocks carry no warranty of paying you back a stated principal sum today, tomorrow or ever, but right now good commons pay dividends equal to 5½ to 6% on the money you lay out for them. Stocks are essentially flexible; bonds, fixed or restricted in their values. But for some time stocks have been rising, and dividends, rising; while bond yields have declined.

Just to explain let's set down the investment results of a $10,000 investment in each of two representative funds over a ten-year period. If on Jan. 1, 1941, you had lodged $10,000 in Fund X (composed primarily of common stocks and today with assets of $100,000,000), here's how you would have wound up as of Jan. 2, 1951:

(a) Principal value grew from $10,000 to $20,774;

(b) Dividends paid out were $5,672;

(c) Profits from security sales were $3,156.

The second $10,000 was placed in Fund Y, a "balanced" fund (with securities spread among bonds, preferreds and commons). This is regarded as a more conservative fund but still produced the following results by Jan. 2, 1951:

(a) Principal value grew from $10,000 to $13,649;

(b) Dividends paid out were $4,125;

(c) Capital gains paid out were $1,660.

If you compare the above with investment, during the decade, in good bonds, say at 3%, you cannot fail to note a significant dollar advantage favoring these mutual funds. These figures simply illustrate, not theoretically but in actual practice, a principle which I summarize thus: In an expanding economy you need securities that can expand!

Bear in mind, the above results were merely historical—not guaranteed. If mutual funds are basically aggregations of common stock, then they will fluctuate up and down like a boat on the market sea. Thus, although mutual funds provide for liquidation of trust shares at net asset values, on any given day, you never know whether that value will be lower or higher, on the morrow. For the possible rewards of higher yields and of capital gains (and the risk of lower ones and loss) you must accept, if the market so decrees, a lower valuation of your holdings. This inherent possibility of a decline in principal value is perhaps the most obvious reason why mutual fund shares should not be construed as a substitute for a savings bank account.

If your mental characteristics, however, veer toward those of a philosopher or an economist, it's possible to work up a real bubbling enthusiasm for mutual shares. Their record is pretty good. They are no Johnny-come-lately; fact is some 14 mutual funds were started way back before the financial pall of 1932 dimmed our financial ardor. These 14 both survived and prospered.

Perhaps the best logical argument for mutuals is found in their recorded growth. Today there are, all told, about 130 mutual funds with assets of around $2,700,000,000 and nearly a million shareholders. They're growing by nation-wide sales to the tune of about $400,000,000 a year. And if we recognize the basic desirability of broader stockholding in America, (1) to supply, through the years, the need for equity capital, and (2) to prevent the arrival of State Socialism on our shores, by a wider sharing in the ownership and profits of our enterprises, then we must say the mutual fund has found a real place in our scheme of things.

Mutuals beckon persuasively to the following:

(a) Those disgruntled with the results of their own selections of individual securities in the past;

(b) Those who have never had training or experience in stock purchase;

(c) Professional people;

(d) Trustees ("prudent-man" type);

(e) Pension, Welfare and Union Funds;

(f) Systematic savers.

Now it is true that mutual funds do not offer the speculative zing that the purchase of individual stocks can bring you. If rails are roaring on the Exchange and you're riding Southern Pacific, you feel chipper when it closes up two points. If the oils are on the wing and you own Amerada up five on the day, you like that too. Well, mutuals won't perform like that. Neither are they so likely to give the headaches some of us remember when radio dropped from the four hundreds, to the price of a heterodyne tube, a score of years ago.

Another feature about mutuals I forgot to mention a while back is their variety. Attention was called to the diversified stock fund and the balanced fund but there are lots of others. Some confine portfolio entirely to bonds; some preferred stocks; some confine holdings to a single industry. There are special trusts for bank stock, oil, rail, chemical, industrial, gas, electric utility, and television shares. There are trusts for capital gain and trusts for income and some funds bearing the names of specific states. No one can say he hasn't a choice here!

Some question is occasionally raised over the fact that somewhere between 6% and 9% is usually charged as a sales commission or "load" at the time an investor purchases his trust shares. To those who quibble over this ratio, I say first, that the mutual fund is a sound addition to our set of financial tools. And it is a part of our American tradition that our citizens have always been willing to accord salesmen, introducing a new and desired product, a rewarding commission. This has been true whether the product was a sewing machine, a motor car, a vacuum-cleaner, a Fuller brush or an insurance policy. And it's easy to show that the commission percentages of mutual funds are lower than on the investment of the same number of dollars in any of the above named items. Moreover, the mutual entry fee is for a potential round trip; if you wish to liquidate at a later date there is usually no charge.

Inflation is no easy foe, and dozens of defense mechanisms have been offered to do it combat. For the average American selected common stocks have, in recent years, done a pretty fair job in coping with this ogre.

And if random selection and hit-or-miss stock purchase by amateurs has offered some protection against dollar depreciation, then expert selection by highly trained investment fund managers should logically provide a superior performance and a wider horizon. So if by chance you are greeted anon, by a diversified trust representative, saying he's pleased to meet you, you are quite entitled, in all conscience, to reply, "It's Mutual I'm sure!"

The Outlook for Air Transportation

By RALPH S. DAMON*

President, Trans-World Airlines

Commenting on recent growth of air transportation, aviation executive predicts in 1951 trunk airlines will for first time transport more first class passenger traffic than railroads. Cites problems of air transportation in postwar period, but contends in past three years the Big Four lines in the industry have become self-sufficient. Holds air transportation of long-haul mail cheaper than by rail.

Over the course of years spent in the aviation industry, it has been my lot to address a great many groups on subjects related to aviation. Usually my listeners have been primarily interested in the glamor, adventure, glories and romance of flying, and a noticeable chill has descended over them whenever it became necessary for me to fall back upon statistics to illustrate any point. I am quite sure that you gentlemen are more interested in the figures on airline balance sheets than in the glamor of our advertising, and, therefore, I shall make no apology for quoting statistics freely.

Ralph S. Damon

Fortunately, the airline statistics which I will discuss today are a good deal more cheerful than any I could have presented two or three years ago. You will recall that just after the war the airlines were in the financial doldrums—to put it mildly. Public bodies were conducting investigations to determine the causes and prescribe the cures for this malady. As usual, the investigations were productive of little action; but—again as usual—the patient, chiefly through the vigor of his constitution, by strenuous exercise and a slendering diet, seems to have recovered.

At least three groups of people will now feel that they bore the brunt of the suffering. Each will take full credit for the recovery —and each will now want to send in a heavy bill for priority payment. These three are: the government, the investors, and the employees. I hope that each, in making its demands, will bear in mind the paramount importance of preserving the financial health of the industry in the interest of all.

1950 Best Year for Airlines

1950 was the best year for the airline industry and for TWA since the war, and I hope 1951 will be better despite increased taxes, show-cause orders and politics. The combined domestic and international airlines had gross revenues in 1950 of almost $812 million and net income after taxes of $33.8 million. This net income represented a return of 4.3% on net assets of $784 million. Hardly enough. These figures are pleasant reading, however, when compared with the combined deficit of $10 million in 1946, and $26 million in 1947, or even the small profit of less than a million in 1948.

From their beginnings, the air lines have been a growth industry. The growth has been almost miraculous, but it has not always been uniform. Only the other day I read with interest the latest monthly release from the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission — a publication intended primarily for railroad people. (I hope this does not come to the attention of the "un-airlines activities" committee of the House.) This publication was largely devoted to a comparison of first-class travel on railroads with that on the domestic trunk airlines. It pointed out that in 1938 the airlines carried only 6.1% of the total "first class" passenger miles, and that even as late as 1945 they accounted for only 11.1% of the total. This latter percentage, of course, would have been greater, except for the diversion of airline equipment and personnel to the military during the war.

From 1945 to 1950, the trend of first-class rail travel was generally downward, and that of airlines upward, so that in 1950 the airlines accounted for 45.67% of the domestic first-class travel market; 46% of the combined total.

Airline Travel Grows

So far in 1951, airline travel continues markedly upward. For example, TWA's domestic passenger miles for the first quarter of 1951 were 56% in excess of the same quarter in 1950, and April is estimated at about the same increase over April 1950, 56%. I have not seen any overall figures for the railroads, but I understand that the trend continues generally static or downward.

I do not think it is rash, therefore, to predict that 1951 will be the year in which the trunk airlines will for the first time trans-

Continued on page 41

*From an address by Mr. Damon before the Bond Club of New York, New York City, May 3, 1951.

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The State of Trade and Industry

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

The trend of industrial production for the country as a whole the past week was mixed with gains in some manufacturing lines offsetting declines in others; however, total industrial output continued to hold close to the highest level reached since the close of World War II.

In the week ended April 14, new claims for unemployment insurance dropped about 17%, while continued claims rose 5% with total claims continuing well below the level of a year ago.

Steel production rose almost one point last week to 104% of capacity and total output reached a new all-time high. Automobile production dipped about 1% for the latest week, but was 9% higher than a year earlier. For the second consecutive week, the daily average of crude oil production rose to a new record mark.

Availability of steel for the general consuming market after the Controlled Materials Plan becomes effective July 1 presents the burning question of the moment, says "Steel," the weekly magazine of metalworking, the current week. How much "free" steel will be left over after defense and defense-support requirements are satisfied?

Estimates for May placed defense and supporting needs around 45% of production, leaving 55% for the civilian economy. Allotments on emergency account are upped somewhat for June and expectations are they will be further increased for succeeding months. Consequently, authoritative answer as to civilian supplies after July 1 awaits government contractors' reports to steel control authorities detailing their requirements. Upon receipt of these data stated needs will be balanced against production and allotments made with an eye to their impact on the civilian economy.

Expectations are that leftover tonnage after defense and supporting needs are met will fall far short of civilian demands despite curtailments in consumer hard goods manufacture. Some of the recent slackening in consumer durables because of excessive stocks at the wholesale level is believed temporary and pressure for steel on civilian account is likely to continue unabated, this trade paper observes.

Concern is growing over the raw materials supply to support capacity steelmaking indefinitely in the future. The cumulative season total to date, states this trade weekly, is 5,939,320 tons compared with only 304,392 tons at this time last year. No shortage of ore now is anticipated. Serious scarcity of steel-making scrap threatens, however, and efforts are being made to stimulate collections through voluntary drives throughout industry.

Prospects are that automobile production will move up slightly this week as producers gradually gear their operations to high programs outlined for this month, "Ward's Automotive Reports" predicted. Schedules for May call for approximately 530,000 passenger cars and 140,000 trucks to be assembled in United States plants. The expected increase over the 508,252 cars and 134,763 trucks in April reflects the additional work day available the current month, the above trade authority noted.

In an amendment to the National Production Authority Order M-47, issued last Friday, the agency cut the use of steel for the manufacture of passenger automobiles and station wagons for the month of June from 80% to 75% of the usage rate during the first six months of 1950.

M-47 limits the use of iron and steel by manufacturers and assemblers of hundreds of consumer durable goods to 80% of their rate of use during the base period.

It is anticipated, NPA announced, that steel for passenger automobiles and trucks during the third quarter (beginning July 1) will be limited to the following percentages of base-period usage: passenger cars, 70; light trucks, 70; medium trucks, 100, and heavy trucks (16,001 gross vehicle weight and above), 120.

Steel Operations Scheduled to Show Modest Decline For Week

Metal consumers should not expect any sudden change, for better or worse, when the new Controlled Materials Plan goes into effect July 1, states "The Iron Age," national metalworking weekly, in its summary of the steel trade. There probably won't be any for two reasons: (1) The control planners, including industry advisors, have long felt that CMP would eventually be needed. And present controls were designed to make the transition to CMP as smooth as possible. (2) The scope of the plan will not

Continued on page 37

Cincinnati Municipal Men Announce Outing

CINCINNATI, Ohio—The annual spring party of the Municipal Bond Dealers Group of Cincinnati will be held May 24 and 25. Registration fee for those attending is $25. Planned for the occasion are cocktails at the Sheraton-Sinton Hotel on May 24, to be followed by dinner. The day will be spent on May 25 at the Maketewah Country Club, where luncheon will be served from 11:30 a.m. to 2:00 p.m. and dinner at 7:00 p.m. Golf, baseball, cards and other special events are planned for the day.

Members of the Entertainment Committee are J. Allison Dryden, Dryden & Company; John N. Fuerbacher; John G. Heimerdinger, Walter, Woody & Heimerdinger; Oscar W. Hirschfeld, Stranahan, Harris & Co.; Henry J. Hoermann, Provident Savings Bank & Trust Company; Robert B. Isphording, Doll & Isphording, Inc.; Herbert F. Kreimer, Assel, Kreimer & Co.; Harry Lameier, Magnus & Company; Frank O. Loveland, Jr., Harrison & Co.; Carl R. Mittendorf, Weil, Roth & Irving Co.; Gordon Reis, Jr., Seasongood & Mayer; Robert W. Thornburgh, The W. C. Thornburgh Co.; Wesley C. Thornburgh, The W. C. Thornburgh Co.; and Robert L. Wagner, The W. C. Thornburgh Co.

Richard O'Neil Rejoins Fairman Trading Dept.

Richard R. O'Neil

LOS ANGELES, Calif.—Richard R. O'Neil has rejoined Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. O'Neil has recently been with Edgerton, Wykoff & Co. and Oscar F. Kraft & Co.

New Jersey Bond Club To Hold Outing

The Bond Club of New Jersey will hold its annual field day June 1 at the Montclair Golf Club.

Dudley Cates a Papa

Dudley Cates, manager of the mutual funds department in the uptown office of Kidder, Peabody & Co. (10 East 45th Street, New York City), is the proud father of a daughter, Valerie, Born May 8.

Observations . . .

By A. WILFRED MAY

The Stock Option—Newest Stimulus of Controversy

The present flow of stock option incentive plans, which are inciting a veritable flood of objection, constitute a major corporate technique requiring dispassionate and objective public appraisal. Unfortunately most of the present discussion, in lieu of light, is being carried on in heat in the form of "incensed" signers of letters-to-the-editor of our daily press, bitter at the "grabs by company brass"; "loading their way by big business"; and at recent stockholders' meetings, as Loews', which was prolonged three hours by the minority's protests; at RCA's, where one irate owner termed the management's proposal "a form of bribery," and at U. S. Steel's turbulent 70-minutes of protest against its incentive proposal this week. Unfortunately management, "with the votes in its pocket," has not used its opportunity for defense and full explanation of the important advantages at the well-publicized meetings of the stockholders.

A. Wilfred May

Even in lofty academic circles are the objections becoming voluminous—on grounds of social policy as well as its allegedly inequitable revenue factors—by such as Dean Griswold of the Harvard University Law School (before the 1950 annual meeting of the Tax Section of the American Bankers Association), and Charles S. Lawton in the "Columbia Law Review" of January, 1951.

An Unintended "Needle" on the Stockholder

A chief contributor to stockholder protest no doubt is the emotional "needle" arising from subconscious envy of others' competitive success in attaining a high level of remuneration.

From the constructive viewpoint of those who are objectively interested in genuine long-term correction of abuses still remaining in our corporate system, it is strategically important as well as ethical that every remuneration proposal made by management be not demagogically attacked by vote, but that each policy and situation be fairly weighed on its individual merits. Irresponsible critical blasts merely discredit constructive reform efforts. Automatic condemnation is destructive of the public welfare.

The current rise in interest in the stock-option device, like so much else in our economic life, springs from the tax law. A new rule under the Revenue Act of 1950 permits profits realized from the resale of optioned stock to be reported as capital gains rather than income. Subject to certain conditions the new statute provides that no taxable income is realized at the time the option is exercised; and after the option has been held for two years from the issue date, profits realized from its resale may be reported as capital gains (at its comparatively favorable rate) in lieu of the usually higher-taxed ordinary income.

Apparently indicating Congressional endorsement of the legitimacy of this option technique is the explanation offered by the Senate Finance Committee describing them thus:

"Such options are frequently used as incentive devices by corporations who wish to attract new management, to convert their officers into 'partners' by giving them a stake in the business, to retain the services of executives who might otherwise leave, or to give their employees generally a more direct interest in the success of the corporation." Evidently our lawmakers, surely not the pawns of business, do not consider this practice a fraud.

A Constructive Remedy for Basic Corporate Problems

This writer has for a long time embraced the conclusion that the distribution of stock to company directors and managers constitutes one of the best remedies for overcoming the basic evils pervading our corporate system resulting from the characteristic separation of ownership from control; the problem of remunerating directors constructively; and the difficulty of having the directors own stock under the semi-confiscatory tax imposts in the upper bracket.

Not only does the stock option provide an important attraction for the hiring of able executives, and for their retention; but it

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What to Expect From The Defense Economy

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Dr. Slichter analyzes effect of defense program: (1) on living standard in months ahead; (2) on price level; (3) on wages, and (4) on strength of future economy. Holds there'll be temporary rise in standard of living, and that prices are not yet over the hump. Finds steps already taken to control prices still inadequate, and says post-defense period will be one of expansion, rather than contraction, of the economy. Concludes net cost of defense program may be fairly small, in view of technological advances stimulated by it and by national income growth.

I

About a year from now the expenditures for defense and foreign military aid by the United States will be running fairly close to their peak. This assumes that in the meantime there is no large expansion of military operations. The annual rate of expenditures will be about $55 billion — about $45 billion for defense, $7.5 billion for foreign military aid, and nearly $3 billion more for promotion of defense production, civil defense, and miscellaneous defense items. The increase in spending for defense and foreign military aid during the next 12 months will be somewhat more than during the last 12. Expenditures on defense and foreign aid have risen by about $15 billion as an annual rate during the last year. During the next year these expenditures (depending somewhat upon the movement of prices) will rise by around $22 billion. The proportion of the gross national product devoted to defense and foreign aid will also continue to rise for about another year. In the present quarter, this proportion is around 10%; in the second quarter of 1952, it will probably be about 16%.

Prof. S. H. Slichter

In these remarks I wish to discuss four principal questions. In the first place, I wish to analyze briefly the effect of the defense program upon the standard of living in the months immediately ahead. In the second place, I wish to examine the effect of the defense program on the price level. In the third place, I wish to discuss some longer-run aspects of the defense program, particularly the question of whether or not a drop in defense expenditures, probably about 1953, will produce a period of deflation. Finally, I wish to analyze briefly the long-run nature of the defense program, the ability of the economy to bear the burden of the program, and the effects of defense expenditures upon the strength of the economy.

II

Up to the present the effect of the defense expenditures upon the standard of living of the country has been good. In the third quarter of last year, the physical volume of consumption was 4.3% above the second quarter, and in the fourth quarter it was about the same (after seasonal adjustment) as in the second quarter. During the first quarter of this year, the physical volume of retail sales was about 6.2% above the same period of last year.

The rise in the standard of living has been made possible by two circumstances. In the first place, there was a certain amount of slack in the economy and the rise in demand quickly caused much of this slack to be taken up. There was an abnormally large increase in the labor force—about twice the "normal rate." This raised the proportion of persons of working age (14 years of age and over) from 57.1% in the first quarter of 1950 to 57.7% in the first quarter of 1951. There was also a drop in unemployment of about 2 million below the first three months of a year ago. Strangely enough, there has been no change in the hours of labor in non-agricultural employment as a whole.[1] The total physical output of private industry increase by an annual rate of over $10 billion or nearly 4%, between the second quarter and the fourth quarter of 1950. In the second place, the purchase of goods (exclusive of the services of labor) by the government has increased only slowly. In the last quarter of 1950, government purchases of commodities (when adjusted for changes in the price level) were only at the annual rate of $2.3 billion above the second quarter. Thus nearly all of the rise in physical production was available for private consumption.

After the first of the year the output of war goods rapidly increased, but, despite this fact, the output of consumer goods has not diminished. Indeed, the production of most durable consumer goods has been running larger than last year. During the first two months of 1951, the output of the passenger automobile was 12.7% above 1951; of washing machines, 7.1%; of vacuum cleaners, 11.1%.[2] The number of new housing starts in the first three months of this year was almost as large as last year—260 thousand in comparison with 279 thousand.

The rise in the standard of living that has been going on since last summer will soon come to an end and the rise will probably not be resumed for nearly another year. There is still some slack in the economy to be taken up, but not much. Some further drop in unemployment is possible, but it will be difficult to reduce unemployment to less than 1.5 million —a drop of about 600,000. Some further increase in the proportion of population of working age in the labor force is possible. Undoubtedly, some increase in hours of work is also possible, in spite of the fact that thus far working hours have responded little to the growth in the demand for labor.

Since much of the slack in the economy has already been taken up, one must not expect a rapid further expansion of the gross national product. Employment can probably be increased by nearly 2 million during the next year. This allows for a rise of a little over a million in the labor force in the next year (a rapid rise) and a gradual drop of unemployment to 1.5 million. These two changes would increase the hours worked by about 3%. Perhaps another 3% in the hours worked can be obtained by increasing the work week. Such a change, however, would occur only gradually. Some gain in output per manhour during the next year may be possible, although bottlenecks in production and the necessity of using workers of inferior efficiency will retard the rise in output. Let us make the somewhat optimistic assumption that a 2% gain can be achieved—"normal" is about 2.5%.

The combined result of more people at work a longer work week, and more output per hour would be a gain in gross national product of about $25 billion a year in terms of present prices. In the course of the next six months, this would mean a rise of about $12 billion in the annual rate of output. During this period, however, the annual rate of expenditures on defense and foreign military aid will rise by $15 billion a year or more. Business concerns are also planning to increase their expenditures on plant and equipment. Consequently, the outlook is for a somewhat smaller supply of consumer goods. The supplies of non-durable goods will not be reduced (unless crops are bad) but the present rate of production of automobiles, washing machines, refrigerators, and other durable consumer goods will have to drop. Hence a small decline in the standard of living of the country for the rest of the year seems inevitable.

Sometime early in 1952, the situation is likely to change. The increase in the annual rate of expenditures on defense and foreign aid between the first quarter of 1952 and the second quarter will probably not be more than around $3 billion or $4 billion as an annual rate. The gross national product, however, will probably be increasing at an annual rate of about $6 billion every quarter. In other words, some time early in 1952 the increase in total output will begin to outrun the increase in the consumption of goods for defense and foreign military aid. Hence the level of consumption, after not rising for a period of about nine to 12 months, will resume its rise. All of this assumes, of course, that the United States is not compelled to enlarge or speed up its present plans for expenditures on defense and foreign military aid.

III

How will the defense program affect the price level? What is the danger of inflation? Several weeks ago, one of the country's ablest economists expressed the view that the "worst" of the current inflation appears to be passed, though he cautioned that the movement of prices during the remainder of the year would be greatly affected by the supply of agricultural products. Another very able economist, in conversation with me, stated that in his judgment, "we are over the hump" as far as the problem of inflation is concerned. For over two months now, there has been little change in the index of wholesale prices.

I do not believe, however, that the country is yet over the hump. In fact, I believe that the problem of limiting the rise in prices will be an acute one for at least a year and a half and that it is likely to be particularly difficult in the closing months of 1951. Sometime early in 1952, when the increase in the gross national product begins to outrun the increase in defense expenditures, the problem of limiting the rise in prices will become less difficult but it will remain a tough problem throughout all of the year 1952.

Why do I believe that the country is not yet over the hump in dealing with the problem of inflation? There are several reasons for this belief. One is that the lull in business is being made possible largely by sales from inventories, and inventories are not large, particularly in relation to sales and unfilled orders. During 1950, the physical volume of inventories increased about 7%. This was just about sufficient to offset the decline in physical volume of inventories during the preceding year. Consequently, the country started the year with physical inventories about the same in size as two years ago. Particularly important is the relationship between the volume of unfilled orders and inventories. At the end of February, manufacturers' unfilled orders were about 31% **larger** than inventories; a year ago they were about 26% **less** than inventories. In relation to unfilled orders, therefore, inventories are much smaller than last year.

The current lull in business has been made possible partly by the fact that people have been buying large quantities of durable consumer goods (larger quantities than last year at this time) without an increase in short-term consumer indebtedness. This means that, from the standpoint of consumers as a whole, the current high output of durable consumer goods has been absorbed on a pay-as-we-go basis. This has helped to limit the demand for non-durable goods. Within several months the supply of durable consumer goods will drop. Furthermore, as consumers pay off the indebtedness incurred last year and the year before for the purchase of automobiles, television sets, and other durable consumer goods, the volume of personal incomes available for the purchase of non-durable goods will rise.

Wage rates will continue to rise, and this rise will exceed the gain in output per manhour. Hence labor costs will continue to rise. This will necessitate some offsetting increase in prices.

Finally, there will be a consid-

*An address by Prof. Slichter before the United States Brewers Foundation, St. Louis, Mo., May 8, 1951.

1 The average hours worked and distribution of working time in various recent months was as follows:

Date—	Average hours worked in non-agricultural industries	Per cent of workers working 21 hours or less	Per cent of workers working over 40 hours	Per cent of workers working 48 hours and over
January 1950	41.3	7.6	35.5	26.5
February	41.2	8.0	35.7	26.6
March	41.3	8.3	36.2	27.3
June	41.8	6.8	36.8	28.3
October	41.5	7.2	38.6	28.8
November	41.1	8.0	37.0	27.3
December	41.2	8.3	38.2	28.5
January 1951	41.3	7.9	38.0	28.8
February	41.2	8.3	38.5	28.9
March	41.3	8.0	38.7	29.3

Source: U. S. Bureau of the Census, *Current Population Reports, Series P-57*, Nos. 90-105.

2 The output of various items was as follows:

	First 2 months of 1950	First 2 months of 1951
Passenger cars	873,185	984,454
Washing machines	618,600	662,420
Vacuum cleaners	512,665	569,482

Survey of Current Business, March 1951, and April, 1951, pp. S-40, 34.

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erable expansion of personal incomes. The rise in personal incomes will be partly a result of the increase in employment and the rise in the length of the work week and partly a result of the advance in wage rates. An expansion in employment of nearly 2 million and a rise of 3% in weekly hours of work would raise wage and salary payments by about $11 billion or $12 billion a year. The rise in wage rates will continue. As the consumer price index remains well above the pre-Korean level, it will become more and more imperative to increase the wages of the tens of millions of workers who have had no raises since last June. These workers will decide that their wages have lagged behind the cost of living long enough, and that they will no longer tolerate having this lag in their wages used as a way of holding down prices. These workers will insist on wage increases that are nearly as large as those obtained by the various unions during the last nine months.

Union workers will continue to press for generous wage advances—in spite of the fact that such increases will add to the excess of consumer purchasing power. The sixth round of wage increases is about to begin. Negotiations have started or will soon start in the electrical goods industry, the rubber industry, the women's garment industry, the paper industry, the copper industry, and others. Perhaps the unions will be willing to adopt a policy of

Continued on page 32

New Issue

$65,000,000

State of Michigan

2½% and 1½% Hospital Bonds

Dated June 1, 1951. Due June 1, as shown below. Principal and semi-annual interest (June 1 and December 1) payable at the office of the State Treasurer, Lansing, Michigan, at the current fiscal agent of the State in Detroit, Michigan, and at sub-agents in New York, N. Y., and Chicago, Illinois. Coupon Bonds in denomination of $1,000, registerable as to principal only.

Interest Exempt from Federal Income Taxes under Existing Statutes and Decisions

Tax Exempt in the State of Michigan

Eligible, in our opinion, as Legal Investments for Savings Banks and Trust Funds in New York, Michigan and certain other States and for Savings Banks in Massachusetts and Connecticut

In the opinion of counsel named below, these Hospital Bonds will constitute valid and legally binding obligations of the State of Michigan and the full faith and credit of the State will be pledged for the payment of principal and interest.

AMOUNTS, MATURITIES, COUPONS AND YIELDS OR PRICES

(Accrued interest to be added)

Amounts	Due	Coupons	Prices to Yield	Amounts	Due	Coupons	Yields or Prices	Amounts	Due	Coupons	Prices to Yield
$3,000,000	1953	2½%	1.10%	$3,300,000	1959	1½%	1.375%	$3,650,000	1966	1½%	1.55%
3,050,000	1954	2½	1.15	3,350,000	1960	1½	1.40	3,700,000	1967	1½	1.55
3,100,000	1955	2½	1.20	3,400,000	1961	1½	1.45	3,750,000	1968	1½	1.60
3,150,000	1956	2½	1.25	3,450,000	1962	1½	100	3,800,000	1969	1½	1.60
3,200,000	1957	2½	1.30	3,500,000	1963	1½	100	3,850,000	1970	1½	1.65
3,250,000	1958	1½	1.35	3,550,000	1964	1½	99¾	3,350,000	1971/55	1½	1.65
				3,600,000	1965	1½	99½				

The Bonds maturing in 1971 will be redeemable by lot at the option of the State of Michigan at par and accrued interest on any interest payment date on and after June 1, 1955.

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the approval of legality by Messrs. Miller, Canfield, Paddock and Stone, Attorneys, Detroit, Michigan.

The National City Bank of New York — J. P. Morgan & Co. Incorporated — C. J. Devine & Co. — Smith, Barney & Co. — The Northern Trust Company

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May 9, 1951.

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

Anybody Can Make Money in a Bull Market—Study—Calvin Bullock, 1 Wall Street, New York 5, N. Y.

Dow Theory Comment—Applying Dow's teachings to today's market action—Current letter without obligation and with all requests mailed by June 1, 1951, a 111-page text book will be included—Rhea, Greiner & Co., Colorado Springs, Colorado.

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

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.

Insurance Stocks—Annual comparative analysis of the country's leading insurance companies—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Measurements of Railroad Bond Quality—Study—Savings and Mortgage Division, American Bankers Association, 12 East 36th Street, New York 16, N. Y.—$1 per copy.

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.

Television Industry's Inventory Position—Study—Television-Electronics Fund, Inc., 135 South La Salle Street, Chicago 3, Ill.

"The Inevitables"—Bulletin on growth situations—Rotan, Mosle and Moreland, 806 Rusk Avenue, Houston, Tex.

Timing Factor—Explanatory folder plus samples of complete service—$1—Department B, Analyst Institute, 126 Lexington Avenue, New York 16, N. Y.

Your Financial Future—Booklet on the Fund's new plan for systematic investment—Wellington Fund, Inc., 1420 Walnut Street, Philadelphia 2, Pa.

* * *

Aerovox Corp.—Analysis—Raymond & Co., 148 State Street, Boston 9, Massachusetts.

Allen Industries, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available are brief data on **American Metal Products Co., Drewrys Limited U. S. A. Inc.**, and **Robertshaw-Fulton Controls Co.**

Ampco Metal Inc.—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

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

Brothers of the Christian Schools of Lafayette, La., Inc.—Circular describing $300,000 first mortgage 3¼% bonds—John Dane, National Bank of Commerce Building, New Orleans 12, La.

Canadian Pacific Railway Company—Analytical brochure—Schwabacher & Co., 600 Montgomery at Market Street, San Francisco 4, Calif.

Central Violeta Sugar—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Copperweld Steel Co.—Brief analysis—Faroll & Company, 209 South La Salle Street, Chicago 4, Ill. Also available is a short bulletin on the **Studebaker Corporation.**

Douglas & Lomason Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available are analyses of **Newport Steel Corporation** and **Suburban Propane Gas Corporation.**

Eastman Kodak—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Glass Fibers, Inc.—Memorandum—Gross, Rogers & Co., 458 South Spring Street, Los Angeles 13, Calif.

Harshaw Chemical—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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Long Island Lighting Company—Analysis—Filor Bullard & Smyth, 39 Broadway, New York 6, N. Y.

National Distillers Products Corporation—Analysis—David A. Noyes & Company, 208 South La Salle Street, Chicago 4, Ill. Also available is a discussion of **Electric Utility Common Stocks** with particular mention of **Pacific Gas & Electric Co.** and **Southern Company.**

Pathe Industries, Inc.—Analysis—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

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Portland General Electric Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Remington Arms Co.—Analysis—Batkin & Co., 30 Broad St., New York 4, 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.**

San Diego Gas & Electric Company—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Seismograph Service Corporation — Card memorandum — Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

Seminole Oil & Gas Company—Data—Nielsen, Gordon & Hall, 120 Broadway, New York 5, N. Y.

Snap-On Tools Corporation—Bulletin—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

Soya Corp. of America—Review—Olds & Co., 35 Montgomery Street, Jersey City, N. J.

Standard Gas & Electric Company—Analysis—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Standard Oil Company of New Jersey—Annual report—Standard Oil Company (New Jersey), Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

Transamerica Corp.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Udylite Corp.—Report—George F. Breen, 20 Pine Street, New York 5, N. Y. Also available are reports on **U. S. Thermo Control Co.** and **American Television & Radio.**

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

Westgate Greenland Oil Co.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

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Fringe Benefits Aid Inflation

By HARVEY DANN*

President, Harvey Dann Company, New York

There are three basic political systems competing for supremacy in the world today. The American form of Modified Capitalism; British State Socialism and Communistic Imperialism. The avowed purpose of Moscow directed communism is the conquest of the world by economic, revolutionary, and if necessary, military means. Our country is spearheading the opposition to the Russian Communist drive for world domination. We are fighting back not only in the Far East in actual military combat but all around the world economically and politically. There is no doubt of our ultimate success as the combination of nations allied with us is superior in very nearly every way to Russia. Many well-informed men feel our growing effectiveness on the political and economic fronts will force an economic and political collapse within Russia. Certainly a climax should be reached by the end of 1953. It is very possible that our great nation and her allies will win a gigantic victory without the necessity of an all-out war.

Whether this proves to be true or not there seems to be certain things that are clearly ahead economically. Our country's production facilities will be enlarged greatly. By 1953 we shall be able to produce far more than our own country can consume. In a period of great industrial expansion, costs are often played down and though all the politicians talk about stopping inflation very little is being done as there are too many loopholes along the line.

One of these very large loopholes is being made by Eric Johnston, our Economic Stabilizer, as he is yielding to "Big Labor's demands that "fringe benefits" be excluded from wage stabilization controls. Industry will be under pressure to increase pensions, disability benefits, life insurance, accident, hospitalization and medical plans.

These increases are not as directly inflationary as wage increases but they are production costs that normally are passed on in price to the consumer. Then if an employee is relieved of the cost of providing insurance, hospitalization and other services for himself it is in fact an addition to his spendable income and hence, inflationary. If we are to win a worldwide economic battle we must control inflation. If it is clear that the unions will bargain as they did in World War II for "fringe benefits" it is important to know what to expect. The particular "fringe benefit" that I should like to discuss is Sickness Disability Insurance.

Rhode Island was the first state to introduce compulsory sickness disability insurance. The mild resistance on the part of employers to the bill, drafted with the help of Federal planners, disappeared when the employers were assured that employee contributions alone would finance the program. The result was legislation providing a monopolistic state program which prohibits the substitution of voluntary privately insured plans for the state plan. Payment of benefits for pregnancy cases and dual payments to employees collecting under Workmen's Compensation or receiving salary continuance soon caused a major drain on the Fund. Insolvency of the Fund was avoided only because of the money accumulated previous to the time benefit payments began.

To strengthen the Fund the employee contribution was increased to 1½%. Finally Rhode Island was permitted to withdraw $29 million from the Federal Unemployment Trust Fund for use in their disability benefits program. Despite all this the Rhode Island plan is still not out of the woods.

The California Disability Benefits Law became effective on Dec. 1, 1946. This law established a State Fund financed by 1% of taxable wage employee pay-all contribution. Benefits are paid for 26 weeks and $25 a week is the maximum. In Jan. 1, 1950, a hospitalization feature was added providing $8 per day for 12 days and, in the event of hospitalization, disability benefits start from the first day. The California State Fund is now at a point where practically all its current year's revenues will be used to meet current expenditures. Incidentally, most of the large employers have privately insured plans as the cost beats the State Fund.

New Jersey was next—although its law, patterned after the California law, contains innovations. For example: the employee paying ¾ of 1% and the employer contribution ¼ of 1%. To encourage the employer's contributions there can be a decreased contribution that can go down as low as 1/10th of 1% for good experience. A penalty contribution that can go up as high as ¾ of 1% when bad experience prevails. A majority of the covered employees in New Jersey are insured by private plans under Group policies that provide a substantially higher schedule of benefits and more liberal terms than those insured by the State Fund.

Last July first New York's Sickness Disability Law went into effect. This bill represented the combined thinking of management, labor, the insurance industry and the State authorities. The bill provides for a $26 maximum benefit with employee contributions limited to ½ of 1% of wages but not in excess of 30 cents a week; the balance of the cost of coverage to be paid by the employer. Employees may self-insure or secure coverage from private insurance carriers or through the State Insurance Fund. The State Insurance Fund, unlike the State Funds of California and New Jersey, is in effect an insurance company run by the State that sells coverage at variable premium rates just like any other insurance company. Another difference between New York and the other three States which have adopted cash sickness programs is, that under the New York Law, an employer has to take positive action to get into the State Fund, whereas in other states if he took no action to establish a private plan he automatically fell into the State Fund.

Pennsylvania, Wisconsin, Massachusetts and Hawaii will probably adopt cash sickness legislation this year.

This winter in Albany the As-

Continued on page 41

*An address by Mr. Dann at Annual Meeting of the Financial Group, The Association of Cotton Textile Merchants of New York, N. Y. City, April 29, 1951.

COLUMBIA MACHINERY & ENGINEERING CORP.

COMMON STOCK

Company reports shipments from plan for months of:

March 1951	**$175,000.00**
April 1951	**228,000.00**

Backlog in excess of $3,000,000.00, including Government contracts.

Current Market — 1⅝ - 1⅞

Inquiries cordially invited.

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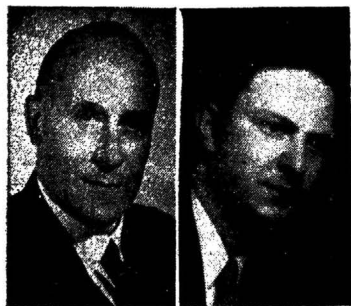
The Federal Debt—Vehicle of Inflation?

By LELAND REX ROBINSON and HERBERT R. BRINBERG

Dr. Robinson is Vice-President and Mr. Brinberg is Research Associate of the Economists' National Committee on Monetary Policy.

Tracing the movement of a Government Bond through the economy, the authors show how it either creates new money or can be turned into an effective anti-inflation weapon. Show how sales of government securities to banking system create commodity-chasing money supplies, which, unless matched by production, widen gap between money demand for, and supply of, goods and services. Call for pay-as-we-go taxes, and reduction of bank-held U. S. Government securities.

The home front battle against inflation must be won so that we may achieve ultimate victory against those abroad seeking to destroy our way of life. Military strength rests on an economy able to produce the tools of war while at the same time it safeguards the living standards and savings of the people. Here, our greatest internal foe is "inflation."



Leland Rex Robinson Herbert R. Brinberg

Inflation, viewed as abnormally rising prices and costs, may be described in terms of the widening gap between money demand for, and supply of, goods and services. This gap is due to increases in commodity - chasing money supplies, at faster rates than these commodities are being produced.

Traditionally, the money supply was created by the monetization of gold (or silver) and the creation of bank deposits through loans by commercial banks or the central bank.

A gold-backed, redeemable currency[1] is represented by a substance of value in which people have confidence, and to which they can turn when political and economic conditions cause them to lose confidence in the pieces of paper representing the gold. The second essential virture of gold is the limitation it places on the expansion of currency and credit.

The banking system's ability to grant creidts "with a stroke of the pen" puts purchasing power into the hands of the depositor. Under usual conditions, the money supply thus created oscillates with the needs of business and represents purchasing power originated by the very goods to be purchased. Under such circumstances the price level keeps relatively stable (not necessarily at a constant level), with real incomes tending to rise steadily.

Contribution by the Private Sector

Of course, many examples may be presented of an excessive and unwarranted creation of money by the private sector, leading to the familiar trade cycle.[2] This expansion could not proceed indefinitely, however. Uneconomic borrowing leads to over-expansion by business concerns. Faced with mounting costs and insufficient income, these firms must cut back or else go to the wall. At the same time, the banks themselves are restrained from lending by the imperative of minimum reserve requirements. These forces, at work concurrently, serve to halt the expansionary drive and weed out the deadwood—the uneconomic firms.

1 Silver also has been used, though this metal is much less valuable and is no longer considered a monetary metal except in some Far Eastern countries.

2 Many students of business cycles believe the cycle to be caused by alternately expanding and contracting bank credit. Cf., R. G. Hawtrey, L. von Mises, et. al.

However, the processes of monetizing Federal debt also create purchasing power and represent potential demand. Under our present system a limit to this expansion also nominally exists owing to the 25% gold reserve required against the liabilities of the Reserve System. The additional 75% is made up of U. S. government securities and eligible paper. But this limit is more academic than real. As the money supply is expanded and reserves reach their minimum levels, the reserve requirement may be reduced without the fear of gold withdrawals and insufficient gold holdings. In fact, as these minimum levels were reached in 1945, the ratio was reduced from 35% against the deposit liability and 40% against the note liability, to 25% against both.

In most instances the purchasing power arising from government deficits does not reflect additional goods or services available to consumers. The manufacture of war goods financed in part by borrowing, and which serve no useful consumption desires, is the best example. Not all government expenditure originated by borrowing is non-productive, however. These expenditures would be matched by goods and services much as would business expenditures originating from business debt.

Purchasing power, though brought into existence, is not always utilized at once. Oftentimes, it finds its way into idle balances or highly liquid investments which are cashed in only when the owner or holder desires goods instead of money. The diversion of these funds from the current income flow to savings is anti-inflationary. But savings in these quasi-liquid forms could be highly inflationary in a wave of liquidation into immediate purchasing power—a rush into goods.

The growing volume of U. S. government savings bonds outstanding ($49.7 billion in November, 1950), redeemable on demand, has presented such a potential threat throughout the post-war period. Liquidation might have forced the Treasury to borrow from other sources—the banks and the Federal Reserve—to meet these demands for cash. Fortunately, the Treasury has never been forced to meet the contingency of a real selling wave. Only since the outbreak of war in Korea has the sale of bonds exceeded the purchases to any degree, and this was owing to a fear of shortages in goods as well as to some loss of confidence in the dollar's present or future purchasing power. One of the Treasury's major jobs today is to assure confidence in the bonds, thereby preventing monetization of the debt now held by savers.

Thus, the government in its borrowing and debt management operations may create new money, or, it may turn the debt into an anti-inflationary weapon. We can best see the impact on the economy of governmental debt operations by tracing the journey of a bond from the date of issue through the hands of individuals, the commercial banks and the Federal Reserve banks.

The Bond's Journey

There are eight possible stops the bond can make in its journey through our economy. Of course, it can take short cuts, or it can hold over at certain stops, but assuming it will move steadily from one resting place to another, we can see how it may become progressively inflationary in its effects upon the economy and how eventually it might become the vehicle of hyper-inflation, speeding dizzily on the route to the debauchment of the currency, provided deficits of growning magnitude are permitted to occur in Federal financing.

Stop 1—After leaving the Treasury on its hypothetical journey the bond makes its way to the safe deposit box of an individual, or an insurance company or a corporation. In acquiring the security the individual (or his corporate counterpart) pays out cash, which he might otherwise use for the purchase of goods, to the Federal Government .The Government, in turn, pays these funds to its suppliers who can then enter the market and bid for goods and services. The process has simply effected a transfer between two individuals (the bond purchaser —the Government supplier, via the Treasury Department). The net spendable funds in the economy remain unchanged; no new purchasing power has arisen.

If the money paid out for the bond is taken from inactive funds (such as currency kept in safe deposit boxes, safes, etc.) and would not have otherwise been used in transactions, then the flow of active money would increase much the same as if new money was created (an increase in the turnover rate of money), Some possible pressure on prices may ensue.[3] For that reason the goal of the Treasury is to withdraw money from the current income stream, reducing the quantity of money at work.

Stop 2—Now, the original holder of the security decides to liquidate in order to purchase, for cash, some object of his desire. He offers the security for sale and another individual (or his corporate counterpart) purchases it.[4] The new owner gives up purchasing power, the seller gains purchasing power; the balance of money-flows is undisturbed.

Stop 3—Instead of selling the security the holder desiring cash can take the bond to his bank and pledge it as collateral for a loan.[5] In the process of granting the loan, the bank grants a deposit to the borrower and new purchasing power is thus created. Of course any good security could have been pledged and, where the borrower enjoys a good credit rating, no security at all need be hypothecated. The bond, it would seem, is a mere convenience in the transaction. And so it would be provided the borrower otherwise had adequate resources and a good credit rating to make him a bankable risk. In many instances a prospective borrower can offer neither good collateral nor a satisfactory credit rating. Government securities, however, are backed by full faith and credit of the Federal Government. With them as security the bank will now be quite willing to advance the money. Consequently, new money, which might otherwise not have seen the light of day, is born. If the loan does prove productive, then new goods or services commensurate with the newly created money will arise.[6]

3 We will, however, assume throughout that the propensity to consume is the same for all individuals and that expenditures by different individuals for different goods of their desire have no distorting effects.

4 Of course we assume the intermediary of a securities market, although its presence or absence is immaterial to this exposition.

5 Non-marketable savings bonds are, however, ineligible as security for bank loans.

Stop 4—If the individual holder decides to sell the security and it lands in a commercial bank's portfolio we now witness the first charging of the engine of inflation. In paying for the security the bank establishes a customer's deposit. On the other hand, the investment uses up excess reserves, since additional reserves are required to be kept against the deposits arising from the investment, and reduces the future lending power of the bank. In the event the bank owns no excess reserves it must liquidate other holdings or borrow from the Federal Reserve. Since the mid-thirties commercial banks have been well supplied with excess reserves and have been able to purchase government securities—and create new money—to several times the value of these reserves. The bond could have taken a short cut from its starting point, going directly into the bank's portfolio. The same results would follow.

Stop 5—The bank may decide to unload the government bond in order to make other loans or investments. When another bank buys it, a simple transfer takes place but there is usually no change in the outstanding volume of money. However, it is possible for the new purchasers to be subject to lower reserve requirements.[7] Then, required reserves

Continued on page 27

6 In the event the bank would not grant the loan, the individual could sell his security for cash, and if bought by the banking system have similar effects as those described in steps 4 ff.

7 Such as a country bank—the buyer, and a Reserve City bank—the seller.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.
The offer is made only by the Prospectus.

New Issue

$50,000,000

Province of Ontario

(CANADA)

Twenty Year 3¼% Debentures

Dated May 15, 1951 **Due May 15, 1971**

Price 98% and accrued interest

Copies of the Prospectus are obtainable from only such of the undersigned and other dealers as may lawfully offer these securities in the respective States.

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May 8, 1951.

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Restraints Upon Credit

By OLIVER S. POWELL*
Member, Board of Governors,
Federal Reserve System

Chairman of Voluntary Credit Restraint Committee, after outlining basic causes of recent inflationary trends, points out that difficult factors relating to the money supply which must be dealt with are: (1) the large gold and bank reserves that make possible increase in bank credit and bank deposits; and (2) increasing rate of turnover of bank deposits that makes available more cash for transactions. Says there has been considerable dis-saving recently that has contributed to inflationary pressures. Explains purpose of Voluntary Credit Restraint Committee.

As a beginning, I want to take you back to some elementary economics. Since we are dealing with the mechanics of inflation, we should recall that an increase in prices occurs (1) when the money supply increases more rapidly than the volume of business; or (2) when the rate of turnover of money increases to a point where the monetary work done by the money supply is greater than needed for the nation's business.

Oliver S. Powell

This story really starts back in 1934 with the devaluation of the dollar. That event immediately created an enormous increase in gold reserves which are the base of the bank credit pyramid. In the next few years after devaluation, world events caused a tremendous inflow of gold into the United States, adding further to the basic gold reserves. From that time on, the problem of monetary authorities has centered largely around the management of these large gold reserves in such a way as to prevent undue manufacture of credit and an inflation in commodity prices. This holds true today in spite of the gold exports in the last year and a half.

There was a respite from the gold reserve problem during World War II. In fact we were very thankful to have such large gold reserves, for these reserves made it possible for the banks of the United States to purchase Government securities in huge quantities to provide for money for war, over and above the amount provided out of national savings and taxes. However, at the close of the war the nation found itself with bank investments and bank deposits greatly increased. As these bank deposits went to work for the purchase of civilian goods, price advances occurred as soon as controls were removed.

These price advances would have been much greater except for a little-understood development in the behavior of bank deposits. This was the fact that the turnover of bank deposits had declined steadily from the 1920's until 1945. In the 1920's an annual turnover of demand deposits from 31 to 37 times was considered normal for leading cities. By 1945 this turnover had been reduced to 16 so that a dollar of deposits was doing only half of the monetary work that it did in the 1920's. There was some increase in deposit turnover during the post-war years, and a sharp increase since the Korean War to a turnover rate above 23 turns a year. However, **if the owners of bank deposits were to use these deposits with the efficiency shown in the 1920's, prices could increase substantially from present levels without any further increase in bank loans, investments or deposits.**

Two Difficult Factors in Money Supply

Thus, we have two difficult factors in the money supply to deal with: first, large basic reserves which make it possible to increase the amount of bank credit and bank deposits, and second, a rate of turnover of deposits which, as has been demonstrated in former years, can grow substantially above today's levels. Both bank credit and the turnover of bank deposits increased sharply in 1950 and in the early months of 1951.

Dis-saving

I have already mentioned the use of savings for current expenditure. Savings are in many forms. I shall mention only two and indicate the relation of "dis-saving" in those fields to the turnover of money and the volume of bank credit.

The simplest illustration is the idle bank account. A phenomenon of the last ten years is the extent to which personal and corporate savings have been allowed to remain idle in commercial bank accounts. Reposing there, with no checks drawn, the monetary work done by those deposits is zero. If suddenly people and firms decide to spend those funds, the money supply begins to work more actively, exerting a pressure toward higher prices, and mind you, without any increase in the amount of bank credit. This chain of events has played a large part in the rise of prices in the last ten months.

Another kind of dis-saving is the conversion of Government bonds into cash, or more usually into bank deposits, for current spending. I do not refer to tax notes and other short-term Government obligations, used for temporary employment of funds that have been earmarked for later use. I refer to long-term securities bought by individuals as a means of employing their savings; e.g., savings bonds. I also refer to Government securities bought with the savings of others by insurance companies, savings banks, pension funds and trust companies.

In the case of savings bonds, the Government redeems the obligation and sells a new security to obtain the redemption funds. If banks buy the new securities, bank deposits are created. If other Government securities are sold before the redemption date to obtain funds for current spending or for other employment of savings, someone must buy the bonds. If a bank buys them, it creates deposits; if the Federal Open Market Committee buys them, it creates bank reserves. Thus, when we try to tighten the money supply as a restraint on credit we find that the rope has considerable slack—a potential increase in the turnover of money, gold reserves that permit further credit expansion, and a high level of liquid savings just one stage removed from cash.

Moves to Counteract Inflation

The monetary authorities have made important moves in their field of action to counteract the iinflationary effects of these factors.

(1) Last August, the discount rates of the Federal Reserve Banks were raised somewhat and short-term money rates were allowed to rise.

(2) The consumer credit regulation was reestablished. While the reestablishment of this regulation has not brought about any marked reduction in the total of consumer credit outstanding, it has served the purpose of preventing any further expansion in instalment credit since last October.

(3) A new regulation dealing with real estate credit was imposed. It is commonly understood that it is too early to appraise the restraining effect of Regulation X since builders are still working on the backlog of orders received before Regulation X was announced.

(4) In January 1951 reserve requirements of member banks were raised to substantially their upper legal limits.

One of the most important tools of inflation restraint was practically unusable for several months. This was the employment of open market operations, which were devoted almost solely to maintaining a pegged price for long-term Government securities. The pegging of the Government bond market had deep-seated and pernicious effects. Holders of long-term bonds instead of treating those securities as true investments came to consider them equal to cash in liquidity. In fact they were the equivalent of cash so long as they could be sold to the market at a fixed rate and the market could be sure that it could sell them to the Federal Reserve Banks at the same price. This caused the Federal Reserve Banks to manufacture bank reserves at the whim of the holders of Government securities.

Recently, it became possible for the Federal Reserve authorities to cease their operations in a pegged bond market and to change to support of an orderly Government security market. The recent reduction in prices of long-term Government bonds has had far-reaching effects in the control of inflation. Holders of those securities have been reluctant to dump them on the market and as a result supplies of funds for mortgage loans and for many other types of credit have been reduced. Skeptics of this change in the administration of the Federal Open Market account have overlooked two aspects of the money market: First, low rates had been in force for so many years that they have been built into the financial structure. Any change to a higher level of long-term money rates forces far-reaching adjustment in financial commitments. Second, the direction of movement in the money market is an important factor entirely aside from the level of money rates. Whenever rates are rising, until the money market reaches reasonably firm ground at a higher level, it is natural that many financing plans are postponed.

Voluntary Restraint Program

To complete the picture of moves toward inflation control in the monetary and credit field, there is the Voluntary Credit Restraint Program. This program is in essence nothing but enlistment of the collective horsesense of all kinds of lenders to sort out the kinds of credit which should have priority under today's conditions and in that way to avoid Governmental regimentation of credit which, at best, must be a clumsy affair. The Board of Governors of the Federal Reserve System and the managements of all of the Federal Reserve Banks are eager to have the voluntary plan succeed and are lending all possible assistance.

As one banker who is taking a leading part in the Voluntary Program expressed it, "This is the greatest adventure in American finance." At the same time it is a prodigious undertaking. Recall that there are 14,000 banks, more than 400 life insurance companies, about 3,000 investment bankers and dealers and many thousands of other types of lenders. All of these lenders must be educated in the fundamentals of the Program to a point where they not only give tneir complete cooperation but so that they do not unwittingly extend credit of an undesirable character. It is only by this complete understanding that we can overcome what one United States Senator called the "competitive drive" for business, which though desirable from the earnings standpoint of the lender, is nevertheless needlessly inflationary under today's conditions.

This program has been inaugurated under the provisions of Section 708 of the Defense Production Act. The authority to set up the Program was delegated to the Federal Reserve Board, which body consulted with the Federal Trade Commission and obtained the approval of the Attorney General of the United States for the Program on March 9, 1951.

The first step was for the Federal Reserve Board to request all lenders in the United States to take part in the Voluntary Program. For this purpose a letter was sent to some 90,000 lenders, the broadest list available to the Federal Reserve Banks. The next step was the appointment of a national Committee by tne Federal Reserve Board.

The national Committee has set up regional committees to deal with problems in three major lending fields: commercial banking, life insurance and investment banking.

Considerable progress has been made in other directions. The national Committee has issued two bulletins on credit problems in relation to the Voluntary Credit Restraint Program. The first bulletin dealt with the subject of inventory loans. In view of the rapid increase in inventories, particularly at the retail and wholesale level, the Committee decided that this was its number one problem. Bulletin No. 2 dealt witn credit for plant expansion. According to Government estimates, busmess firms were planning to spend about $24 billion on plant expansion in 1951. While part of this money would come out of corporate savings, a large part would need to be financed by borrowing. Furthermore, regardless of the sources of funds, it seemed very doubtful to the Voluntary Credit Restraint Committee that expenditures of this magnitude, aside from those directly related to defense, could be carried through without exerting undesirable inflationary pressures.

Progress has also been made in collecting better statistics to measure the developments in the credit field. The largest banks in the United States have already begun reporting weekly to the Federal Reserve Banks a detailed breakdown of their loans so that the national Committee can ascertain periodically the cross currents due to the rising volume of defense lending and the desired decrease in other types of loans.

You are all wondering what success the Voluntary Credit Restraint Program is achieving. I must confess that the national Committee and the Federal Reserve Board share in this curiosity. The Program has not been in operation very long and much of its work has been organizational and educational. Furthermore, two other important restraining influences came to bear at the same time, The top-heavy retail inventory situation began to be apparent with the drop-off in retail sales before Easter, and the March and April declines in the Government and corporate bond markets exerted a chilling influence on credit expansion. However, I deem it something more than a coincidence that the sharp and counter-seasonal weekly increase in commercial and industrial loans at reporting member banks ceased with the week of March 21. The request by the Federal Reserve Board to all lending institutions to cooperate in the Voluntary Credit Restraint Program was issued on March 9. The national Committee's first bulletin dealing with inventory loans was issued on March 20.

From my vantage point as Chairman of the national Committee, I can attest to the tremendous release of energy in the field of credit restraint made possible by the Federal Reserve Board's request. I can also bear witness to the spirit of unified effort and the desire to be "on the team" which is evident in all parts of the country and among all groups of lenders. Perhaps it is significant of the growing effectiveness of the Program that commercial loans at weekly reporting banks during each of the last two weeks in April experienced the largest decreases for any week since April 19 to 26, 1950. More detailed figures now available reveal that defense loans are rising, and loans to carry raw commodities are falling. However, loans to carry retail inventories continue to climb.

*An address by Mr. Powell at the Luncheon Session of the 39th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 1, 1951.

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The Outlook for High-Grade Bonds and Preferreds

By RALPH A. BING
Sutro and Co., San Francisco
Members, New York Stock Exchange

Mr. Bing maintains bulk of adjustment in long-term interest rates has been accomplished, but because of action by monetary authorities rather than natural market forces. Hence concludes investor should maintain "reasonable" balance between prime bonds, high grade preferreds, and common stocks. Cites possibility of mild business recession and deflation ahead.

During the past two months, the unpegging of the Government bond market, and the Treasury's exchange offer of a new (non-transferable) 2¾% issue, 1980, for the two outstanding 2½s, 1967-72, have resulted in a general upward adjustment of yields in the high grade bond and preferred stock markets. Bond yields have increased by about one-fifth to one-half of 1%, depending on maturities and quality, as can be seen from the illustrations given further below:

Ralph A. Bing

The bulk of the adjustment in the structure of long-term interest rates seems to be accomplished for the time being. In view of the fact that the new 2¾s, 1980 (first callable on April 1, 1975) is not marketable and does not carry a direct cash redemption privilege (although it can be pledged as collateral, or converted into an equivalent amount of marketable five-year 1½% Treasury notes), unrestricted similar maturities should sell at a slightly lower yield of approximately 2.70%, with others selling more or less in line, according to maturities, etc.

Treasury Opposition to Further Rate Increase

It seems unlikely that the Treasury would easily agree to an early further increase in rates, because such a step would raise the cost of the prospective deficit financing, and might even demoralize the investors' faith in bonds to a dangerous degree. It should not be forgotten that the danger of an undesirable monetization of the public debt lures on either side of a rather narrowly defined course: It existed as long as "governments," pegged by the Federal Reserve above par, could be profitably swapped for other investments, but the same danger also could emerge if more extensive bond declines rendered investors sufficiently nervous to dump their holdings on the market.

Although mortgage financing will decline from last year's peak level, the combined effect of record investments in new plant and equipment by private industry, and of an early resumption of Federal deficit financing, is likely to keep demand for long-term loanable funds above the level of non-bank supply. Thus, if left to the forces of supply and demand, without intervention by the Federal Reserve System, interest rates could well continue to trend up over an extended period of time.

However, the monetary authorities have demonstrated in the past that they are in a position to enforce a low "ceiling" on the price of credit, and they are likely to revert to similar policies if and when market forces threaten to depress bond prices to an extent considered undesirable by the Treasury and/or the Federal Reserve Board.

In my view, the steps taken by our monetary authorities make it likely that they consider the optimum-effect of counter-inflationary rate adjustments achieved by the fact that, at their new levels, marketable long-term "governments" now held by investors can be currently cashed only at a loss, and that in their opinion a further material rise in long-term rates might demoralize the bond market and thereby accelerate inflation rather than limit it. If the Treasury and Federal Reserve Board think along these lines—as I assume they do—they would obviously arrest any substantial increase of long-term rates above the 2¾% area.

The implication for the investor is that he should soon be able again to give prime consideration to maintaining a reasonable balance between holdings of prime bonds, high grade preferreds, and common stock equities without worrying too much about a substantial further rise in interest rates in the foreseeable future. In this connectioin a word about the flight from the dollar into "real values" seems in order.

Temporary Business Recession Ahead?

Undoubtedly the danger of continued inflation, partly and temporarily camouflaged by price controls, remains strong for the next year or two; moreover, the secular inflationary implications of welfare policies, organized protectionism, and strong labor unions deserve attention. However, I find it hard to deny that, in case there is no major war, we may be headed for a temporary business recession two or three years from now, as a result of a sharp contraction in capital expenditures and of excess capacity building up in various basic industries. The point is in need of brief elaboration.

First, private capital outlays for new plants and equipment are expected to reach $24 billion this year, equal to a record ratio of 7.7% of gross national product, and are likely to continue at this peak level into 1952 unless expenditures non essential for defense are subjected to additional restrictions.

Second, according to Defense Mobilizer Charles E. Wilson and other qualified observers, this country will, by 1953, be in a position to fight an all-out war from current production, and at the same time supply more goods for the civilian economy than it is getting now. The new post-Korean wave of capacity expansion, stimulated by generous emergency authorizations, comes on top of a 1940-50 expansion that aggregated 50% or more in many industrial lines; in a number of industries, capacity may be as much as 75% above prewar by the end of next year.

It is true that, in the '30's, the long-term uptrend in capacity was greatly slowed down; it is also true that by 1953 the population of this country will average about 17% above 1940, and that living standards may remain materially higher (always barring a major war). Yet, it seems to me that the tremendous increase in productive capacity, distorted by war preparations, plus the current record level of capital expenditures, contain some potent elements for a possible deflationary adjustment in about three years, unless there develops a major war. Such a possibility is heightened by the fact that, under the presently indicated pattern of our defense economy, no backlog demand for consumers goods comparable to the one experienced at the end of the last war will be building up. Finally, unless at war, the Government would hardly be in a position, by 1953, to compensate a sharp decline in capital outlays by stepping up its current expenditures, quite apart from the dubious effect of such attempts which might lift deficits and/or taxes above the breaking point.

Such a possible adjustment, should it develop, would have every chance to be much milder and shorter than the one in the early '30's, because of the many shock-mitigating elements now existing in our economy. Yet, the *possibility* of such a development is distinct enough not to be overlooked by the investor who may be in danger of focusing too exclusively on the dangers of inflation. Thus, counter-inflationary commitments should not be over-done, that is, they should not be carried to the point where the investor finds himself without a reasonable portion of (dollar) stable securities, i.e., prime bonds and preferreds.

To make it quite clear: This is not a forecast of a recession to come years from now; politics are too unpredictable, and the economist's crystal ball is not fine enough to embark on such longer-range prophecies. All I wish to say is that certain developments point toward the possibility of a deflation in a few years—unless the present defense boom merges into a full-fledged war boom—and that the investor, especially the small investor, should not entirely lose sight of this contingency during the current years of booming defense business and inflation.

BOND YIELDS

	3/2/51	5/1/51
Restricted U. S. Governments—		
2¼s, June, 1959-62	2.17%	2.48%
2½s, December, 1967-72	2.44	2.64
Unrestricted U. S. Governments—		
2¼s, September, 1956-59	1.83%	2.14%
2½s, September, 1967-72	2.28	2.47
Corporate Bonds—		
AAA Grade (Moody's)	2.69%	*2.89%
Baa Grade (Moody's)	3.18	*3.38

*As of April 26, 1951.

A corresponding movement has taken place in high grade preferred yields, as illustrated by these figures:

PREFERRED STOCK

	Approximate Yield 5/1/51	*1951 Range High	Low
$7 American Can	4.05%	4.10%	3.78%
$6 American Tobacco	4.28	4.32	3.89
$6 Eastman Kodak	3.62	3.69	3.29
$3.75 May Department Stores	3.93	3.96	3.70
$3.80 Westinghouse Electric	3.82	3.86	3.65

*To May 1, 1951.

Charles L. Lehmann

Charles Lamson Lehmann, partner in Lehmann & Verace, New York City, passed away at the age of 58 after a long illness.

J. Stanley Davis

J. Stanley Davis, connected with Shields & Co., New York City, passed away in Bermuda where he had gone on vacation.

L. Pulliam Celebrates El Cinco de Mayo

LOS ANGELES, Calif.—Lawrence S. Pulliam, resident Vice-President of Weeden & Co., 650 South Spring Street, celebrated his birthday May 5 with a huge dinner party. His 79-year-old mother is always a guest. All the fire-works in Los Angeles were not for Larry, however, as May 5 is a big Mexican national holiday celebrated in a big way in Los Angeles and Mexico.

Lawrence S. Pulliam

Investment Counsel Association Elects

At the annual meeting of the Investment Counsel Association of America the following officers were elected: John H. G. Pell, Chairman; Douglas T. Johnson, Vice-President; Jabez Wood, Secretary; and Howard F. Wortham, Treasurer.

New York Stock Exch. Weekly Firm Changes

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

Arthur W. Sesselberg, member of the Exchange, retired from partnership in Auchincloss, Parker & Redpath, May 8th.

The Charles Hayden Foundation retired April 30th as a limited partner in Hayden, Stone & Co. Caroline C. Towner was admitted to limited partnership in the firm May 1st.

Caroline C. Towner retired from limited partnership in Kalb, Voorhis & Co. April 30th.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus. This is published on behalf of only such of the undersigned as are registered dealers in securities in the respective States.

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May 9, 1951.

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Inflation, Spending and Taxes

By HON. PAUL H. DOUGLAS*
U. S. Senator from Illinois

Sen. Douglas, speaking as a trained economist, declares that fundamental problem in inflationary control is to prevent undue expansion of private loans to business and to avoid governmental deficits. Though stating individual price controls may be psychologically necessary, they are ineffective. Reviews recent bank loan expansion and points out its inflationary impact. Says it is essential that Federal budget be kept in balance and advocates cut in expenditures, particularly outlays for river and harbor improvements and hidden subsidies. Wants economy in military outlays, and sees need for more taxes.

The fundamental cause of an increase in the general price level is, of course, an increase in the quantity of money and credit which is offered for goods in relationship to the quantity of goods which is offered for money. If we have a million dollars of money and a million units of goods, the average price of the goods will, of course, be one dollar. If we increase the quantity of money and credit to two million dollars and keep the quantity of goods constant at a million, the average price will, of course, increase to two dollars, and we will have a doubling in the price level caused by a doubling in the quantity of money and credit without any commensurate increase in production.

Sen. Paul H. Douglas

You can work out all kinds of permutations and combinations of that relationship. For example, suppose you do increase production by 50 per cent to a million and a half; you increase the quantity of money and credit which is offered for the goods; the price level will rise to $1.33. So it is a question of the relationship between the quantity of money and credit on the one hand, and the quantity of goods on the other.

When I say this, I am speaking of the general price level and not of individual prices.

The question naturally then comes: How do you alter the total quantity of money and credit? In the old days, this depended pretty largely upon the supply of gold. Gold was the basis for money, money being redeemable upon demand, in gold, and in turn, money furnished the basis for the expansion of credit. So thirty years ago, at least, or forty years ago, it could be said it was changes in the gold supply which fundamentally caused changes in the price level. But now, of course, the currency has been cut loose from gold. The fundamental element is the quantity of bank credit which is loaned to industries and to Government. Upon the ratio of the quantity of private loans and public loans, and the quantity of goods and services offered, depends the general price level.

As you all know, banks, when they make loans to businesses, grant to businesses a checking account against which business can draw, and if all the banks expand their loans together, the banks become manufacturing agencies producing credit, increasing the quantity of checks which are drawn; but if this is not accompanied by an increase in the production of goods, the inevitable result is an increase in prices. This is private inflation.

Public inflation is caused by the Government operating at a deficit, being compelled to borrow money. When it borrows money, it largely goes to the banks. The banks lend by giving to the Government a checking account against which the Government draws. All the banks move up together in expanding their loans, so that no one bank is placed at a disadvantage compared with the others, and the result is that through a public deficit we get an increase in the quantity of money and bank credit offered for goods, and a rise in prices.

*An address by Sen. Douglas at the Second General Session of the 39th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 1, 1951.

A Fundamental Thesis

The fundamental thesis which I should like to draw from this is the following: that if the quantity of loans, resulting either from the expansion of private credit or governmental deficits, increases faster than the production of goods, the inevitable result will be a rise in general prices, and that it will be impossible to control this increase in general prices by individual price controls.

I am not denying the necessity for individual price controls. I think they are probably necessary to reduce speculative increases in commodities. I think they are probably psychologically necessary, but I do most solemnly want to warn the public that merely providing individual price controls will be ineffective if we have this great expansion of bank loans. It would be precisely like turning on all the faucets in the kitchen, letting the sink overflow with water, and then trying to mop the water up with a few very small pocket handkerchiefs.

The fundamental problem, therefore, is to prevent the undue expansion of private loans to business and to prevent governmental deficits. It is about that that I should like to speak briefly this morning.

First, however, may I call again to your attention what has been happening in the ten months since the Korean Communists, instigated by the Russians, attacked us last June. The level of wholesale prices has risen by about 17%; the cost of living has risen by about 7% in February, and I suppose the average of retail, wholesale prices, and the cost of services, has gone up by about 10%.

In these last two months, as you are well aware, however, this increase has virtually stopped, and we are for the moment on a sunny plateau; but the question is, how long will we be on this plateau, and what are the prospects for the year ahead, and what can we do about them?

Federal Budget Temporarily Balanced

In the first place, let me bring a somewhat reassuring report so far as governmental finances are concerned. Last year at this time the government had a deficit for the then fiscal year of about 10 months, of $2 billion. This morning, just before I came down here, I looked at the last Treasury report, the last daily Treasury report, and that shows that for the current fiscal year we have a surplus of approximately $4¼ billion. We have cut the public debt during this last year by about $3 billion.

So those of you who think that the government is currently operating in the red can take confidence from the fact that we are for the moment in the black.

This good showing is partially caused by the increase in national income, which gives a larger taxable base. It is partially caused by the reduction in civil expenditures which the Congress effected last year, and for which some of us think we have not received as much credit as we should have received; and it is also caused by the increased taxes which we levied last fall, and which has brought income up more rapidly than the increase in war expenditures.

So the net operations of the government during this last year have been a stabilizing force, a force to hold down prices rather than a force to expand prices.

What about the situation in the banking sector of our economy and in the field of private loans? Between June and February, bank loans and demand deposits increased by approximately $8 billion, a rise in demand deposits from $85 billion to $93 billion, or an increase of about 10%.

Interestingly enough, the velocity of bank credit also increased by about 10%, so that the active supply of money rose by 20%. The fiscal output rose by 10%.

Interestingly enough, if you divide the 120, the relative supply of active money, by 110, the relative quantity of physical goods, you come to a theoretical price level of 110%, which is probably the average of the general price level. In other words, what has happened since last spring has roughly borne out the theoretical analysis which I gave in the first part of my speech.

Why Bank Loans Have Risen

Why did bank loans run up? There was a demand for bank loans, of course, because people believed that prices were going to rise, and they wanted to get in on the ground floor, and therefore, there was an increased demand for loans in order to purchase commodities. But the supply of bank loans rose largely because of the policy of the Federal Reserve Board and of the Treasury. The Federal Reserve Board, until sometime in late February, bought virtually every government bond that was presented in the open market. It held its arms wide open, and when the banks, insurance companies, and to some degree the private holders of bonds, would offer bonds for sale, the Federal Reserve Banks, under the direction of their Open Market Committee, would buy at a fixed price, something above par, and at an interest rate on the long-term bonds of 2½%. They bought during this period well over $3 billion in bonds.

What happened? As they bought these bonds, they gave a credit on the books of the Federal Reserve Banks to the member banks. They created reserves for the member banks. The member banks, with more reserves were then able to make larger loans. The rough ratio of the required reserves to the demand deposits or loans of the member banks is one-sixth. Increase the quantity of bank reserves by a billion dollars, and you expand the lending capacity of the member banks by $6 billion. That is precisely what happened.

The reserves of the member banks were increased. The Reserve Banks then raised the reserve ratio to try to dampen down the lending capacity. But even with that, there was an increase of approximately $8 billion, and it was this expansion of credit combined with the increase in the velocity of circulation which made possible the increase in prices which occurred.

Some of us both in Congress and outside of Congress believe that this policy of the Federal Reserve System was wrong, that it was increasing bank reserves and hence feeding the fires of inflation. We believed that the banks should stop purchasing government bonds, or that Reserve Banks should stop purchasing government bonds, in such unlimited quantities, and as a result of the hammering to which the Reserve Board has been subjected, they finally sometime in March stopped this policy of unlimited support of the open market.

The result has been a slight decline in the price of government bonds, which has fallen about 2½ points, but there has

Continued on page 38

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May 10, 1951

From Washington Ahead of the News

By CARLISLE BARGERON

Mr. Truman's speech of Monday night, along with the testimony of General Marshall before the joint committee session to answer MacArthur, presented an amazing picture to the American people. It seems that the slightest misstep on our part—if we fire one too many guns in Korea—the Russians will become annoyed and bring destruction and ruin to this country. Yet the very men who are counselling such a step-gingerly policy, overnight took up war in Korea and are boldly readying Western Europe for war. There are no risks involved in this, but the contemplation of doing anything to bring the Korean fiasco to an end is horrible. We are, according to this presentation, buying time by killing a lot of Chinese in Korea, but not a one in Manchuria, and by daily telling the Russians, you just wait until 1953 and we are going to put you in your place.

Carlisle Bargeron

Nothing would suit Stalin better, we are being told, than to get us involved in a war with China. By some strange and utterly unexplainable reasoning we are not so involved now.

The feeling in the Pentagon is that the Chinese have made their last offensive, and on the diplomatic side, there is a reasonable hope that a Korean settlement may not be long off. You can get some light on what this settlement would likely be from General Marshall's carefully worded statement before the joint committee session that this government's policy is still one of not turning Formosa over to China or of permitting Red China to shoot her way into the United Nations. This is our government's policy, one will observe, but we can and probably will be outvoted in the United Nations.

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Over the Hump of Production In Two Years!

By ERIC A. JOHNSTON*

Administrator, Economic Stabilization Agency

Head of Stabilization Agency predicts, barring all-out war, nation will reach production peak in about two years, and buying power of dollar can then be stabilized. Condemns "fear peddling," particularly fear that controls will "put kibosh on production." Predicts there'll be no depression when "Security Day" for America is reached and contends there will continue to be demand for nation's expanded output.

It seems that nearly everybody comes to Washington looking for something. At this time of year, many people come to see the sights, including the dogwood and the cherry blossoms. But I expect that many of you are here to see "Washington confusion" in full bloom.

Eric A. Johnston

And I expect that you weren't disappointed. By now, you've probably heard more sound than you've seen light. But your experience isn't too unusual. It happened to your father when he came to Washington, and it probably happened to your grandfather, too.

And I know it has happened to me.

It reminds me of an old newspaper legend, which happens to be true. It seems that one day in 1901, a famous editor dashed off two title lines for editorials. And he liked them so much he kept them standing up in type slugs ever afterwards. He used them often, for he said they fitted almost every kind of purple prose he felt like putting underneath them.

One slug read: "All Is Confusion in Washington."

And the other slug read: "Wanted in Washington — a Policy."

Some things never seem to change. For we read editorial heads like that—or amended versions of them—every week right now — and we've been reading them for 50 years.

Isn't it surprising that America is still in one piece? And still growing? Still expanding?

Teddy Roosevelt was President in 1901, and the country was in an uproar. For he was swinging right and left at all the trusts in sight with the unrestrained enthusiasm of a Galway Irishman. And thundering voices roared about confusion in Washington and demanded to know why there wasn't a policy.

Now—a half century later—in this national emergency year of 1951, I am not rehashing history in the spirit of suggesting that you simply grin and bear it—or powder your face with sunshine. I am merely suggesting that there always appears to be confusion in Washington in every emergency—and that Washington never yet wrote a policy for any emergency that exactly suited the concern of so many millions of people.

How could it? No small group of men in government can substitute for the millions and millions of entrepreneurial decisions that are made every day in this country. We are a nation of multitudinous decisions — of multitudinous individual decisions—and they all add up to the real life-giving force of our economy. That's our kind of democracy. That's the kind I like. And that's the kind I cherish.

In my job as Economic Stabilizer, I am never forgetting the basic inaptitude of central government to deal completely with anything so personal—and so individual—as inflation.

Sure, we can throw up a dam against inflation, and we're doing it. But the solidity of that dam depends on the sandbags that private citizens pile into the chinks through voluntary decision.

I need not remind you that every trickle of water that escapes through the dam is so much lost power for the millwheels of defense production. Stabilization and mobilization must go forward together. For mobilize we must—and mobilize we will. There is no confusion about that in our minds. That's not a Washington decision. That's the decision of 150 million American people who know we can't talk turkey to communism with a feather duster.

If communism had decided to live in the world community in a law-abiding way and stay out of other people's households, why, that was fine with us. Or it could live alone and like it, for all we cared. It had a fair choice. But it gave us none. Its aggression has left us no alternative except to mobilize—and to stabilize. That's why we've got an emergency.

I regard my job as something between the functions of a traffic cop and a non-skid bath mat. Which is another way of saying that I have tried to slow down the panic rush of money chasing after goods and tried to keep the buying power of the dollar from slipping any further.

Over the "Big Hump" in Two Years

If we can do these things in the next two years or so, we'll be over the big hump—and without being all out of breath and energy from the climb.

We will have a stockpile of arms so ample and a defense production capacity so big that an aggressor anywhere will count 10 before he speaks—and then bite his tongue before he speaks at all. And—God willing—we may padlock the loaded gambling den of war.

More than that, we will have a production potential for civilian goods that dwarfs all going records.

And we can be rid of controls. I have said it before—many times —but I repeat it now—that the sooner we can toss out controls—and the sooner my agency can close up shop—the more I'll rejoice. My burning ambition is to scoop everybody with a proposal to write controls off the books. And that's exactly what I'm going to do the minute I feel controls are no longer necessary.

I am heart and soul with the theme of this 39th Annual Meeting of the National Chamber. I Put Freedom First.

So, I didn't come here today to sell you fear.

I am here today to sell you courage—and to sell you faith—for there are too many peddlers of alarm and too many salesmen of fear in Washington already.

Nine years now, I've been in Washington. Mostly as a private citizen, sometimes as a member of a government advisory board, and for the last few months as a government officer—a bureaucrat, as some people say. But all the time I've been in handy spots to watch the wheels go 'round.

I have come to believe that fear selling is the biggest business in Washington—next to government itself. It is almost a second government.

There are full-time fear salesmen who make lots of money out of it; there are part-time fear salesmen who free lance for side-money—and there's a whole raft of amateur fear salesmen. In the barfly department you can buy the latest scare for the price of a short beer.

You can buy fear or you can have it for nothing from a chance meeting in a group-riding taxicab.

Attack on "Gloomy Ravens"

These gloomy ravens operate on the upside down premise that the satisfied customer is the unhappy customer.

You can buy fear in short-range packages, and get a mild case of the swivel-chair sweats. Or you can buy fear in long-range packages — absolutely guaranteed to give you chronic ulcers.

You in business are the prize prospects for the fear salesmen—the organized fear salesmen and the unorganized fear salesmen. They have staked out the business community as the most vulnerable and therefore the most profitable market, because you live by the rules of calculated risk. So they tell you labor's got a secret gimmick; big business is whetting the axe for little business; the farmer is playing both ends against the middle—and woe is you!

But you are not the only prospects for a fleecing. The fear salesmen play the labor market and the farmer market, too. In these markets, business becomes the big, bad bogey man. Labor is told that business is cooking up a new and dastardly plot against it; the farmer gets told that labor is in cahoots with business to put the squeeze on him, and it all adds up to exaggerating separate interests and ignoring common interest. In short, they generate disunity.

For the last few weeks, the fear merchants have been trying to scare the daylights out of you about controls. They picture a Trojan Paris in the guise of government swooping down to steal the lady of your heart—the Helen of free enterprise.

That short-range fear hasn't sold any too well. The salesmen have decided that there's not much water left in that well, so they have primed a long-range pump.

What do you think our second government is trying to sell now? It is trying to sell the fear of a new depression.

And—gentlemen—the inconsistency of these peddlers is almost a thing of beauty. They said controls would put the kibosh on production — which they haven't — and which they won't—and now they foresee us producing ourselves straight into a bust.

I wish I could skip over the perils of inflation as blithely as they have. But I can't. Not and live with the facts of it every day.

Let me retrace the story, very briefly:

When Korea touched off a wave of fear-buying last summer, the cost of living became a regular fugitive from the flood, climbing higher and higher—from pinnacle to pinnacle—to escape the dangerous waters rolling underneath.

So in January, we threw up a dam of price and wage controls. And the rate of the rise in prices was checked. Panicky fear-buying was stopped. The economy has leveled off into better balance.

But as we look ahead in my agency, we are painfully conscious that so far we have had only a flash-flood of inflation. And I mean compared to what we could have by early winter without the sternest kind of steps to counteract it.

Rising headwaters for a new inflation flood are churning toward us from upstream. By Christmas time our defense production will be really rolling. It will be augmenting the national purchasing power on a lavish scale. By the first quarter of next year, the rate of national income will be 37½ billion dollars more than in the first quarter of this year. That 12% increase is a tremendous inflationary force.

That's the way it stands. That's what's coming up. That's why we must continue to strengthen the dam against inflation.

But what are the fear salesmen doing? They are off on another tangent. They are wringing your hands for you about deflation.

Now let's examine the prospectus to see if these goose-pimple peddlers have got anything. What's in the cards?

It's really quite simple—if it weren't so downright stupendous.

Two-year Security Plan

We are launched on a two-year production expansion plan. I like to call it a two-year security plan. The blueprints are dovetailing. The raw stock is flowing in. The machines are warming up. We are going to augment the actual output of our national workshop by fabulous proportions and augment its potential output even more.

We are going to stockpile acres of military gear of every kind—guns and tanks and planes, and down to sewing kits and canteens. But more importantly, we are going to fatten out the facilities to make those things in a hurry and in the latest models—in such quantity—and in such quality—to meet any test of our security.

Barring all-out, sudden war, we will reach that high pitch of production in about two years. Our mobilization and stabilization plans are aiming dead ahead at what I call "S-Day" for "Security Day".

The magnitude of what we'll have on "S-Day" leaves you sort of gasping. Here's steel. Our steel capacity has already boomed. We can make it at the rate of 108 million tons a year today. By 1953, we expect to make it at the rate of 117 million tons. That's 22 million tons more than at the peak of World War II.

And here's aluminum. Today, we can make it at the rate of 800,000 tons a year. By 1953, we expect to make it at the rate of 1,300,000 tons a year. And that's 60% more than the output as of June in 1950.

Then there's electric power. Today, our capacity is 67½ million kilowatts. Within three years, we

Continued on page 28

*An address by Mr. Johnston, at the 39th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 2, 1951.

This is not an offering of these Shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

SUBSCRIPTION OFFER

524,949 Shares

Long Island Lighting Company

Common Stock
(Without Par Value)

Rights, evidenced by Subscription Warrants, to subscribe for these Shares at $13 per Share have been issued by the Company to holders of its Common Stock of record May 2, 1951, which rights expire May 18, 1951, as more fully set forth in the Prospectus.

During the subscription period, the undersigned has agreed to use its best efforts to form and manage a group of securities dealers (Soliciting Dealers) to solicit subscriptions and to effect the sale of shares of Common Stock, as more fully set forth in the Prospectus.

The Prospectus may be obtained from the undersigned only in States in which the undersigned may legally distribute it.

Blyth & Co., Inc.

May 8, 1951.

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We Don't Have Economy In Government

By HON. HARRY F. BYRD*
U. S. Senator from Virginia
Member, Senate Committee on Finance

Attacking Administration's spending policies, particularly in foreign aid, veteran economy-minded Senator says nation is in danger of economic attrition, because "of our own profligate folly and inept administration." Says we are under conquering heel of fiscal chaos, and calls Federal budget estimates "an expenditure balloon" needing deflation. Lists his proposed cuts in government spending.

When the President submitted his $71.6 billion expenditure budget in January he omitted detailed discussion of military and foreign aid items totaling $49 billion. It was shocking enough that in his January statement the President described how he proposed to spend $9.8 billion for strictly domestic-civilian programs—an all time record.

Harry F. Byrd

But now the budget picture is beginning to unfold on the delayed items. Yesterday we got the detail on the military expenditure budget. The President originally estimated that expenditures for the military in fiscal year 1952 would total $41 billion. But recent testimony before the Senate Armed Services Committee indicates that these expenditures will total $48 billion.

If my understanding is correct the real shock will come within the next few weeks when the country begins to realize:

That the President proposes to make the Economic Cooperation Administration a permanent agency;

That he wants to scramble all of the foreign economic and military assistance money into a lump sum so that economic assistance money cannot be distinguished from military assistance money; and

That he has already issued a directive which has the effect of making the Secretary of State a czar over all foreign aid money and policies, both military and economic. The President indicated in his January Budget Message that he would request some $10½ billion in foreign military and economic assistance authorizations, and he estimated that foreign economic and military assistance expenditures in the coming year would total approximately $7½ billion.

These plans were revealed in a letter dated April 5 to Mr. William C. Foster, ECA Administrator, in which the subjugation of Mr. Foster and the ECA to the Secretary of State was spelled out in explicit detail. This letter was not made public but I have a copy.

After explaining that the order was necessary to assure that all overseas programs be fully coordinated with each other to support the primary foreign policy objectives, it proceeded to direct that:

After foreign assistance funds are appropriated to the President and allocated to the operating agencies, the Secretary of State, with appropriate advice from the International Security Affairs Committee, should make broad decisions concerning the use of funds as between (a) military end-item assistance and economic support and (b) major political areas. (This means he would control not only the purposes for which the money would be spent but also he will determine in what countries it is to be spent.);

That foreign assistance budget estimates should first be submitted by the operating agencies to the Secretary of State for clearance;

That general policy and program directives from ECA to its missions overseas should be substantively coordinated with the State Department and identified as coordinated instructions; and

That while ambassadors abroad are not to supervise day to day ECA operations they may suspend action on matters which they question pending decision at what was described as "higher administrative levels."

The letter goes into some detail with respect to relationship and coordination between ECA and the North Atlantic Treaty Organization and suggests that integration of economic work by NATO and the organization for European Economic Cooperation should be promoted.

The letter points out that the Secretary of State is a Cabinet Officer responsible, under the President's direction, for the formulation of foreign policy and the conduct of foreign relations, and said he would provide leadership and coordination among the executive agencies in carrying out foreign policies and programs. Mr. Foster was told that the ECA, like other agencies engaged in administering specific overseas programs, will need to advise and consult with the Secretary of State and his staff to facilitate the responsibility for overall foreign policy and program coordination. The letter said any disagreement between the Secretary of State and the ECA Administrator would be resolved by the President.

The letter made no mention of coordination procedure between the Secretary of State and the Defense Establishment with respect to military assistance, which was referred to in terms of "military end-item assistance."

In my judgment this whole matter of foreign assistance and especially foreign economic assistance should be examined from top to bottom before another dollar is appropriated, and certainly such an examination is in order if the Congress is going to be requested to allow one politically appointed Cabinet Officer to make such vast expenditures out of lump sum appropriations.

This is only one area in which reductions in Federal expenditures could be made and these new proposals in my opinion would constitute another incident of profligate folly and inept administration.

Conquering Heel of Fiscal Chaos

If the freedom and democracy of the United States go down in our time, it will be under the conquering heel of fiscal chaos; and not military aggression.

And if we succumb to such economic attrition, it will be the result of our own profligate folly and inept administration; not super military tactics and strategy by the Russians.

In five years since World War II:

The Federal Government has collected more taxes than ever before;

It has spent more money for purely domestic-civilian programs, many of them highly inflationary, than ever before;

It has spent more money for foreign economic props, many of them inflationary to our own economy, than ever before;

It has failed to reduce the quarter of a trillion dollar Federal debt, which is the heart of inflation;

In the absensce of emergencies it has operated on deficits, every dollar of which is inflationary;

Now the Federal Administration has maneuvered us into a position where it is talking out of both sides of its mouth. At the same time it is saying:

We must hold down prices, but increase social security payments so those on fixed incomes can pay higher prices which are to be allowed;

We must conserve scarce construction materials for defense, but continue nonessential public works;

We must have maximum employment to produce for defense, but increase public assistance so returning to work will be less attractive to those who are able;

We must cut back non-military spending, but spend more for domestic-civilian programs;

We must expand production for defense, but discourage private enterprise expansion by taxes virtually to the point of confiscation;

We must restrict private credit to curb inflation, but authorize $13.3 billion in new commitments for Federal credit agencies, with more than $10 billion of it in housing and agriculture.

How inept and inconsistent can we be—or should the word be irresponsible?

Of course we can not minimize the Russian military might, or disregard threats of communist aggression. And we must be prepared to defend ourselves, not so much because we fear invasion here, as because we have assumed the role of half the world's keeper.

But no Russians have been shot in any of the communist sideline wars to date. Why should Russia risk trying to bring us to our knees militarily, when, by our own irresponsibility, we are assuming that attitude economically?

We should be far more malleable to communist dictation in a state of fiscal and economic chaos, than we would be under the heel of a military defeat by a country 5,000 miles away.

Blowing Up the Expenditure Balloon

With increased taxes already in effect, receipts may be running a little ahead of expenditures at the end of the current fiscal year on June 30. But this condition will be more a matter of bookkeeping than realism because delivery on military orders is running behind schedule.

To get an idea of the acceleration at which the Federal expenditure balloon is blowing up, here is the box score, by quarters, for

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ACTUAL AND ESTIMATED EXPENDITURES

Fiscal Years—	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1951	$9.0 billion (actual)	$10.1 billion (actual)	$11.0 billion (actual)	$13.2 billion (estimate)
1952	15.8 billion (estimate)	17.4 billion (estimate)	18.1 billion (estimate)	20.3 billion (estimate)

(These figures are based on the President's estimates. They will be higher in fiscal year 1952 on the basis of $48 billion in military expenditures.)

*An address by Sen. Byrd at a Luncheon Session of the 39th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 1, 1951.

The World Crisis and The American Economy

By A. W. ZELOMEK*
Economist, International Statistical Bureau, Inc.

During second half of this year economist expects change in supply-and-demand conditions in definitely reduced availability of consumers' durable goods and ever-increasing demand. For next year he forecasts increased production; deterioration of Treasury's cash position; scarcity of manpower; higher costs and revival of inflationary fears.

A subject like this is one that would allow almost anyone to say almost anything. Some of the sharpest and most important controversies of today concern the world crisis — What should the United States do? What should its foreign policy be?

A. W. Zelomek

However, I hope not to tread here on controversial grounds. These questions are important to all of us and it is all too easy to let emotion override calmness and logic. Indeed it is hard to be calm when decisions we make today may influence our lives and the lives of our children for many years to come.

Actually, I would hesitate to speak on such a subject if I did not feel that events themselves have a tendency to dictate the policies that individual countries follow. I doubt very much whether the views of President Truman or MacArthur, of Acheson or Taft, are going to be completely decisive. Each of them in his way is trying to be realistic, according to his past experiences, his general background, and his present aims and purposes. I have no doubt that I, myself, will be influenced in what I say to you by the way I see certain conditions. But at least I will not attempt to suggest to you any easy solutions to present day problems.

Rather, I will simply try to describe these problems, and the many factors that they involve; and try to draw some practical conclusions about the way in which the world crisis will affect the American economy.

Made in Russia

First of all, it is obvious that it is not the United States creating a world crisis, merely in order to get government spending and taxes up to higher and higher levels. On the contrary, the United States is responding to certain real situations, some of which have been developing for a long period of time and some of which are a more direct aftermath of the great upheavals of the last war.

Let us try for a time to be completely objective and unbiased as we look at world affairs. We will suffer no loss of patriotism nor any diminution of our belief that the American way is best if we try momentarily to think like a Russian, or a Chinese, or an Indian, or a Britisher, or a German. Each of these people has his own viewpoints, rooted in his own past and in his own circumstances. It is not necessary for us to agree with these viewpoints; but it is necessary to understand them, and to grant their importance, if we are to be realistic about our own situation.

I mentioned just now the importance of these other viewpoints. It is even necessary for us to agree on what I mean by the term "importance." All of these viewpoints are important to the people who hold them; but in what respects are they important to us?

To be practical on this subject, I feel we must turn to basic measures of national strength. These measures, in their simplest form, involve *economic factors* — like steel capacity and oil resources—and human factors like *manpower*.

Russia Weak in Economic Factors, Strong in Manpower

On these terms, therefore, let us try to examine the present situation and try to reach some practical conclusions.

I think we would be wasting time if we did anything but admit that Russia is the only actual or potential enemy that the United States now fears at the moment. Where then, do the British, the French, the Germans, the Japanese, the Chinese come in?

These people are inevitably involved, whether they want it or whether we want it, in any final accounting of economic and manpower strength.

Let me point out to you that the United States out-produces Russia 2 and 3 and 4 to 1 in all of the war making potentials. I refer here to steel capacity, production of machinery, oil resources, and other tangible factors, without any allowance whatsoever for the lead we maintain in technological developments.

How can this situation be changed?

Logically, there are not too many alternatives.

(1) A great depression in the United States, for example, would certainly reduce its economic strength.

(2) A more rapid rate of industrial development in Russia would also alter its position, but only over a long period of years.

(3) On a more immediate basis, however, there are resources — steel and machinery capacity in western Europe, and oil resources in the Near East—which would greatly add to Russia's war making potential, *if Russia could get them under her control.*

It is the most elementary exercise in common sense therefore, to point out that a great deal of the tension and political maneuvering in the next few years is going to center around these resources.

Every evidence I can see indicates that Russia realizes the importance of these resources, even if we do not.

I don't mean to imply that Russia would risk an immediate war with the United States in order to seize them. In fact, I doubt very much that Russia would take such a risk at the moment. I am convinced that Russia still believes she has a chance to get control of these resources without a war.

I am convinced that Russia will use every artifice of diplomacy, combined with intensive propaganda and strengthened by commercial offers of western European countries, to cause so much dissension and disagreement with United States policies that we will find it increasingly

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*An address by Mr. Zelomek prepared for delivery before The Purchasing Agents Association of Los Angeles, May 10, 1951.

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BUILDING STRENGTH FOR THE FREE WORLD

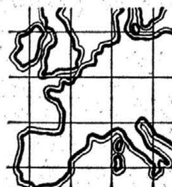
Highlights from the Annual Report of Standard Oil Company (New Jersey) for 1950 . . . a year of record activity*

Standard Oil Company (New Jersey) is an American corporation which has, in varying degrees, investments of capital and technical knowledge in a large number of operating oil companies, both in the United States and abroad. In 1950, these companies:

IN THE U. S. A.

Drilled over a thousand new wells, with an unusually high proportion of producers . . .
Improved and expanded refineries in New Jersey, Maryland, Louisiana, and Texas . . .
Completed a new continuous wax-making plant at Bayonne, N. J. . . .
Added 370 miles to Texas crude oil pipeline systems . . .
Started doubling the capacity of a products pipeline across Pennsylvania . . .
Let contracts to increase by 85% the capacity of a pipeline from Baton Rouge to the Southeastern states . . .
At government request, re-activated two government-owned Butyl rubber plants; also continued operating two others which have been producing constantly since 1943 . . .
Invested over 20 million dollars in laboratory research for new and improved processes and products.

IN WESTERN EUROPE



Proposed a plan which ended gasoline rationing in England . . .
Went ahead of schedule in construction of a new refinery at Fawley, England, to be the largest in Europe . . .
Expanded, improved or started construction of refineries in Norway, Belgium, West Germany, France, and Italy . . .
Opened many new service stations, which served not only local motorists, but some 18,000 American tourists . . .
Supplied 28% more fuel oil than a year ago, to meet needs for industrial expansion . . .
Met the greatest demand for asphalt for new road building ever experienced in these areas.

IN THE MIDDLE EAST

Stepped up oil production substantially in Saudi Arabia . . .
Opened the vitally important Trans-Arabian Pipeline system from oil fields on the Persian Gulf to the Mediterranean . . . over 1,000 miles of 30- and 31-inch pipe . . .
Started construction of a large-diameter pipeline extending 550 miles from Iraq to the Mediterranean.

IN THE FAR EAST

Expanded production of crude oil in Indonesia and explored for oil in Papua . . .
Increased output of refineries in Australia, Sumatra, Japan.

IN CANADA

Produced nearly 50% more oil than a year ago . . .
Made new oil and gas discoveries in Ontario and Alberta . . .
Operated nine refineries at 14% greater output than a year ago . . .
Opened a new 1,100-mile pipeline system from Alberta to Lake Superior, to carry crude oil toward the major Canadian refineries and markets.

IN SOUTH AMERICA

Set a new production record in Venezuela, second largest oil-producing country in the world . . .
Operated the big Aruba refinery in the Netherlands West Indies at a higher rate than ever before . . .
Met sharply increased call for products throughout the continent, to support the vigorous post-war development.

IN OCEAN TRANSPORT

Received the last 4 of 12 super-tankers ordered two years ago . . .
Ordered 6 more new tankers . . .
Operated an ocean-going tanker fleet of 117 vessels, totaling over 2 million deadweight tons.

IN EMPLOYEE RELATIONS

Continued the same favorable labor relationships that have prevailed for more than three decades, with no strikes in domestic operations.

THE YEAR ENDED . . . THE JOB GOES ON. In 1950, for the first time, world use of oil outside the Iron Curtain passed 10 million barrels a day. For comparison, it was just over 7 million in 1945, the peak war year.

This is significant to free people everywhere. Oil supplies in today's world are closely linked to living standards and national strength.

It seems clear that more and more the world will look to oil to help keep it free and progressive. More and more it becomes clear, in meeting that need, that the American-developed business process of risk and result . . . of competition spurring corporate ingenuity and responsibility . . . is a strong and flexible system for promoting the welfare of people.

* We will be pleased to send a copy of the full report to anyone wishing it. Write Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

FINANCIAL SUMMARY

Standard Oil Company (New Jersey) and Consolidated Affiliates

Total income from sales, services, dividends and interest	$3,198,266,000
Net income	$408,223,000 or $13.48 per share
Dividends	$151,028,000 or $5.00 per share
Taxes paid	$276,000,000
Taxes collected for governments	$294,749,000
Wages and other employment costs	$548,205,000
Spent for new plants and facilities	$295,132,000
Number of stockholder-owners	222,000
Number of employees	116,000

STANDARD OIL COMPANY (NEW JERSEY)
AND AFFILIATED COMPANIES

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The Outlook for New Housing

By THOMAS S. HOLDEN*

President, F. W. Dodge Corporation

Leading construction analyst reviews progress in new housing since World War II, and indicates that building of new homes has, for time being reached peak. Sees credit restrictions as deterrent factor, and states such restrictions would have become necessary even without Korean crisis. Praises change from liberal Federal mortgage credit policies, but looks for annual requirement of farm and non-farm new dwellings of around 900,000. Sees ample building supplies by 1953.

Figures on the 1950 housing census, released in February by the Housing and Home Finance Agency, showed that there were in April of last year a total of 39,390,000 non-dwelling units, of which 36,711,000 were occupied.

Thomas S. Holden

The vacancy ratio of 6.8 per cent was a little higher than that shown by the 1940 census. If all the vacant units had been year-round housing in reasonably good condition, such a ratio would have indicated a fair balance between demand and supply in the national housing market. However, the same census report indicates that only 1.7 per cent were available for year round use and not in dilapidated condition. This net effective vacancy ratio indicates that there was actually a rather tight supply-demand situation a year ago.

Since the census date there were added 1,395,000 new non-farm units in 1950 and it is estimated that another 800,000 or 850,000 units will be added in 1951. Consequently, by April 1952 the gross vacancy ratio will have increased to 7.5 per cent at least, which would probably include a considerably larger number of habitable units available for year-round occupancy than was the case a year ago. At the national level the housing market will be very nearly in balance, although there are likely to be wide variations as between one locality and another. Sizable migrations of workers to defense areas could very easily result in significant local shortages. However, so long as housing production can be continued at the rate estimated for this year, no housing shortage of national proportions is in prospect.

Between 1940 and 1950 the net increase in dwelling units was 8,550,000, which was the largest numerical increase in any decade. The figure includes both farm and nonfarm units. During the period, housing units increased by 22.9 per cent compared with a 14.5 per cent increase in population. There was thus a very considerable improvement in the space-standards of American housing; other census data on the physical characteristics of housing show that there was a great improvement in qualitative standards.

Continuing demand from this point depends principally upon future trends of population growth, family size, disposable personal income, living standards, and credit conditions.

The Future Demand

It is doubtful whether the population growth of the current decade will require a greater net increase in housing units than the actual 1940-1950 increase, which averaged 855,000 units a year. It is more likely that demands arising from population increase will be somewhat smaller. A big factor in the last decade was the enormous increase in 1-person and 2-person families. A result of this was a decline from 3.2 persons per household in 1940 to 3.0 persons per household in 1950.

The increased marriage rate, increased prosperity and increased birth rate of the late 1940's appear to have reversed the trend toward small families. If this decade should have the same numerical increase in population as the last decade and an increase in average family size, there would be a tendency toward fewer new dwelling units but toward units of larger average size.

While shelter needs of a growing population are fundamental to housing demand, monetary factors are very important. Disposable personal income is now being earned at a higher over-all rate than ever before in the country's history. After making allowance for price increases, the per capita rate of income production is higher than in any year except 1944. In 1950 personal consumption expenditures were at an all-time high; and between 1940 and 1950 living standards increased at the highest rate in history.

According to the Securities and Exchange Commission, individuals in this country had accumulated an aggregate of $326 billion of liquid assets excluding corporate securities. This total was offset by $34 billions of mortgage debt and $20 billions of consumer debt, leaving net liquid assets of $272 billions.

It is readily seen that the basic demand factor of population growth is strongly reinforced by an uptrend in living standards and by widespread purchasing power. There remains to be examined the credit factor.

Credit as a Factor

Credit as we know it in the modern world is a tremendous economic power. Like every other kind of power, its maximum benefits depend upon efficient operation of brakes that can be applied at appropriate times.

The founders of our Federal Reserve System were fully aware of that. The system was created in 1912 after five years of exhaustive study by a higher qualified monetary commission. It was recognized that a system for liberalizing commercial credit must include mechanisms for controlling credit. This basic principle has continued to be recognized in all Federal Reserve legislation enacted since 1912.

In the 1930's we set about transforming the home-mortgage system from the old-fashioned pawn-broking basis into a modern credit system. The successive steps in this transformation are remembered by all: creation of the Federal Home Loan Bank System, the Home Owners Loan Corporation and the Federal Housing Administration.

The requirements for control of home-mortgage credit were carefully spelled out in connection with the home loan banks and the new defunct Home Owners' Loan Corporation. In connection with FHA a different system prevailed. Instead of providing brakes for this new form of credit, Congress relied on supplying a limited amount of gasoline. Whenever FHA mortgage insurance authorizations were about to give out, Congress was petitioned to authorize more. During World War II and the reconversion period that followed, new ways of liberalizing FHA mortgage insurance were devised. In late 1949 and early 1950 various new liberalizing measures were adopted. In the meantime Congress had set up a new, separate, very liberal system of G.I. home loans under the Veterans Administration. Through the year 1950 mortgage credit was all motive power with no brakes at all.

Under these conditions, which made the all-time record 1950 housing boom, credit restrictions would have become necessary regardless of the Korean crisis. This fact was concealed by the circumstance that authority for home-mortgage credit control was created as part of defense emergency legislation. It was significant that authority to regulate home mortgage credit and consumer credit was given to the Federal Reserve System, which since 1912 had the responsibility of regulating commercial credit.

In addition to stiffening the terms of mortgage loans by means of Regulation X, the Federal Reserve has reduced available mortgage credit by other means. Following the action of the Treasury Department in refunding certain government bond issues at 2¾ per cent, the Federal Reserve stopped supporting the government bond market and let the prices of certain government issues drop below par. Previous to that it had been profitable for a number of lending institutions to sell government bonds and invest the proceeds in mortgages. With governments quoted below par they could only be sold at a loss. Consequently an important source of mortgage loan funds was cut off.

A Change of Government Mortgage Policy

Apparently, we have learned something in the past two years. Two years ago government authorities acted as if they thought unlimited inflation of housing demand by way of easy credit was an unmitigated blessing. We seem to hold a more conservative view now. It is to be hoped that our present temporary housing credit controls may be developed into an appropriate system whereby the brakes can be set whenever sound judgment dictates the need for such action. Unless extended by Congress those provisions of the Defense Production Act which authorize real estate and consumer credit controls will expire this coming June 30.

It would appear from the census figures previously quoted that over-all housing needs of the country during the current decade are not likely to vary very much from actual housing production of 1940-1950. Making reasonable allowance for replacements of housing units abandoned, destroyed or demolished, over-all annual requirements would approximate 900,000 dwelling units, including farm and non-farm dwellings, new buildings and conversions.

If this estimate of housing demand is reasonably correct, and if the current defense program continues on the present scale without becoming an all-out war program, housing supply should involve no major problems.

A home building industry that handled nearly 1,400,000 housing starts in 1950 is certainly equipped to handle 850,000 to 1,000,000 units annually hereafter. Organizational and man-power capacity should certainly be adequate. Non-metallic construction materials should also be available in adequate amounts.

Materials Supplies

Steel, aluminum, copper and brass products promise to be in short supply, these metals being in such heavy demand for military production. However, strong measures have been taken to increase production of all of them with the result that the supply outlook today appears to be measurably better than it was two months ago. For example, in January many people believed that fourth-quarter military consumption of copper would exceed 40 per cent of the available supply; but by April 1, Defense Mobilization Chief Charles E. Wilson was estimating fourth-quarter military requirements for copper at 20 per cent of the total.

Offsetting heavy defense requirements for these critical metals are the following factors: cutbacks in volume of housing, recreational building, commercial building, automobiles, radios, television sets and household equipment. Since housing and all these consumer durable goods were in record volume last year, reasonable cutbacks can save substantial amounts of scarce metals for defense purposes and still permit sizable volumes of all these civilian products, volumes that would compare quite favorably with the best years previous to 1950.

Availability of these essential materials will tend to limit housing volume in some degree during the remainder of this year and part of next. It is generally believed that by 1953 there will be ample supplies for all civilian and military purposes.

In the meantime, there has been no direct ban on any kind of residential building and none is expected at this time. There is a strong prospect of defense housing demand arising in defense centers, full recognition of the importance of defense housing, and full recognition of the need for maintaining a strong civilian economy.

The Housing and Home Finance Agency has estimated this year's housing volume at 800,000 to 850,000 new non-farm dwelling units, which would approximate the year's basic needs. It is rather early to make any specific estimate for 1952. Tight supplies of critical metals during the peak months of military production may squeeze housing volumes during a part of next year. There is not at this time, however, any indication that 1952 housing volume will decline from this year's estimated volume by any very large percentage.

*An address by Mr. Holden before the Annual Regional Conference of the American Institute of Real Estate Appraisers, New York City, April 27, 1951.

Oscar Kraft Celebrates Silver Wedding

Oscar F. Kraft

LOS ANGELES, Calif.—Oscar F. Kraft (Oscar F. Kraft & Co., 530 West Sixth Street) and his wife Esther on May 5 celebrated their 25th wedding anniversary at Palm Springs. The couple have three children, Oscar, Jr. ("Tony"), Verner H. ("Mike") and Carol Ann.

Klees & Murphy With Montgomery, Scott Co.

Following the dissolution of Bennett & Palmer, Walter A. Klees and Harold P. Murphy, general partners, on and after May 15 will be connected with Montgomery, Scott & Co., 120 Broadway, New York City.

Joins J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert A. Warren, Jr., has become associated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange. Mr. Warren was formerly with J. Arthur Warner & Co., Inc.

Let Us Hope!

"Whether Russia will fight or not, when or how she might be moved to do so, and the direction of the next phase of Soviet expansion are matters of crucial importance to the free world.

"They were dealt with in some detail in General of the Army Douglas MacArthur's testimony over the last three days.

* * *

"They [the General's observations about Russia] all worked in with the major assumption made by General MacArthur, namely, that the Soviets were after so much bigger game that nothing that happened in Korea would change their basic decision on whether to go to war or remain at peace with the democracies.

* * *

"There is something awe-inspiring about the persistence with which the Soviets follow the dreams of their Czarist predecessors in imperialist expansion.

"But this very tendency also carries its hope. Czarist expansion was limited not only by external force, but by the tendency of the Russian people to revolt against the unendurable tension imposed on them by the czars. Time and again internal difficulties called a halt to Russian dreams of expansion. If national characteristics are as persistent in this respect as they are in the other, they may solve the West's problems yet."—James M. Minifie in the New York "Herald Tribune."

We earnestly hope that the solution to the present difficulties, as envisaged by Mr. Minifie, is not long delayed.

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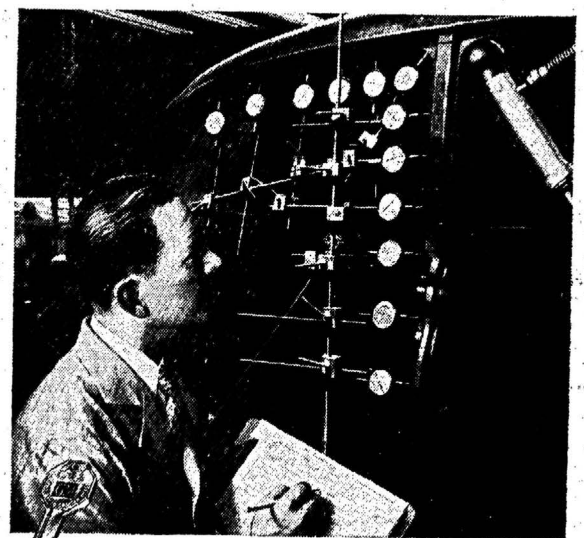
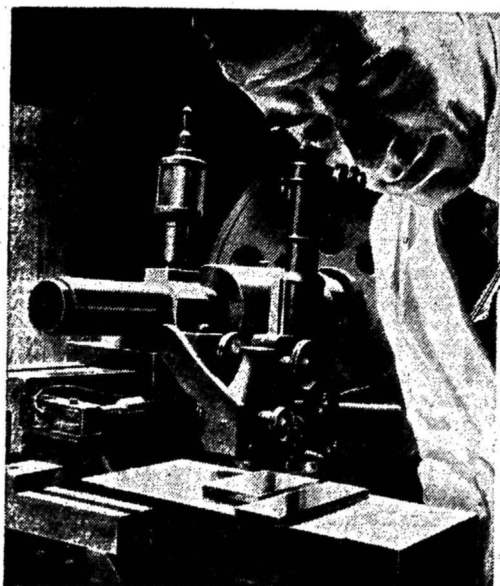


Key to "on time" production

CONSTRUCTION FOR WAR OR PEACE depends upon knowing how to get things done. Out of long experience General Motors has developed a system of pre-scheduling manufacture of parts that brings them to the assembly line on time. This typical GM scheduling board shows monthly requirements and daily output in a plant making some 800 different parts—ranging from man-sized pieces to clips so tiny it takes 75 to make a handful. Advance planning enables GM to produce parts in adequate supply for defense as well as America's finest cars.

Key to better engineering

SUPERIORITY IN DESIGN comes from infinite tests to check the staunchness of new body styles. Here, an engineer carefully measures strength around the door opening. The jack applies extreme pressure—and any minute deflections are instantly recorded by the closely spaced gauges. Test after test like this insures the rugged sturdiness and greater value of Body by Fisher—exclusively on GM cars. Such tests also insure greater durability in military vehicles built by GM to safeguard America.



Key to better research

HIGHER STANDARDS OF PERFORMANCE are a product of painstaking research—well illustrated by this "gold standard" method of checking the smoothness of metal surfaces in moving parts. Some must be machined finer than others, and GM Research employs 27 degrees of smoothness—or roughness as engineers call it—as standard manufacturing practice. These are measured by gold-plated master blocks, diamond-ruled to millionths of an inch. These golden master gauges give you a smoother-running car—a better value for your money.

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Continued from first page

Rails and Utilities Feature Funds' Purchases

Government Bonds were sold during February and early March and the proceeds invested in good quality commercial paper. This change does not indicate any lack of confidence in our national credit, but it does reflect our opinion that the trend is towards a more remunerative level of interest rates and hence lower prices for high-grade bonds. Over the longer term, we regard this development as constructive."

Similarly, Walter L. Morgan, President of the Wellington Fund, observes in his review of the quarterly period: "In anticipation of a possible change in government bond policy, a substantial amount of the longest-term government issues were sold before removal of support. Most of the proceeds were placed in shorter-term Treasury issues and some equipment trust certificates for temporary investment."

Before turning to comments of a representative number of trust managements on the economic outlook and its effect on portfolio operation, attention should be directed to a significant statement in the quarterly report of the Wall Street Investing Corp. which is important because of its attempt to encourage interest of the investor in the companies of which he is part owner. To this writer this seems a commendable step in the direction of building an American corporate democracy in fact as well as in legal theory. Therefore, we repeat the words of John H. G. Pell, President of this investment company, as given in his report to stockholders on this subject:

"At the present time, securities of 38 corporations are included in the portfolio. The annual reports for 1950 have been received from nearly all of these companies. Many of them contain data not only about their own operations, but also about economic conditions in particular industries. We would like to make them all available to you, but it would be impracticable to attempt to do so. However, if you will indicate on the enclosed return post card the name of any one of the companies included in the portfolio, the latest annual report will be forwarded to you as promptly as possible."

Continued "Cold War" and Inflation Expected

While somewhat of a cautious attitude is indicated by the generous liquid reserves of the majority of the funds, the consensus of management opinion shows a belief in continued international tension and an unabated arms race resulting in ever mounting inflationary pressures. Thus, the trustees of the Shareholders Trust of Boston point out on April 24 in their quarterly report: ". . . there is little likelihood of a general peace trend developing in the near future and . . . the rearmament program will be carried forward at an accelerated pace. Consequently, it appears probable that a basis is being laid for a resurgence of inflationary forces and that present large inventories will not be sufficient to bridge the 'inflationary gap' which will become evident in the latter part of the year. Despite near-term maladjustments the Trustees and the Investment Adviser are of the opinion that basic economic trends continue to dictate the maintenance of a substantial equity position with primary emphasis on the stocks of those companies controlling their own raw material resources."

Emphasis on an "equity position" is particularly interesting because the above trust is a so-called "balanced fund." Similarly, worthy of note is Douglas T. Johnston's quarterly report to the shareholders of the Johnston Mutual Fund, another company with a balanced portfolio:

"We think no basic solution of the international situation is in sight, and therefore feel that heavy expenditures for rearmament will assure a high level of business activity for some time to come. Hence, we consider the retention of a substantial percentage in common stocks warranted, and would regard any temporary decline in market prices in general, or in well situated individual securities, as an opportunity to purchase additional common stocks with growth features and thus restore the higher percentage in common stocks which obtained earlier this year."

One other "balanced fund" voice summarizing the economic outlook should be sufficient to indicate how similar general trust management thinking is concerning the investment picture. Carl A. R. Berg, in his quarterly report to the stockholders of the Mutual Fund of Boston of which he is President, states:

". . . With much higher level of military spending yet to be reached and with the assurance of a high rate of employment, purchasing power and spending in the years immediately ahead, there is every reason for anticipating the return of inflationary pressures once the period of temporary congestion has passed. Price controls, allocations, priorities and other restrictive measures do not eliminate the causes of inflation even though they do create distortions, dislocations and a dampening of inflationary psychology. For these reasons, our basic policy continues to favor an important commitment in selective common stocks."

Less Well-Known Issues Acquired

Approximately the same number of less well-known issues were acquired by investment companies as during the preceding three months. Some of these were "complete strangers," such as British Columbia Forest Products, Ltd., added by Lehman Corp.; Negociacion Textil "La Concordia," S. A., purchased by United States and International Securities Corp., and Trailmobile, bought by Investors Mutual. Other new acquisitions included Duplan, by Commonwealth Investment Co.; F. E. Myers and Bros. Co., by National Investors, Income Series; Allied Laboratories, by Wellington Fund and Wisconsin Investment Co.; Continental Foundry and Machine Co. and National Vulcanized Fibre Co., both by Wisconsin Investment Co.; Asbestos Corp., Ltd., and Canadian Western Lumber Co., by Bowling Green Fund; Emhart Manufacturing Co., by Bullock Fund and Massachusetts Investors Second; American Hospital Supply, by Massachusetts Investors Second; Universal Cyclops Steel, by New England Fund; Daystrom, Inc., by Adams Express and American International, and Brown Co., V. T. C., by Lehman Corp.

Mixed Attitudes Toward Utilities

Although the public utility group was the favorite during the period, quite naturally not all companies showed the same degree of enthusiasm towards these stocks. For example, interest ran the gamut from Affiliated Fund, which made extremely heavy commitments to Incorporated Investors which had this to say in its quarterly report: "Holdings of public utilities were eliminated. This action was taken without prejudice to utilities, but it was felt that other classes of securities were more in keeping with the objectives of Incorporated Investors." Oils, rails and paper and pulp companies presently account for 50% of Incorporated's assets.

Middle South Utilities was the favorite among the utility issues, nine managements acquiring a total of 52,000 shares. One block of 2,000 was sold. In the previous quarter this stock had been the second most popular in the group, six trusts making purchases. Minnesota Power and Light was the next best liked electric company, three funds making new commitments and two others adding to portfolio holdings; purchases totaled 41,400 shares. There was no liquidation. There were also five additions of General Public Utilities Corp., three of which represented initial purchases. 49,000 shares bought were partially offset by elimination of 4,000 shares from two

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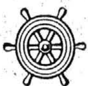

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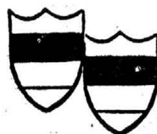

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We have found one of the most stimulating sales tools to be frequent contests, with a monthly listing on a mahogany tablet of the five top salesmen.

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portfolios. Central and Southwest Corp. and Montana Power Co. were each acquired by four trusts. Additions to the portfolio of the former company totaled 6,000 shares and to the latter, 26,300. In each instance there were two offsetting sales. There was a switch in attitude toward American Telephone from the previous period, three managements selling on balance during that period. In the current quarter 2,550 shares were added to four portfolios, three of which represented new commitments in this issue. Two sales totaled 1,700 shares. International Telephone and Telegraph was even better bought than the prime communications blue chip. Four original purchases totaled 32,500 shares and there was no portfolio liquidation. Additions to West Penn Electric were aided by the exercise of rights entitling stockholders to acquire, on favorable terms, one new share for each ten held. Six additions totaling 31,900 shares included 7,700 shares thus acquired.

Eastern Gas & Fuel Bought

Good buying appeared in Eastern Gas and Fuel Associates. New commitments were made by three funds totaling 131,000 shares. Investors Mutual bought 100,000 shares; State Street Investment Corp., 30,000, and the Mutual Fund of Boston a block of 1,000. Three funds each bought Central Illinois Light Co., Carolina Power and Light, Florida Power and Light, Rochester Gas and Electric and Consolidated Edison of New York. The latter issue had been one of the two most heavily sold in the utility group during the previous three months' period. Pacific Gas and Electric was added to four portfolios, but a portion of the total of 9,300 shares was acquired through the exercise of rights.

Niagara Mohawk Power and Illinois Power were the two most unpopular issues in the utility group. 51,360 shares of the former were sold out of five portfolios, two representing complete eliminations. However, there were three offsetting initial portfolio purchases totaling 27,000 shares. The Illinois Power stock was also sold by five trusts; the total of 19,700 shares disposed of contrasting with 1,300 shares bought. Public Service of Colorado was lightened in four portfolios for a total of 9,500 shares; there were no purchases. Three funds each disposed of Public Service of Indiana and Iowa Power and Light; two of the latter decreases represented complete eliminations. One small block of 200 shares of the Indiana utility was the sole offsetting addition. Potomac Electric Power, Virginia Electric and Power and Wisconsin Electric Power were each sold by two managements. Also eliminated from the holdings of two trusts were 3,300 shares of Western Union Telegraph "A."

Southern Pacific Popular

Southern Pacific was easily the most popular railroad, as it was during the fourth quarter of 1950. Although the additions during the previous quarter of 39,600 shares were greater than the 30,100 shares purchased during the three months currently under review, 50% more trusts increased their holdings during the 1951 period. Four initial purchases were included in the total of 15 commitments. Three offsetting sales added up to a comparatively negligible 2,100 shares. Next carrier in popularity was Rock Island which in the previous period had ranked third in choice. Seven investment companies added a total of 31,000 shares, two of these additions representing newcomers in portfolios. 800 shares were lightened in the holdings of three trusts. Southern and Atchison vied for third place among fund

Continued on page 20

Balance Between Cash and Investment of 63 Investment Companies

End of Quarterly Periods December, 1950 and March, 1951

	Net Cash & Gov'ts Thous. of Dollars —End of—		Net Cash & Gov'ts Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Dec.	March	Dec.	March	Dec.	March	Dec.	March
Open-End Balanced Funds:								
American Business Shares	15,576	15,486	43.3	42.7	3.8	7.8	52.9	49.5
Axe-Houghton Fund "A"	2,885	3,308	20.8	21.3	6.4	6.4	72.8	72.3
‡Axe-Houghton "B"	2,490	1,567	14.7	8.4	16.7	20.2	68.6	71.4
Boston Fund	5,725	9,039	9.5	14.1	32.9	25.2	57.6	60.7
Commonwealth Investment	2,640	4,017	10.1	13.2	16.6	16.0	73.3	70.8
Eaton & Howard Balanced	4,198	4,978	6.7	7.4	28.2	27.2	65.1	65.4
Fully Administered Fund—Group Secur.	1,850	2,371	34.0	41.5	12.8	10.2	53.2	48.3
General Investors Trust	406	442	17.9	18.7	4.6	4.4	77.5	76.9
Investors Mutual	14,473	6,689	6.2	2.6	34.2	31.7	59.6	65.7
Johnston Mutual Fund	179	222	20.4	22.3	13.9	14.9	65.7	62.8
¶Mutual Fund of Boston	180	109	10.5	6.3	26.9	33.3	62.6	60.4
National Securities—Income	694	709	3.2	3.2	18.4	16.5	78.4	80.3
Nation Wide Securities	2,177	2,902	13.8	17.4	33.9	31.4	52.3	51.2
Nesbett Fund	95	121	15.4	19.1	22.9	24.8	61.7	56.1
George Putnam Fund	5,504	6,319	12.2	13.6	19.7	18.0	68.1	68.4
‡Scudder-Stevens & Clark	7,444	†	21.9	†	21.7	†	56.4	†
Shareholders Trust of Boston	205	402	3.5	6.8	21.8	22.0	74.7	71.2
Wellington Fund	31,745	35,625	20.6	21.5	17.4	17.5	62.0	61.0
Whitehall Fund	26	188	1.8	10.9	43.7	43.3	54.5	45.8
Wisconsin Investment Co.	409	583	13.6	16.3	6.4	5.4	80.0	78.3
Open-End Stock Funds:								
Affiliated Fund	3,984	3,830	3.4	3.2	0.2	0.2	96.4	96.6
Bowling Green Fund	196	200	27.0	26.9	4.8	4.8	68.2	68.3
Broad Street Investing	1,136	2,127	6.7	11.1	2.7	3.9	90.6	85.0
Bullock Fund	1,748	1,710	18.8	15.4	0.7	0.5	80.5	84.1
Delaware Fund	188	238	2.5	2.7	6.9	4.1	90.6	93.2
Dividend Shares	11,256	11,982	12.6	12.8	1.8	1.8	85.6	85.4
Eaton & Howard Stock	890	930	13.0	11.3	1.6	0.7	85.4	88.0
Fidelity Fund	1,659	3,544	3.8	7.3	0.1	2.5	96.1	90.2
First Mutual Trust Fund	42	69	1.2	2.0	52.1	62.7	46.7	35.3
Fundamental Investors	3,723	3,829	4.4	4.2	0.5	1.4	95.1	94.4
General Capital Corp.	2,733	3,111	19.7	21.5	None	None	80.3	78.5
Group Securities—Common Stock Fund	74	77	5.9	5.4	None	None	94.1	94.6
Incorporated Investors	3,386	7,140	3.5	7.1	None	None	96.5	92.9
Institutional Shs.—Stock & Bond Group	197	122	7.8	5.3	None	None	92.2	94.7
Investment Co. of America	2,261	2,257	19.0	17.1	None	None	81.0	82.9
Investors Management Fund	216	349	1.8	2.8	0.3	0.2	97.9	97.0
Knickerbocker Fund	1,795	4,607	12.1	30.5	7.5	12.2	80.4	57.3
Loomis-Sayles Mutual Fund	2,800	†	32.4	35.0	12.6	12.1	55.0	52.9
Loomis-Sayles Second Fund	3,550	†	32.6	33.9	9.4	11.0	58.0	55.1
Massachusetts Investors Trust	9,682	10,716	2.6	2.8	None	None	97.4	97.2
Massachusetts Investors 2nd Fund	1,305	475	5.4	1.8	None	None	94.6	98.2
Mutual Investment Fund	105	144	13.0	16.5	32.8	31.8	54.2	51.7
National Investors	468	701	2.1	3.0	None	0.2	97.9	96.8
New England Fund	1,097	935	28.9	23.5	5.8	11.4	65.3	65.1
Republic Investors	383	897	12.2	20.6	19.5	16.8	68.3	62.6
Selected American Shares	1,487	2,045	7.8	10.3	None	None	92.2	89.7
Sovereign Investors	26	4	6.0	0.9	7.2	6.8	86.8	92.3
State Street Investment Corp.	17,588	21,037	20.0	22.9	None	None	80.0	77.1
Technical Fund	379	1,017	10.5	20.1	None	None	89.5	79.9
Wall Street Investing Corp.	468	522	19.9	21.5	2.3	2.2	77.8	76.3
Closed-End Companies:								
Adams Express	3,264	3,340	7.0	6.9	1.8	1.8	91.2	91.3
American European Securities	1,257	1,240	12.1	11.4	8.4	8.3	79.5	80.3
American International	1,350	1,658	6.3	7.5	2.7	2.6	91.0	89.9
Blue Ridge Corp.	7,275	7,353	24.2	23.9	1.9	None	73.9	76.1
Capital Administration	406	838	4.4	8.9	12.6	9.0	83.0	82.1
General American Investors	10,406	7,630	22.5	16.4	3.4	5.4	74.1	78.2
General Public Service	1,429	1,167	12.3	9.6	None	None	87.7	90.4
Lehman Corporation	14,329	14,060	12.7	11.9	1.8	2.3	85.5	85.8
National Shares Corp.	1,520	1,430	13.4	12.3	7.7	8.4	78.9	79.3
**Selected Industries	1,952	**	3.5	**	12.2	**	84.3	**
Tri-Continental Corp.	3,060	6,866	3.6	5.0	12.2	11.9	84.2	83.1
§U. S. & Foreign Securities	1,957	2,889	4.2	5.9	None	None	95.8	94.1
U. S. & International Securities	5,411	5,607	10.7	10.7	0.3	0.4	89.0	88.9

*Investment bonds and preferred stocks: Moody's Aaa through Ba for Bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ‡December figures revised. §Portfolio exclusive of securities in subsidiary or associated companies. ¶Name changed from Russell Berg Fund. **Merged with Tri-Continental Corp, effective as of March 31, 1951.

—SUMMARY—

Change in Cash Positions of 61 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	13	5	2	20
Stock Funds	17	4	7	28
Closed-End Companies	5	4	4	13
Totals—All Companies	35	13	13	61

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GROUP SECURITIES, INC.
18th YEAR
OF CONSECUTIVE DIVIDENDS
The following Second Quarter dividends from net investment income have been declared payable May 31, 1951 to shareholders of record May 18, 1951.
Funds:
Institutional Bond .07
General Bond .10
Fully Administered .08
Common Stock .13
Low Priced Stock .10
Industry Classes:
Automobile .14
Aviation .11
Building .14
Chemical .10
Electrical Equipment .21
Food .06
Industrial Machinery .14
Investing Company .13
Merchandising .12
Mining .09
Petroleum .13
Railroad Bond .03
Railroad Equipment .10
Railroad Stock .10
Steel .12
Tobacco .06
Utilities .08

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Rails and Utilities Feature Trusts' Purchases in 1st Quar.

purchases, five trusts purchasing 29,100 shares of the former and a like number acquiring 2,200 shares of Atchison. However, one offsetting sale of 50 shares of Santa Fe contrasted with three portfolio decreases totaling 10,900 shares in Southern. Northern Pacific was also well liked, two additions and two initial commitments totaling 26,700 shares. There was one portfolio elimination of a block of 2,000. Four managements also increased their holdings of Union Pacific. Purchases totaling 3,700 shares were unmatched by any sales during the period. Louisville and Nashville was introduced into the portfolios of three investment companies for the first time this year. Purchases of 21,000 shares contrasted with one decrease of 3,200. A like number of funds added 12,000 shares of Illinois Central with a minor offsetting sale of 100 shares. Also added to two portfolios each were Atlantic Coast Line, Erie, Nickel Plate, Norfolk and Western, the Reading Co., and 'Frisco voting trust certificates.

Great Northern was held in disfavor by the greatest number of managements, five decreasing and two others eliminating a total of 18,500 shares. Five other trusts, however, thought enough of the issue to make additions of 13,600 shares. Pennsylvania also was not too popular, five funds selling a total of 12,000 shares, two of these cleaning the issue out of their holdings. One portfolio increase totaled 1,000 shares. 14,800 shares of Chesapeake and Ohio were liquidated by four investment companies against which there were no offsetting increases. Seaboard Air Line was unpopular with three managements while 7,000 shares of New York Central were eliminated from the portfolios of two other companies.

Switch to Aluminums

There was a shift in emphasis among the non-ferrous metals as interest turned to the equities of the aluminum companies and away from such issues as International Nickel, Phelps Dodge, St. Joseph Lead and Kennecott which had led the parade during the previous three months' period. And with this change, there also was a decrease in total purchase transactions in the group of 25%. Six funds brought a total of 21,800 shares of Aluminium, Ltd., three of which made new commitments in this issue. One block of 1,000 shares was eliminated by another company. Reynolds Metals also was very well liked; three trusts making initial purchases and two others increasing present holdings. Additions totaled 43,000 shares while there was one negligible decrease of 90 shares. It is also interesting to note that one management, the E. W. Axe group, purchased 2,500 shares of United States Foil, class B. 2,000 of these shares were added to the holdings in Axe-Houghton Fund "A" and the remainder placed in the portfolio of Republic Investors. Contrasted with the bullish outlook on the above aluminum companies, should be noted the lightening in five portfolios of Aluminum of America. But in this issue there were also two increases in holdings and one initial commitment. Three new purchases likewise were made of Climax Molybdenum; additions totaling 23,000 shares found no offsetting sales. Consolidated Mining and Smelting of Canada, Hudson Bay Min-

Continued on page 21

Changes in Common Stock Holdings of 44 Investment Management Groups

(December 31, 1950-March 31, 1951)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
4	4,580	J. I. Case	2,120	2(1)
		Auto and Auto Parts:		
5(3)	5,500	Chrysler	200	1
2	1,000	Clark Equipment Co.[1]	None	None
None	*None*	*Doehler-Jarvis Corp.*	*3,600*	*3*
3(1)	*18,200*	*General Motors*	*37,700*	*7(3)*
1(1)	*7,000*	*Libby-Owens-Ford Glass*	*11,100*	*4(3)*
		Aviation:		
2(1)	1,500	Lockheed Aircraft	None	None
2	*1,600*	*Douglas Aircraft*	*3,200*	*4(2)*
2	*4,300*	*United Aircraft*	*8,600*	*5(2)*
		Beverages:		
2(1)	17,800	Distillers Corp.-Seagrams	None	None
3(1)	15,100	Hiram Walker, Gooderham & Worts	None	None
2	3,500	National Distillers	None	None
		Building Construction and Equipment:		
4(3)	5,800	American Seating	None	None
5(2)	20,300	General Portland Cement	2,500	2(1)
9(2)	10,153	United States Plywood[2]	4,400	2(1)
4(3)	6,100	Yale and Towne Mfg.	100	1
2(1)	*6,000*	*American Radiator*	*47,100*	*4(1)*
None	*None*	*Detroit Steel Products*	*600*	*2*
2(1)	*3,500*	*Johns-Manville*	*3,200*	*5*
1	*1,000*	*National Gypsum*	*9,500*	*4(2)*
None	*None*	*Pennsylvania-Dixie Cement*	*1,300*	*2(1)*
None	*None*	*Pittsburgh Plate Glass*	*1,400*	*2(2)*
1	*3,000*	*United States Gypsum*	*8,300*	*3(2)*
None	*None*	*Weyerhaeuser Timber Co.*	*5,600*	*5*
None	*None*	*York Corp.*	*1,800*	*2*
		Chemicals:		
5(1)	12,744	American Cyanamid[3]	4,200	3(1)
10(1)	4,777	Dow Chemical[4]	5,360	2
2(1)	1,900	Heyden Chemical	None	None
4	20,800	Monsanto Chemical	6,500	1
2(1)	1,900	Nopco Chemical	None	None
None	*None*	*Air Reduction*	*15,500*	*2(1)*
1	*40*	*Eastman Kodak*	*7,200*	*5(2)*
None	*None*	*Hercules Powder*	*7,600*	*5(3)*
None	*None*	*Newport Industries*	*7,000*	*2(2)*
1	*700*	*Union Carbide*	*5,600*	*5(1)*
		Containers and Glass:		
2(1)	17,000	Anchor Hocking Glass	None	None
3(1)	4,000	Corning Glass Works	800	1(1)
2	*6,000*	*Continental Can*	*21,900*	*4(2)*
		Drug Products:		
2(2)	7,000	Allied Laboratories	None	None
3(1)	3,867	Johnson and Johnson[5]	None	None
2	500	Rohm and Haas	None	None
None	*None*	*American Home Products*	*8,600*	*2(1)*
None	*None*	*McKesson and Robbins*	*2,800*	*2*
1	*500*	*Merck and Co.*	*10,600*	*3*
1	*2,800*	*Sharp and Dohme*	*7,400*	*4(2)*
None	*None*	*E. R. Squibb and Sons*	*17,200*	*3(1)*
		Electrical Equipment:		
3(2)	21,000	Admiral Corporation	None	None
2(1)	3,180	Master Electric Co.	None	None
3(2)	2,800	Motorola	None	None
9(6)	105,000	Philco Corp.	4,490	3(1)
7(7)	64,100	Radio Corp. of America	None	None
15(7)	59,490	Westinghouse Electric[6]	27,400	6(2)
		Financial, Banking and Insurance:		
2	5,000	American Research & Development	None	None
2(1)	20,400	Bank of America	None	None
3(1)	9,828 4/7	Central Hanover Bank & Trust[7]	228 4/7	1(1)
4(1)	11,700	Commercial Credit	5,000	1(1)
2(2)	38,500	Irving Trust Co.	None	None
2	3,700	Standard Accident Insurance	None	None
None	*None*	*Insurance Co. of North America*	*1,600*	*2(2)*
		Food Products:		
2	600	Standard Brands	None	None
2(1)	2,000	Wilson and Co.	None	None
1(1)	*10,000*	*General Foods Corp.*	*13,700*	*5(4)*
None	*None*	*National Biscuit*	*3,900*	*2(1)*
1	*3,500*	*United Fruit*	*2,500*	*4(2)*
		Machinery and Industrial Equipment:		
2(1)	16,300	Blaw-Knox Co.	None	None
3	2,500	Combustion Engineering-Superheater	200	1
2(2)	7,000	Emhart Mfg. Co.	None	None
2(2)	500	Foster Wheeler	None	None
6	10,600	Link Belt[8]	None	None
3	2,100	National Acme	None	None
2(2)	*11,500*	*Allis Chalmers*	*7,600*	*4(1)*
1	*4,000*	*Fairbanks Morse*	*900*	*3(2)*
1(1)	*100*	*Food Machinery & Chemical*	*26,100*	*3(2)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Metals and Mining:		
6(3)	21,800	Aluminium, Ltd.	1,000	1(1)
3(1)	700	Anaconda Copper	3,000	1(1)
3(3)	23,200	Climax Molybdenum	None	None
3(3)	3,500	Consolidated Mining & Smelting of Canada	None	None
3(2)	2,100	Hudson Bay Mining & Smelting	None	None
2(2)	1,200	McIntyre Porcupine	None	None
5(3)	43,000	Reynolds Metals Co.	90	1
3(1)	*1,900*	*Aluminum Co. of America*	*20,500*	*5(1)*
3(1)	*1,800*	*International Nickel*	*35,000*	*5*
3(1)	*17,700*	*St. Joseph Lead Co.*	*17,450*	*6(5)*
		Office Equipment:		
8(1)	4,592½	Internat'l Business Machines[9]	4,932½	3
		Paper and Printing:		
2	1,500	Crown Zellerbach Corp.	None	None
2(1)	4,200	St. Regis Paper	None	None
3(2)	1,800	Union Bag and Paper	600	1
None	*None*	*Time, Inc.*	*11,700*	*2(1)*
		Petroleum:		
2	1,100	Amerada Petroleum	None	None
2(1)	3,600	American Republics Corp.	None	None
7	6,480	Atlantic Refining Co.[10]	1,500	1
2(1)	20,100	Kerr-McGee Oil Industries	None	None
7(6)	38,350	Mission Development Co.[11]	None	None
2(1)	10,300	Signal Oil and Gas "A"	None	None
5(2)	15,800	Sinclair Oil	2,000	1
4(1)	10,600	Skelly Oil	9,282	2
18	204,775	Standard Oil of California[12]	12,600	3(1)
2(1)	800	Superior Oil Co.	None	None
2(1)	20,800	Warren Petroleum	None	None
2	*4,000*	*Continental Oil (Del.)*	*10,700*	*4(1)*
None	*None*	*Imperial Oil Co., Ltd.*	*7,100*	*3(1)*
1	*800*	*Louisiana Land & Explor.*	*8,800*	*4(1)*
4(3)	*27,800*	*Socony Vacuum*	*21,800*	*6(2)*
2	*1,200*	*Standard Oil of Indiana*	*8,200*	*5(1)*
2(4)	*9,900*	*Texas Company*	*14,100*	*8(1)*
		Natural Gas:		
2(1)	6,000	El Paso Natural Gas	None	None
4(1)	16,400	Panhandle Eastern Pipe Line	3,700	1
4	8,500	Republic Natural Gas	100	1(1)
5(2)	26,800	Southern Natural Gas	None	None
4	11,800	United Gas Corp.	18,900	2
1	*1,000*	*American Natural Gas*	*24,600*	*3(1)*
None	*None*	*Mississippi River Fuel*	*39,760*	*5(1)*
None	*None*	*Northern Natural Gas*	*12,400*	*5(3)*
None	*None*	*Peoples Gas Light & Coke*	*8,600*	*3(1)*
None	*None*	*Shamrock Oil and Gas*	*16,000*	*2(2)*
		Public Utilities:		
4(3)	2,550	American Telephone & Teleg.	1,700	2
2	4,000	Brooklyn Union Gas	None	None
3(2)	5,500	Carolina Power & Light	500	1
4(1)	6,000	Central & Southwest Corp.	7,000	2
3(1)	21,500	Central Illinois Light Co.	None	None
3(2)	15,300	Consolidated Edison of N. Y.	400	1(1)
3(3)	131,000	Eastern Gas & Fuel Associates	None	None
3(2)	39,700	Florida Power and Light	100	1
5(3)	49,000	General Public Utilities Corp.	4,000	2(2)
4(4)	32,500	Internt'l Telephone & Telegraph	None	None
9	52,000	Middle South Utilities	2,000	1
5(3)	41,400	Minnesota Power and Light	None	None
4(3)	26,300	Montana Power Co.	14,300	2(1)
2(1)	11,000	Mountain States Power Co.	None	None
2(1)	12,000	New England Electric System	None	None
2	3,300	Northern Indiana Public Service	None	None
4(1)	9,300	Pacific Gas and Electric[4]	6,800	1
3(3)	7,500	Rochester Gas & Electric	None	None
2(1)	5,500	Texas Utilities	None	None
6(2)	31,900	West Penn Electric[13]	4,000	1
None	*None*	*American Power & Light*	*18,700*	*2(1)*
2	*1,300*	*Illinois Power Co.*	*19,700*	*5*
None	*None*	*Iowa Power & Light*	*11,400*	*3(2)*
3(3)	*27,000*	*Niagara Mohawk Power Corp.*	*51,360*	*5(2)*
None	*None*	*Potomac Electric Power*	*22,500*	*2(2)*
None	*None*	*Public Service of Colorado*	*9,500*	*4*
1	*200*	*Public Service of Indiana*	*4,800*	*3*
None	*None*	*Virginia Electric and Power*	*2,500*	*2*
None	*None*	*Western Union Telegraph "A"*	*3,300*	*2(2)*
None	*None*	*Wisconsin Electric Power*	*6,300*	*2*
		Radio and Amusement:		
3(1)	9,000	Paramount Pictures Corp.	1,000	1(1)
1	*1,000*	*Loew's*	*59,500*	*3(2)*
		Railroads:		
5	2,200	Atchison, Topeka & Santa Fe	50	1(1)
2(1)	3,300	Atlantic Coast Line	None	None
7(2)	31,000	Chicago, Rock Island & Pacific	800	3
2(1)	15,700	Erie	None	None
3(1)	12,000	Illinois Central	100	1
3(3)	21,000	Louisville and Nashville	3,200	1
2(1)	3,100	New York, Chicago & St. Louis	None	None
4(2)	11,300	Norfolk and Western	None	None
4(2)	26,700	Northern Pacific	2,000	1(1)
2(2)	1,400	Reading Company	None	None
2(1)	2,000	St. Louis-San Francisco, v.t.c.	None	None
15(4)	30,100	Southern Pacific	2,100	3(1)

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—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
Railroads (Continued):				
5(2)	29,100	Southern Railway	10,900	3(1)
4	3,700	Union Pacific	None	None
None	*None*	*Chesapeake and Ohio*	*14,800*	*4(2)*
5(2)	*13,600*	*Great Northern pfd.*	*18,500*	*7(2)*
None	*None*	*New York Central*	*7,000*	*2(2)*
1	*1,000*	*Pennsylvania*	*12,000*	*5(3)*
1(1)	*3,500*	*Seaboard Air Line*	*40,100*	*3*
Railroad Equipment:				
None	*None*	*National Malleable & Steel Castings*	*7,500*	*3(2)*
Retail Trade:				
5(3)	32,100	Allied Stores	1,800	1
2	3,000	Bond Stores	None	None
4(1)	15,700	Gimbel Brothers	None	None
2	4,100	Grand Union	None	None
2(1)	1,700	Interstate Department Stores	None	None
4	49,000	Kroger Co. 14	2,200	2
6	47,300	Marshall Field	200	1
None	*None*	*Federated Department Stores*	*3,300*	*3*
None	*None*	*May Department Stores*	*8,200*	*3(2)*
4(1)	*11,900*	*Montgomery Ward*	*11,800*	*6(1)*
1	*1,000*	*J. C. Penney Co.*	*2,000*	*3(1)*
1(1)	*2,500*	*Western Auto Supply*	*10,700*	*3(3)*
Rubber and Tires:				
19(1)	332,300	Goodrich 15	16,500	2
7(2)	25,700	Goodyear	500	1
3	4,000	United States Rubber	1,000	1
Steels:				
3(1)	3,000	Allegheny Ludlum	3,000	1(1)
8(1)	15,700	Armco Steel	700	2(1)
4	3,618	Crucible Steel 16	2,000	1(1)
2(1)	5,000	Granite City Steel 17	None	None
7(1)	48,500	Jones and Laughlin 18	14,000	1(1)
5(3)	45,000	Republic Steel	5,000	1
2(1)	6,850	Sharon Steel Corp.	None	None
7	33,700	United States Steel	2,600	3
1	*500*	*General Refractories*	*3,300*	*3(1)*
2	*2,100*	*National Steel Corp.*	*8,800*	*5*
Textiles:				
15(2)	112,800	Burlington Mills 19	600	2
2(2)	3,400	Cone Mills	None	None
4	9,350	Pacific Mills	None	None
2(1)	8,000	Robbins Mills	None	None
4	25,300	J. P. Stevens and Co.	100	1
3(1)	20,700	United Merchants and Mfgrs.	5,000	1
Tobaccos:				
9	5,440	Philip Morris 20	39,120	4(3)
None	*None*	*American Tobacco*	*5,100*	*4(1)*
Miscellaneous:				
2(1)	64,000	American Optical Co.	None	None
5(1)	127,200	Minnesota Mining and Mfg. 21	10,000	3
2(1)	6,000	Moore-McCormack Lines	None	None

SUMMARY

Balance Purchases and Sales Portfolio Securities 61 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	9	8	3	20
Stock Funds	13	7	8	28
Closed-End Companies	3	2	8	13
Totals—All Companies	25	17	19	61

FOOTNOTES

1 875 shares received as 25% stock dividend.
2 10% stock distribution plus two additions totalling 2,600 shares.
3 Partly from conversion of preferred issue.
4 Major portion purchased through exercise of rights.
5 1,147 shares represent 5% stock dividend.
6 12,890 shares from conversion of bonds.
7 Represents in part stock distribution; basis, one for seven.
8 Additions result from 2-for-1 stock split-up except 1,400 shares.
9 2,337½ shares received as 5% stock dividend.
10 20% stock dividend.
11 From Mission Corp. Basis, one for each two owned.
12 Represents 2-for-1 split-up except one block of 7,200 shares.
13 7,700 shares acquired through exercise of rights entitling holder to one new share for each 10 held.
14 Two-for-1 split-up.
15 327,000 shares from 3-for-1 split-up.
16 Partially as 2% stock distribution.
17 3,000 shares received in 2-for-1 split-up.
18 From 2-for-1 split-up excluding 1,500 shares.
19 73,900 shares distributed as 50% dividend.
20 5% stock distribution.
21 Addition of 123,600 shares from 4-for-1 split-up.

NOTE—This survey covers 63 investment companies, but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes of the two Loomis-Sayles funds are not surveyed, but those of Overseas Securities (which does not appear in the companion table) are included.

Continued from page 20

Rails and Utilities Feature Trusts' Purchases

ing and Smelting, and Anaconda were each acquired by three managements. The only liquidation in these three issues was represented by a portfolio elimination of 3,000 Anaconda. Two initial purchases of McIntyre Porcupine totaled 1,200 shares.

Selling in the nonferrous group was featured by St. Joseph Lead. Six managements liquidated a total of 17,450 shares, five of which completely eliminated this stock from their holdings. However, bulls in this issue might take consolation from the fact that three portfolio increases equalled the amount of stock sold. International Nickel, also noted above as a top favorite during the preceding quarter, currently ranked second in unpopularity, the decreases in the holdings of five trusts totaling 35,000 shares. Offsetting in part were three purchases of 1,800 shares. Interest was light and divided in Kennecott, while four purchases of Phelps Dodge contrasted with three sales, two of which represented eliminations from portfolios.

Buying of Televisions and Electrical Equipment

Buying in the electrical equipment and television section was notable since purchase transactions almost doubled those of the preceding quarter. Westinghouse was the leading issue, although some of the portfolio increases resulted from exchanges from the convertible 2.65% of 1973. 59,490 shares were added to 15 portfolios, almost half of which represented initial placements of the stock for the year. Offsetting were two portfolio eliminations and four decreases amounting to 27,400 shares. Philco also was extremely popular, nine managements adding a total of 105,000 shares, six making new commitments in this issue. Three decreases in holdings of 4,490 shares were dwarfed by comparison. Enthusiasm was also shown for Radio Corporation as seven trusts made initial 1951 purchases totaling 64,100 shares. Liquidation in this stock was entirely absent. Three managements each made purchases in the television favorites of Admiral Corporation and Motorola; two of these in both issues were new commitments. There were no sales. Master Electric was also bought by two investment companies.

Steels Bought

Feature of the steels was Armco as eight trusts added a total of 15,700 shares; two small decreases amounted to 700 shares. Second place in the fund popularity went to United States Steel, as seven managements made additions of 33,700 shares; 2,600 shares were lightened in the holdings of three other investment companies. Contrasting with the bullishness on the industry's leader was the divided opinion on Bethlehem. Six portfolio decreases of 22,100 shares offsetting in part seven additions of 40,700 shares. The total number of shares of Republic added during the period was 45,000, tenfold that of the preceding quarter. Three initial purchases and two portfolio additions outstripped by a wide margin the lone decrease of 5,000 shares. Allegheny Ludlum chalked up 3,000 shares on either side of the market, although these were represented by three purchases as contrasted with a single sale. Additions to Jones and Laughlin and Granite City Steel were in parts represented by 2-for-1 split-up and a portion of the increase in Crucible resulted from a stock dividend. National Steel and Harbison Walker Refractories were the only issues in this group in which sellers predominated. Five funds sold a total of 8,800 shares of National while three decreased holdings of 3,300 shares of the refractories company.

The Retail Stocks

Purchases in the retail group decreased one-third from the previous three months' period, but still overshadowed sales by a slight margin. Marshall Field was the stock in greatest demand, six trusts adding 47,300 shares. There was one lone sale of a block of 200 shares. Allied Stores, which was the favorite merchandise issue in the preceding quarter, currently was second in popularity as five funds purchased 32,100 shares, three of which made new commitments. Liquidation in one portfolio amounted to 1,800 shares. Gimbel was also well liked, four managements adding 15,700 shares; there was no liquidation. Bond, Interstate Department Stores and Grand Union were each bought by two investment companies. Six trusts sold Montgomery Ward, the same number as disposed of this issue during the final quarter of 1950. However, liquidation of 11,800 in this issue was offset by four purchases of 11,900. Three funds each lightened holdings of Federated Department Stores, May Department Stores, Penney and Western Auto Supply. Transaction were negligible and divided in both Sears Roebuck and Woolworth.

Textiles Bought

Pacific Mills and J. P. Stevens aroused most bullish interest in the textile group, four funds adding 9,350 shares of the former and a like number of trusts increasing holdings of Stevens by 25,300 shares. Three trusts bought 20,700 shares of United Merchants and Manufacturers while two purchases each were made of both

Continued on page 22

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Chester D. Tripp
President

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Continued from page 21

Rails and Utilities Feature Trusts' Purchases

Robbins and Cone Mills. Fifteen funds increased their holdings in Burlington Mills, but at least half of these additions were represented solely by the 50% stock dividend. There was no general concentrated selling in this group.

Although purchases were the rule in the paper stocks, buying predominated in few individual issues. Two trusts made initial commitments in Union Bag and Paper and another added to portfolio holdings. There were also two purchases each of Crown Zellerbach and St. Regis Paper offset by no selling. The liquor issues were favored, but buying was not heavy. Hiram Walker was added to two portfolios, and initially placed in a third. Purchases totaled 15,100 shares offset by no liquidation. Two trusts bought 17,800 shares of Distillers Corporation-Seagrams and a like number added 3,500 shares of National Distillers. In both these issues there also was an absence of selling.

Activity in banking, financial and insurance stocks was comparatively light and as usual ranged over a wide number of issues. Two initial commitments were made in Irving Trust totaling 38,500 shares. A like number of purchases were made of Bank of America, but share total only equalled 20,400. Central Hanover was increased in two portfolios; one of these additions resulted in part from the 1-for-7 stock dividend. Another trust eliminated both the dividend and previous holdings from its portfolio. Commercial Credit was purchased on balance by four investment companies; there was one portfolio elimination. In contrast, opinion was divided on C.I.T. Financial; three purchases offsetting a like number of sales.

Non-Uniformity in the Motors

Selling in the motor issues was featured by transactions in General Motors, seven managements disposing of 37,700 shares, three of which represented complete eliminations. On the other side of the market, three additions totaled 18,200 shares. By contrast, buyers predominated in Chrysler, two portfolio increases and three initial commitments totaling 5,500 shares. One small block of 200 shares was sold. Also sold on balance were Libby-Owens-Ford by four companies and Doehler-Jarvis by three.

Activity was light and divided on either side of the market in the aviation transport issues. Among the manufacturers, five sales were made in United Aircraft totaling 8,600 shares. Two offsetting purchases equaled half the above sold. Four trusts also disposed of 3,200 shares of Douglas.

Transactions in the Oils

Selling in the petroleum group increased about 35%, while purchases decreased a like percentage amount from that of the previous quarter. Texas Company was the least popular issue, eight funds disposing of a total of 14,100 shares. Half as many trusts made purchases of 9,900 shares. Four companies decreased holdings and two others eliminated Socony Vacuum. Sales totaled 21,800 shares while there were four additions of 27,800. Standard of Indiana, also sold in the previous quarter, was lightened in five portfolios. Likewise liquidated on balance were Continental Oil, Louisiana Land and Exploration, and Imperial Oil Co., Ltd. Buying was concentrated in Sinclair Oil and Skelly, five additions of the former totaling 15,800 shares and four of the latter equaling 10,600. Also favored were Kerr-McGee Oil Industries, Signal Oil and Gas "A" and Warren Petroleum. Opinion was divided on Gulf Oil and Phillips Petroleum.

Johns-Manville and Weyerhaeuser Timber were least well liked of the building stocks. Five companies lightened holdings of both issues. American Radiator, National Gypsum, and United States Gypsum also were disposed of on balance. Favored in the group were General Portland Cement, American Seating and Yale and Towne.

Liquidation of Chemicals

Selling in the chemicals was featured by Union Carbide and Hercules Powder, five funds liquidating 5,600 shares of Carbide and the same number disposing of 76,500 shares of the latter stock. Also unpopular were Eastman Kodak, Air Reduction and Newport Industries. Opinion was slightly weighted with the bears in duPont while Dow, if lack of consideration be given to the stock acquired through rights, was given a narrow edge by the bulls. Monsanto, however, was the most popular in the group with interest also indicated in purchases of Heyden and Nopco Chemical.

Harold Schreder Named Group Secs. Director

Harold X. Schreder, Executive Vice-President and Director of Research of Group Securities, Inc., 63 Wall Street, New York City, has been elected to the board of directors of the company, it was announced by Herbert Anderson, President.

Harold X. Schreder

Mr. Schreder joined Group Securities, Inc., in 1942, after serving as an economist in the Treasury Department. Previously, he had been associated with M. A. Manley & Co. of Detroit as Director of Research. Earlier in his career, Mr. Schreder had been with the National Bank of Detroit and General Motors Corp.

Elect Directors

The present board of directors of the Mead Corp. was reelected with the exception of H. Gates Lloyd, of Drexel & Co., Philadelphia, who is serving with the U. S. Government. He was succeeded by Robert H. Lee, a partner of Drexel & Co. Howard E. Whitaker was also elected Executive Vice-President and Director of the corporation. Mr. Whitaker has been a Vice-President and replaces J. O. Mason, who retires although remaining in an advisory capacity. H. T. Mead and Herbert A. Kidd were both elected Vice-Presidents. Mr. Kidd is also Vice-President and General Manager of Macon Kraft Co., a subsidiary of The Mead Corp. Mr. Mead was formerly assistant to the Chairman of the Board with offices in New York. In his new capacity he will make his office in Dayton. Archibald D. Fraser was appointed Assistant Treasurer.

Inventory Picture and the Business Outlook

National Industrial Conference Board, in special report, points to heavy inventories and rising consumer and business debts, but holds, despite these conditions, supply-demand relationships retain inflationary implications.

In a special release of its current report on "Business Highlights," the National Industrial Conference Board, an economic research organization points out that business statistics have recently been tolling off a series of danger signals that, at least in ordinary times, would call for a rather dim view of the near term. This in spite of the fact that the basic supply-demand relationships of the economy retain clearly inflationary implications.

Defense expenditures, now running at nearly $30 billion (annual rate), are expected to increase perhaps 70% in the coming year. Business expenditures for plant and equipment in the last three quarters of 1951 are expected to rise to an annual rate of close to $25 billion, about 20% above the rate in the last half of 1950. Consumers' disposable income, now at an annual rate of $216 billion, will also certainly rise over the months ahead if the planners of the mobilization even approach their employment goals.

Even under optimistic assumptions as to total output, these conditions appear to spell out a man-sized inflationary gap that should keep prices pressed against their ceilings and could conceivably require some upward adjustments in the ceilings themselves, the report observes.

Yet wholesale prices have moved sideways since mid-February and were drifting downward in early April. At that time, significant declines in spot-market prices of basic commodities seemed to foreshadow a further decline in the wholesale price level. Even industrial commodities, many of which have been scarce enough to require allocation controls as well as price controls, actually declined slightly in the first two weeks of April. And buying interest in the discretionary consumer markets, judging from sales of department stores and other durable goods outlets, was sagging seriously in March. Easter sales of soft goods fell far below expectations, and in the weeks following Easter wholesale trade suffered a more-than-seasonal slackening.

Inventory Picture

These were the surface symptoms. But there were a number of underlying conditions to which these symptoms drew attention. Most striking of these was undoubtedly the state of inventories. Going into March, total business inventories (retail, wholesale and manufacturing) were roughly at $65 billion—25% above a year ago and about 20% above their level at the time of the Korean invasion. They were, furthermore, about 14% above the peak that preceded the sharp liquidation of 1949.

Retail inventories were particularly impressive; about 29% above their year-ago level and about 21% above their level in June, 1950. While by far the greater part of the increases represented higher prices, this observation provided small comfort for the retailer who saw his dollar sales volume shrinking. At the retail level, inventories had clearly moved ahead considerably faster than sales, although the wide swings of retail volume since Korea had tended to disguise this condition.

Manufacturers' inventories were in somewhat better shape. Up 22% from a year ago, and 18% from June, 1950, their ratio to sales was still far below a year ago, and far below the level of the ratio prior to the inventory liquidation at the end of 1948. However, the fact that basic materials continue in tight supply suggests that manufacturing inventories have departed radically from a normal balance. Inventories of those materials which are not in tight supply have apparently increased at a much faster rate than aggregate inventories.

Consumer Debt

Going into March, total consumer credit outstanding amounted to $19.5 billion, about 20% above a year ago and more than 10% above June, 1950. And the increase in the monthly repayment obligations of consumers may be considerably greater than the increase in the debt itself. A major part of the debt now outstanding has been contracted since the middle of October, when Regulation W was tightened to impose 15-month repayment periods in the automotive, appliance and homefurnishings markets. Assuming an average repayment period of about 12 months for the debt as a whole, consumers have incurred a monthly repayment obligation possibly $500 million greater than in February, 1950. This $500 million represents, roughly, 3% of current disposable income. It would of course represent much more than 3% of income spent for nonessentials.

There have been other increases in the drain on consumer income. Nonfarm home mortgages were recorded at the rate of about $1.3 billion monthly during 1950, or about 30% above the monthly average for 1948 and 1949. Outstanding mortgage debt at the end of 1950 was 19% above the level at the end of 1949 (totaling about $44 billion) while disposable income had advanced only about 10%.

The increase in consumer credit and mortgage debt suggests a third aspect of the recession argument. The danger of saturation in the automobile, housing and appliance markets had been considered seriously in 1949. Discussion continued in early 1950, while record gains were being rolled up in precisely those markets that were supposed to be approaching the saturation point, but the subject was promptly dropped when Korea switched the concern of retailers (and home builders) from saturation to shortage. It might now be argued that the unexpected avalanche of homes and durable goods that has poured into the market in the nine months since June, on top of the accumulations from 1948 and 1949, have in fact produced a kind of saturation. That is these markets may have arrived at a replacement-plus-normal-growth basis.

Price vs. Wage Rise

A further consideration on the recession side: in the first two months of the new year, consumers' prices rose faster than average weekly earnings in manufacturing (and total personal income remained constant). Still tentative estimates indicate that this condition may have been reversed in March, but real disposable income for the first quarter as a whole was about 1% below the fourth quarter of 1950.

Evidence of strong resistance to prices was present in virtually all consumer markets in March and early April. Part of this resistance may stem from heavy consumer stocks (of storable nondurables and semidurable goods, as well as durables). The decline in real earnings, at a time when stocks are heavy, might well lead to a sharp curtailment of nonessential purchases.

In such a situation, there is little assurance that price cuts alone would, in ordinary times, produce an immediate resurgence of buying interest. At junctures like this, price expectations can undergo a very sharp change. From June to January, consumers stocked up partly from fear of shortages, but also to beat higher prices anticipated in the future. And now, as sales have begun to signal a downturn in consumer prices, the consumer might sit placidly by to await still lower prices. (Some durable goods manufacturers have already concluded that intensified promotional efforts rather than price reductions are called for now.)

The Outlook

In some ways the outlook may be more ominous now than it was in late 1948, when recession took hold. Consumer stocks and debt are higher. Business investment in inventories is higher. Prices are higher. Business loans have moved into an area where some liquidation may be necessary. The housing and durable goods industries, which played a critical role in supporting both demand and output in 1949, have eaten further into the postwar market.

But some of the basic conditions of recession are clearly missing. Barring any change in the scope of the rearmament program, it is hard to visualize unemployment on a scale that would cause any serious decline in aggregate personal income. Again, while price expectations on the part of consumers and businessmen are less positive now than they were a few months ago—controls and the unexpected abundance of consumer goods have seen to that—climbing military output and impending cutbacks in consumer goods make any major reduction in the general price level very improbable. So, price expectations—one of the major factors that gives recession its cumulative character—are not likely to undergo any sharp change.

Finally, the demands of the rearmament program for the expansion of the nation's productive capacity gives strong assurance that spending in the critical capital goods area will continue upward even in the face of a sharp and protracted dislocation of consumer markets.

The recession possible under such limitations does not now seem to have any broad implications for the general business picture, however painful it may be for retailers (and those manufacturers catering to the consumer who have not yet developed a military backlog). Something like such a recession was in fact experienced late last year, when the pace of retail trade seasonally adjusted) fell a dramatic 10% in the three months following the heavy buying of July and August. The shrinkage could be as sharp or sharper now.

But there is still little reason to believe that such a recession can escape in force from the retail market and work its way through the business structure.

The Labor Force

The slowup in demand for civilian goods may help to shake out the labor force and permit it to gravitate more rapidly into war work than it would in the face of booming civilian demand.

In early April, cutbacks of employment in the automotive industry because of limitations on metal consumption were appearing simultaneously with layoffs in some appliance and soft-goods industries because of falling demand. The television industry, which by March had subsituted its way out of many of its major supply problems, began to cut output because of the pressure of backed-

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up stocks at the distributor level.

If cutbacks in this and other consumer industries should grow in the weeks ahead, the tightness in the skilled labor market could ease appreciably. That would facilitate further rapid rises in employment at aircraft, munitions and machinery plants, whose demands for labor are expected to increase sharply during the second and third quarters.

Seasonal Picture

The seasonal increase in unemployment that normally occurs in the first months of the year did not materialize this year, as defense production in the durable goods industries continued to absorb the labor released during the winter slowdown by the seasonal industries—contract construction, agriculture, lumber, and some nondurable goods manufacturing industries. The spring revival of these industries is already putting heavy pressure on the labor market. Any losses of employment in consumer industries during the retail lull may thus be hard to replace in coming months. When the consumer's buying urge revives, he may find that labor scarcity, as well as materials shortages, have cut back the flow of civilian goods.

Tenn. Gas Transmission Preferred Stock Offered

Offering of a new issue of 100,000 shares of 5.10% cumulative preferred stock of Tennessee Gas Transmission Co. was made on May 9 by a banking group headed jointly by Stone & Webster Securities Corp. and White, Weld & Co. The stock is priced at $102 per share plus accrued dividends from April 1, 1951, to the delivery date.

The company will apply the proceeds from the current financing to the payment of short-term bank loans previously incurred for construction. Under the presently authorized expansion program, the delivery capacity of the company's system will be increased from approximately 1,000,000 MCF of natural gas a day at Jan. 31, 1951, to 1,310,000 MCF a day, at an estimated cost of approximately $140,000,000. The new preferred stock will have the benefit of a sinking fund commencing Oct. 1, 1956, providing for the retirement of the entire issue by Oct. 1, 1981. General redemption prices range from 105 if redeemed prior to Oct. 1, 1956 to 102 on and after Oct. 1, 1966.

Owner of a pipeline for the transportation and sale of natural gas at wholesale, Tennessee Gas Transmission Company began operation late in 1944 with an initial capacity of 200,000 MCF of natural gas a day. Extending from the Rio Grande Valley in Texas to existing termini near Kenova, West Virginia, and Buffalo, N. Y., the system has progressively increased its output to its present capacity of over 1,000,000 MCF. Principal customers of the company include the systems of the Columbia Gas System, Inc., and Consolidated Natural Gas Co.

Joins Walston, Hoffman

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Arthur E. Hoskin is now affiliated with Walston, Hoffman & Goodwin, 550 South Spring Street.

Frank Knowlton Adds

(Special to The Financial Chronicle)

OAKLAND, Calif.—Bernice M. Anderegg has been added to the staff of Frank Knowlton & Co., Bank of America Building.

With Hannaford-Talbot

SAN FRANCISCO, Calif.—William C. Cheesman has been added to the staff of Hannaford & Talbot, 519 California Street.

Closing Tax "Loopholes"

What is a loophole? If the law does not punish a definite action or does not tax a definite thing, this is not a loophole. It is simply the law. Great Britain does not punish gambling. This is not a loophole; it is British law. The income tax exemptions in our income tax are not loopholes. Politicians who complain about loopholes in our income tax (they do not refer to the low-bracket exemptions) implicitly start from the assumption that all income over fifteen or twenty thousand dollars ought to be confiscated; and therefore call a loophole the fact that their ideal is not yet attained. Let us be grateful for the fact that there are still such things as those the honorable politicians call loopholes. Thanks to these loopholes this country is still a free country and its workers are not yet reduced to the status and the distress of their Russian colleagues.

Ludwig von Mises

I do not want to assert that our laws are perfect and do not require any amendment. Let us discuss this problem in detail and let us examine every instance according to its merits. But do not confuse the issue involved by resorting to the meaningless slogan "elimination of loopholes."—**A statement by Dr. Ludwig von Mises before a Conference on the Economics of Mobilization, White Sulphur Springs, West Virginia, April 7, 1951.**

Discuss Permissive Incorporation of New York Stock Exchange Firms

Investment Association of New York, at luncheon meeting on April 18, hear arguments in favor and against proposal to allow member firms of Stock Exchange to incorporate.

Amyas Ames Walter Maynard

"Should members of the New York Stock Exchange be allowed to incorporate?" was the topic of discussion at a luncheon meeting of the Investment Association of New York on April 18. The principal speakers were Amyas Ames, a partner of Kidder, Peabody & Co., and Walter Maynard, a partner of Shearson, Hammill & Co. Both firms are members of the New York Stock Exchange.

Mr. Ames, a governor of the Stock Exchange, spoke in favor of the proposition. He maintained that allowing New York Stock Exchange firms to incorporate "would recognize the facts of life in the securities business." Reviewing the last attempt to allow member firms to incorporate, Mr. Ames said that about 70% of the governors of the New York Stock Exchange favored permissive incorporation in 1948, but that when a vote among the general membership was taken about twice as many voted against as voted for.

He said that the corporate form would make pensions possible, would allow the building up of reserves to meet losses, and would make the raising of capital easier. The tax advantage would vary from firm to firm, and has been lessened by excess profits taxes, he said.

Mr. Maynard, a partner in Shearson, Hammill & Co., in opposition to incorporation, argued that the "nature of the partnership is superior." He said that the discipline that the New York Stock Exchange at present can enforce upon its partner-members might be subject to litigation if corporations were formed. He said that the fact that incorporation would allow the payment of pensions was a powerful argument in favor of permissive incorporation, but that the present discrimination against partnerships in this respect may not be permanent. Similarly with taxes, he said. It doesn't seem right to make a change in organization in order to meet what may be a temporary advantage, Mr. Maynard said.

As far as accumulating capital is concerned, Mr. Maynard said that he, as a capitalist, preferred the partnership form, where he could withdraw, with his capital, whenever it suited him. The profit-making ability of a firm attracts capital regardless of the form of organization, he said. Anyway, he said, corporations who wish to may set up partnership affiliates who can become members of the New York Stock Exchange.

Mr. Ames, in his original argument favoring permissive incorporation, listed several arguments against permissive incorporation and then rebutted them. He said he felt that some of the members, certainly not all, wanted to void competing with incorporated security firms. He said that the unlimited liability that theoretically exists in a partnership had little validity today when most partners had all of their capital in the firm anyway. He said he saw no reason why the right to discipline members that the Stock Exchange now has could not be written into corporation-member by-laws.

With King Merritt Co.

(Special to The Financial Chronicle)

NEOSHO, Mo.—Walter H. Ramsay is with King Merritt & Co., Inc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Fire insurance shares so far in 1951 have fluctuated within a very narrow range.

In a period when most stock groups have been moving upward, insurance shares have lacked any particular market following. The result has been that the general stock market is now about 11% above where it was at the year end while the insurance group remains practically unchanged.

For example, the Dow-Jones Industrial Average closed on May 7, 1951, at 261.23. On Dec. 30, 1950, this average was 235.41. The advance during the four-month period was approximately 11%. On Dec. 27, 1950, Standard & Poor's index of fire insurance stocks was 188.0. The same index stood at 188.7 on May 2.

Unquestionably the insurance stocks have been under the adverse influence of extensive losses suffered in the storms of last fall. Another factor in the same connection is the fear that the appearance of inflationary pressures may result in a period of unfavorable underwriting.

Regardless of the reason the fact remains that the insurance group has done little this year. Of course, there are individual exceptions. Some of the issues have continued to move ahead. Possibly one of the reasons for particular issues showing up better than others is that there has been a considerable amount of buying for the account of pension funds. As this buying may have been concentrated in particular issues, these stocks have acted independent of the general group.

In the following tabulation, the current market prices compared with those at the end of last year are shown. The price range for the 26 stocks included in the tabulation is also presented.

	Current Market Bid	Bid Price Dec. 30, 1950	Change	1951 Price Range High	Low
Aetna Insurance Co.	53	57½	—4½	61¼	52
Agricultural Insurance	71	68	+3	75	68
American Insurance (Newark)	21	22½	—1½	22¾	19¾
Boston Insurance	58	58¼	— ¼	59¼	54
Camden Fire	20¾	20¼	+ ½	22⅜	20⅞
Continental Insurance	68½	70½	—2	78	64½
Federal Insurance	81	75	+6	82	75
Fidelity-Phenix	68½	69¾	—1¼	78	65
Fire Assoc. of Philadelphia	56¼	58	—1¾	62½	55¼
Fireman's Fund Insurance	54	57½	—3½	58¼	47
Fireman's Insurance (Newark)	21	22¾	—1¾	22⅞	19¾
Glens Falls Insurance	56¼	53¾	+2½	56½	52
Great American	34½	31¼	+3¼	34¾	30¾
Hanover Fire Insurance	32¼	32¾	— ½	34	31½
Hartford Fire Insurance	129	136	—7	139½	122
Home Insurance	35½	34½	+1	36	34½
Insurance Co. of North Amer.	72½	64	+8½	73½	62
National Fire Insurance	57½	55½	+2	62	55¼
National Union Fire	35	33¼	+1¾	36¾	33¼
New Hampshire Fire	39	39¾	— ¾	42	38
Phoenix Insurance	75½	84	—8½	84¼	74
Providence-Washington	29	30¼	—1¼	30½	28¾
St. Paul Fire & Marine Insur.	31½	28½	+3	33¼	28½
Security Insurance Co.	34½	31¾	+2¾	34½	32
Springfield Fire & Marine Ins.	45¾	41½	+4¼	46	41½
Westchester Fire Insurance	21	22¼	—1¼	22¼	19¾

As we move into the last half of the year, it seems that the fire insurance stock group should do considerably better.

In the first place, there is the likelihood that a number of the companies will consider the payment of larger dividends. Investments results this year have continued to show good gains over a year ago. In addition to higher dividends received on equity investments, the firming of interest rates has meant that income from this source is also gaining. These considerations, along with a larger volume of invested funds, indicates that investment income will be higher this year.

Inasmuch as investment income is one of the primary determinants of dividend policies, a favorable showing is likely to be reflected in more liberal dividend payments.

Another factor in the current outlook that could make for an improvement in market valuations would be a decline in losses for the final months of the year. In other words, while losses are currently running ahead of those of last year, it is not likely that the catastrophes suffered in the windstorms of last November will be repeated. At the same time a larger volume of premiums should enable most companies to offset some increase in losses and expenses. Thus results for the year should at least equal those of 1950.

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Barrett Wendell, Jr. With Century Dist.

Century Distributors, the underwriter of Century Shares Trust, has announced the appointment of Barrett Wendell, Jr., as their wholesale representative in the Middle West. Mr. Wendell, who has been in the investment business in both Chicago and Boston, will make his headquarters in Chicago.

Earle Richards Is A Proud Papa!

LOS ANGELES, Calif.—Earle Richards, Manager of the underwriting department of Dean Witter & Co., 632 South Spring Street, became a proud father on May 2, a son, Steven Richards, weighing 9 pounds 3 ounces, having been born to him and his wife Myrna.

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Canadian Securities

By WILLIAM J. McKAY

The vagaries of the Canadian dollar in recent months have given rise to considerable bewilderment both here and in Canada. The persistent weakness since the beginning of the year that carried the rate from 4¼% to 6⅜% discount can be ascribed to a combination of factors, the principal of which are the following:

(1) Canadian imports during the first quarter of the year are normally in excess of exports.

(2) As a result of the removal of restrictions on imports from this country on Jan. 2, Canadian imports this year have been abnormally large.

(3) Canadian rearmament orders placed in this country in accordance with the U. S.-Canadian Defense Pooling Agreement have been far in excess of similar U. S. purchases in the Dominion.

(4) Liquidation (following the expiration of the six months tax period) of U. S. purchases of Canadian funds and internal securities effected last year in anticipation of the rise in the Canadian dollar.

Last week the downward trend was abruptly reversed and funds strengthened sharply to 5⅛%. This movement was accepted as a normal development since at this period of the year the Canadian dollar invariably stages a seasonal recovery, which is usually maintained through the summer months. On this occasion the upward reaction appeared to conform to the customary pattern and reports of a growing list of projected Canadian borrowings in this country served to accentuate the stronger trend. However to the discomfiture of most exchange experts this recovery was hardly established before it was almost entirely eliminated. Selling pressure emanating from north of the border was responsible for the rude dissipation of the renewed bullish atmosphere. As a result the Canadian dollar again declined through the 6% level, and the movement was accompanied by nervous liquidation of new positions taken in anticipation of the usual seasonal rise of the Canadian dollar.

Although from the viewpoint of the U. S. holders of Canadian dollars this recent action of the Exchange has been most disappointing, from the official standpoint it is highly desirable. The problem of the U. S. "hot money" influx has always had the close attention of the Canadian monetary authorities and within the scope of the controlled free market it is logical to expect official intervention to deter the reestablishment of important bull positions.

It is particularly necessary at this time to prevent any repetition of the speculative movement that took place last fall. On that occasion also there were strong rumors of sterling revaluation that could not fail to encourage the purchase of Canadian dollars. At this level, as then, the Canadian dollar appears already attractive without the additional influence of a possible upward movement of sterling. Last fall the case for sterling revaluation, although even more logical than now, was not given serious consideration by the British authorities. The change at the highest level in the British Treasury undoubtedly militated against drastic action of this kind, especially in the absence of unanimity of opinion on the subject.

Today however the eminent British economist Professor Roy Harrod of Oxford University, who is the logical successor to the late Lord Keynes, is strongly advocating a higher level for the pound. There is no question as already pointed out that the economic interest of the United Kingdom as the world's largest importer are best served by a higher rather than a lower exchange level. Britain was forced to devalue her currency in September, 1949, but the estimated true value at that time was about $3.20 and not $2.80. Consequently British exports, in a seller's market, became unnecessarily cheap, and imports correspondingly dear. In the interim the British terms of trade have progressively deteriorated. The deplorable Argentine meat deal is a sore reflection on British monetary policy and is an apt illustration of the consequences of failure to revalue at the appropriate time.

As Professor Harrod pertinently states, revaluation of sterling is becoming increasingly an economic necessity. While it is postponed an ever larger volume of exports will be required to pay for Britain's essential imports. In a recent letter addressed to the "Financial Times" of London the British economist advances the opinion that the pound should be permitted to rise by stages of 20 cents at a time and he ventured the guess that at $4 there would still be a strong case for a further upward movement.

In the event of sterling revaluation it would be difficult to prevent a sympathetic rise of the Canadian dollar. For this reason in order to circumvent speculative activities the question of early reestablishment with the International Fund of a fixed parity of the Canadian dollar might well receive serious consideration.

During the week interest in the external section of the market was concentrated on the new $50 million Ontario issue which was fairly well received despite current bond market uncertainties. There was only slight activity in the internals and prices moved erratically in sympathy with the abrupt changes of the Canadian dollar. Stocks were mostly lower and all groups with the exception of Western oils registered moderate losses. The latter advanced strongly led by Federated Petroleums, Calvan, Royalite, and Calgary and Edmonton. Recent interest in the oils has been sparked by pipeline developments that will broaden markets for prairie oil, and belated recognition of the promising prospects of the natural gas industry.

Laurence B. Carroll With Burke, McDonald

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Laurence B. Carroll has become associated with Burke & MacDonald, 17 East Tenth Street. Mr. Carroll was formerly an officer of Prescott, Wright, Snider Co., with whom he had been associated for many years.

Vance, Sanders Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert C. Bishop has been added to the staff of Vance, Sanders & Co., 111 Devonshire Street.

With H. C. Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—George L. Van Wyck has joined the staff of H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

The Key to Foreign Bond Defaults

Noting United States' current embarkation on its second major period of foreign lending renders reexamination of past experience important, Dr. Ilse Mintz, in National Bureau of Economic Research study, finds main cause of past large defaults was progressive decline in loan quality during our rising financial speculation of the 1920s. Reports close correlation between volume of flotations and business cycle.

The key to the explanation of many of the defaults on foreign bond issues in the '30s is that the quality of foreign government loans declined materially in the Twenties, Dr. Ilse Mintz reports in a study released this week by the National Bureau of Economic Research.

Defaulted foreign bonds have been analyzed with reference to time of default, type of borrower and form of lending, but the time of lending, on which Dr. Mintz's investigation was centered, has been virtually ignored. "Fluctuations in the quality of new investments of any kind," she says, "have seldom been investigated empirically."

The study, "Deterioration in the Quality of Foreign Bonds Issued in the United States, 1920-1930," makes a unique contribution to our knowledge of how the business cycle operates and opens up a field for investigation of fluctuations in the quality of investments. Dr. Mintz, the author, teaches economics at Columbia University, and formerly was a member of the staff of the Austrian Institute for Business Cycle Research.

The United States, she notes, "is now entering its second major period of foreign lending. It is, at present, the only country with the capacity for large scale foreign investment with private or public funds, and the greater part of the world needs its economic aid. The resumption of foreign lending creates a host of problems, political and economic, which are being widely discussed."

By re-examining past experience and by presenting what happened in new light, Dr. Mintz believes an important contribution can be made to the understanding of current problems and to the making of present policies.

800 Issues of Foreign Bonds Are Analyzed

By statistical analyzsis of about 800 bond issues of 43 borrowing countries with a total par value of a little over $7,000,000,000, the author shows surprising contrasts between loans issued in different years.

She finds, for example, that only six percent of the issues of 1920 went to borrowers who defaulted in the 1930s—while 63 percent of the issues in 1928 suffered that fate.

Of all loans issued in the five years 1920-24, only 18 percent went to borrowers who defaulted in the 1930s, while for 1920-29 the ratio is as high as 50 percent.

Causes of Default Are Found in The Economic Climate in the Late 1920's

Dr. Mintz concludes that it was not "the nature of foreign lending" which made default "inevitable." She thinks that an originally sound development was turned into a predominantly unsound one by the economic climate of the late '20s; that the boom in American financial activity was responsible for the steep decline in the quality of foreign loans.

Transfer difficulties which have received so much attention in this connection affected loans of 1920 as much as loans of 1928, she notes. They cannot explain the big variations in loan quality. Neither can they explain, Dr. Mintz observes, why countries that were highly prosperous during World War II with booming dollar exports did not decide to pay their creditors their due, while countries that were invaded and suffered grievously like Belgium, France and Norway, kept paying all they owed.

The boom psychology in the United States, coupled with the fact that in its new role as a creditor country the United States went through a decade without one default on a foreign bond issue, affected the judgment both of many of the investment banking houses originating foreign loans and of investors finding an investment outlet in them.

When cautious bankers refrained from expanding their foreign loans, their place was taken by less cautious ones, Dr Mintz shows by analysis of the origin of defaulted issues. Part of the banking community resisted the tempting profits in the business and even warned against the dangers involved.

But the individual investors not only were unaware of the increasing riskiness of new foreign issues but even grew more confident at the very time the quality of new bonds was the lowest, Dr. Mintz finds. In 1928 a crop of foreign bonds, 65 percent of which were to prove failures, could be sold to yield not more than a 2 percent risk premium.

Investors accepted an 8 percent reduction in risk premium for a much riskier investment at the very time they accepted only a 10 percent reduction in yields on high-grade investments of constant quality, she finds.

Besides the complete absence of defaults, the factors explaining the loss of caution by investors included the considerable profits made by a great number of investors over a long period, the absence of a severe depression which increased confidence in the future, and mistaken confidence in the judgment of bankers whose caution had been affected by the same influences as had affected investors.

Loan Cycles Found to Move Counter to General Business Activity in the United States

Dr. Mintz also devotes a chapter to fluctuations in the amount of foreign bond issues. She found that loan cycles move counter to general business with almost perfect synchronism. The sole exceptions were near the turning points of business activity. The loan curve lags one or two quarters at business cycle troughs and leads by one quarter at business cycle peaks, except in 1929, when turning points coincide.

Dr. Mintz finds that American business conditions were the dominant factor in determining foreign bond flotations.

Foreign lending was much greater during American depressions than during American prosperity. For all the loans studied, the average amount issued during the three quarters centered at peaks of American business cycles was $103,000,000. At troughs it was $220,000,000.

For the eight countries whose business fluctuations have been described on a basis comparable with those of the United States the contrast is even greater, she reports. $32,000,000 was issued at U. S. peaks and $111,000,000 at U. S. troughs in business activity. Yet when their own business was at peak levels, they issued an average of $61,000,000 a quarter in loans. When their own business

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was depressed, the average was almost the same, $66,000,000 a quarter.

By comparing both foreign and domestic bond issues to reference cycle patterns, Dr. Mintz finds that foreign bond issues were more closely related to American business cycles than the domestic bond issues. She also finds a striking inverse relationship of new common stock issues to foreign bond flotations during the entire period.

This held except for 1923, when turmoil in Europe caused a shock strong enough to hamper investment in both domestic stocks and foreign bonds. The foreign series lagged slightly at some turning points, but otherwise it mirrors closely the fluctuations in American common stock issues, she says.

Dr. Mintz's study was begun under a field fellowship of the Social Science Research Council. It proved of such keen interest to the staff of the National Bureau of Economic Research that the research agency provided facilities for its extension and completion.

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New financing to the extent of approximately $6,800,000 is being undertaken by Long Island Lighting Co. with an offering to its stockholders of 524,949 additional shares of common stock (no par). Holders of record on May 2, 1951 may subscribe for the shares at $13 per share on the basis of one new share for each six held with a conditional privilege of oversubscription, subject to allotment. Concurrent with the stockholder offering, the company is also offering to each of its full-time employees the privilege of subscribing for not more than 200 common shares at $13 per share from any shares remaining unsubscribed by stockholders.

Blyth & Co., Inc. has been retained by the company to act as dealer-manager of a group of securities dealers which will solicit subscriptions for and effect the sale of the shares of common stock.

The New York utility will use the preceeds from the current financing to reduce outstanding temporary bank loans previously incurred for expansion of current facilities. The company contemplates that its construction program for the years 1951-1954 inclusive, based upon present estimates of growth in demand for its services, any require aggregate expenditures of approximately $134,000,000 for additions to electric, gas and other properties. During 1951, the amount of expenditures is estimated at $32,000,000, the greater part of which will be applied to electric properties.

William H. Fanning With Perrin, West

PROVIDENCE, R. I.—William H. Fanning has become associated with Perrin, West & Winslow, Inc., members of the Boston Stock Exchange. Mr. Fanning was formerly Providence manager for Coburn & Middlebrook, Inc. Prior thereto he was sales manager for E. R. Davenport & Co.

Joins Pacific Northwest

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—David K. Anderton has become connected with Pacific Northwest Co., Wilcox Building.

Coburn & Middlebrook

PROVIDENCE, R. I.—Domenic DiSandro has become associated with Coburn & Middlebrook, Inc., 17 Exchange Street.

Britain's Raw Materials Crisis

By PAUL EINZIG

Dr. Einzig, maintaining raw materials crisis in Britain is principal cause of shift in Britain's Labor Party, sees Mr. Bevan, who recently resigned from Labor Government, aiming to upset policy of sacrificing living standards for rearmament. Says fears of unemployment in Britain are prevalent and, should it come, Mr. Bevan's popularity would grow and Britain may then pursue independent foreign policy.

LONDON, Eng.—The scarcity of raw materials brought about a Ministerial crisis in Britain that shook the government in its very foundations. It resulted in the resignation of three Ministers—two of whom were members of the Cabinet—and split the Labour Party. The full political consequences of the crisis cannot as yet be ascertained. For even though the Parliamentary Labour Party, the National Executive of the Labour Party and the Trades Unions Council repudiated the policy advocated by the resigning Ministers, the last word rests with the rank and file of the members throughout the country.

Dr. Paul Einzig

It is true, the imposition of minor charges on the National Health Service in the Budget for 1951-52 was the immediate cause of the resignation of Mr. Bevan, Minister of Labour; Mr. Harold Wilson, President of the Board of Trade, and Mr. John Freeman, Parliamentary Secretary to the Ministry of Supply. But the fundamental cause was the anticipation of a major industrial crisis resulting from scarcity of raw materials. The three Ministers, and many other politicians besides, feel that in view of this scarcity it is a mistake to proceed with the rearmament program. They fear that the gain to this country's military strength would be more than offset by the weakening of her economic strength and by the resulting Communist infiltration. In their opinion the maintenance of the social services and of the standard of living should be given priority over rearmament. If there is not enough raw material to satisfy all requirements, those of rearmament should be sacrificed in the interest of Britain's economic, social and political stability.

The government's view is that neither military nor civilian requirements should be given absolute priority, and that if there are not enough raw materials both should take their share in the inevitable cuts. This view is endorsed by the overwhelming majority of the Labour Party, because the alternative would be the defeat and resignation of Mr. Attlee's government. But, in private conversations in Parliament and in the country, Mr. Bevan's views have a much stronger support than would appear from the press or from public speeches.

Mr. Bevan does not intend to join forces with the opposition in order to defeat the government. He is prepared to wait until the annual conference of the Labour Party in October, when he will attempt to secure for his group a majority on the National Executive. At present, he only commands four votes out of 26. But he hopes that by October his eloquence, and even more the eloquence of facts, will convert many millions of Socialists to his way of thinking, so that he and his supporters will receive the largest number of votes. He is convinced that during the next few months the raw materials shortages will result in large-scale unemployment, and this, together with the rising cost of living, will discredit the government before the country. Once in control of the National Executive, Mr. Bevan hopes to be able to impose his policy on the Labour Party and the country.

It would be idle to deny that things appear to be moving in his direction. The production of a wide variety of goods had to be cut already, and more cuts are expected in the near future. Fears of unemployment are likely to materialize in the near future, unless the raw material position should improve. Relatively moderate amounts of additional supplies of sulphur and other scarce materials could produce an improvement entirely out of proportion to the quantities involved.

It may be asserted without exaggeration that the prospects of a victory of the anti-American wing of the Labour Party depend entirely on the extent of American raw material allocations to Britain in the near future. In his resignation speech Mr. Bevan accused the United States of giving preference to unrestricted civilian consumption over meeting the indispensable military and civilian requirements of her ally. However unfair this charge may be, it is making a profound impression in the country. Should there be large-scale unemployment, pressure in favour of pursuing an "independent" foreign policy would increase, and with it would increase Mr. Bevan's popularity.

Quarters friendly to the United States are perplexed and worried about the lack of understanding of the British situation that appears to prevail in Washington. Even those who fully endorsed the American stockpiling policy are now inclined to feel that it has gone much too far, and that it is liable to defeat its object. Instead of strengthening the security of the United States against Russian aggression, it now seems to be weakening it, by playing into the hands of anti-American elements in Britain. It is felt that American official political and public opinion ought to realize that the certainty of Britain's wholehearted support is worth a great deal more to the United States than the possession of a few additional hundreds of thousands of tons of sulphur.

The advent of a "neutralist" government in Britain, with a strong anti-American bias, would deal a fatal blow to the united front of freedom-loving nations. It could be avoided at the cost of a timely increase of raw material allocations. A few announcements of such increases would effectively deflate Mr. Bevan's chances to achieve victory. Any delay in the allocations would help him to popularize his arguments, in addition to handicapping the progress of the rearmament drive.

Securities Salesman's Corner

By JOHN DUTTON

The Program Sale

During the next few weeks I am going to try to present some ideas which may be helpful to both new and old securities salesmen regarding the "program sale." In my opinion, it is the most profitable method of security salesmanship. However, it is the general opinion that it presents more difficulties, and usually takes greater skill and patience, than opening accounts by other methods. One result of "program selling" is that you can come closer to controlling an account in this way than any other. After you have sold your man on the idea that you are going to work with him on an over-all basis, where protection and building of his entire estate is the main consideration, your future business with him will be on a high plane that is not only profitable, but where most of the sales resistance originally encountered is eliminated.

Prospecting Comes First

There is only one type of individual that is interested in a program. He is primarily the investor type. The traders and speculators rarely have the patience, or care enough about long-term investment. Therefore you must prospect among the older, retired individuals in your market area. My experience has also shown that business executives only occasionally are interested in "programming." Professional men are all good prospects but unless you know how to obtain interviews on a favorable basis with busy doctors, you will be at a disadvantage there.

If you sell an investor on the program idea you will find that radiation from him as a "center of influence" is less difficult than if you have just been selling him some securities. In every family there is a leader and it is usually the one with the most money. If you have sold him, ask for others he may wish to suggest who would also be interested in a similar plan. They may be members of his family or friends and acquaintances.

Regarding your advertising, there are lists available of wealthy individuals in every community. I cannot go into sales letters here but often it is possible to obtain inquiries on specific securities that can furnish the basis for a contact. This is all that a good salesman should ever need. I have heard salesmen complain that their leads were no good. Yet other men have taken leads from the same mailing and have gone out and done a wonderful job.

What to DO With a Lead

No matter where your lead originated you should qualify it to determine whether or not it is in the following categories:

(1) Curiosity seeker.

(2) Investor or trader.

(3) Can you see on a favorable basis.

There will always be a certain amount of deadheads in all inquiries that you receive from advertising. But the law of averages will work if you give it a chance.

After you have eliminated the curiosity seekers, either by a pre-telephone conversation, or an interview to set up a selling appointment at a later date, we come to the point where you are going to attempt to do business. But before we get there it is important that you are able to impress the prospect with the importance of the information you wish to discuss with him. Obtain an appointment at his home or office **where you will not be disturbed.** You have probably heard the story of the salesman who was working on a prospect and the matter involved a substantial investment. One day he made a call back to see his man without an appointment. He stuck his head in the door and said, "Good morning, Mr. Jones, I was in the neighborhood and I just thought I'd drop in to see you." Mr. Jones looked up from a busy desk and said, "If what we have been discussing isn't important enough for you to see me by appointment you can just drop out again." And you couldn't blame him.

The first step is to sell the appointment, not the "program," or stocks and bonds, or anything else. You sell that by giving your prospect the assurance that you will give him **information that will be of benefit.** If he asks about a stock in answer to an ad or letter, go to see him and tell him about that stock. Use it as the door opener. After you get that far your real opportunity to do some selling just begins. More on that next week.

R. W. Denton, Jr., Is With J. G. White Co.

J. G. White & Co., Inc., 37 Wall Street, New York City, announces that Richard W. Denton, Jr. is now associated with the firm in its government and municipal securities department. Identified with the investment business for nearly 20 years, Mr. Denton came to the White organization from the New York office of Blair, Rollins & Co., Inc. where he had been an Assistant Vice-President. Previously he had been associated with The First Boston Corp. offices in Denver and St. Louis.

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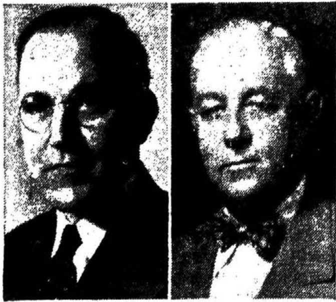

F. M. E. Puelle William D. Ryan

Frederick M. E. Puelle and William D. Ryan have been appointed Vice-Presidents of **United States Trust Company of New York,** it was announced on May 3, by Benjamin Strong, President. Mr. Puelle, who was appointed an Assistant Vice-President in 1943, has been with the company since 1926. He is in charge of the company's Trust Administration functions. Mr. Ryan joined the company in 1926 and was appointed an Assistant Vice-President in 1948. He is Director of Personnel. Mr. Ryan is a member of the Board of Governors of the American Institute of Banking, and is a member of the Personnel Committee, Trust Division of the American Bankers Association.

* * *

Kenneth C. Towe, Vice-President in Charge of Finance of the American Cyanamid Company, has been elected to the Advisory Board of the Rockefeller Center Office of the **Chemical Bank & Trust Company of New York,** according to an announcement by N. Baxter Jackson, Chairman of the Bank. Mr. Jackson also announced that Wilmot F. Wheeler, Chairman of the American Chain & Cable Co., Inc., has been elected to the Advisory Board of the Rockefeller Center office of Chemical. Mr. Wheeler is also a director of the American Mutual Liability Insurance Company, the Bridgeport (Conn.) City Trust Company, the Michigan Chemical Company and several other corporations.

* * *

As was indicated in our issue of May 3, page 1867, the shareholders of the **National City Bank of New York,** at their special meeting May 2, approved the proposal to increase the capital funds of the bank by the sale of 1,000,000 additional shares. Later advices incident to the action state that a total of 78.8% of the 6,200,000 shares outstanding were voted in favor of the proposal with less than ½ of 1% opposed. Wm. Gage Brady, Jr., Chairman of the board, presided at the meeting. The additional shares will be offered at $40 per share to all shareholders on a pro rata basis of one new share for each 6.2 shares held. As heretofore stated, the proposed sale of stock will add $40,000,000 to the capital funds of the bank. The capital stock will be increased from $124,000,000 to $144,000,000 and the surplus from $136,000,000 to $156,000,000. Mr. Brady announced at the meeting that if shares are not all subscribed for by the shareholders, a total of up to 25,000 shares will be reserved by the underwriters for subscription by officers and employees at $40 per share. The number of shares for which officers and employees will be permitted to apply will be in proportion to salaries, but the maximum allotment to any officer or employee will be 200 shares in any case, which will be reduced to 100 shares in the event that the number available for allotment shall be less than 15,000.

In recommending the capital increase to the shareholders, the directors stated their expectation that the earnings of the bank will warrant the payment on the increased number of shares of the same dividend now being paid, namely $2 per share per annum, and they stated their intention, if conditions permit, to continue dividends at that rate. Warrants covering subscription rights will be mailed about May 14 to shareholders of record May 8, and the rights will terminate if not exercised on or before June 4.

* * *

Harvey Eames Whitney, former Vice-President of **Bankers Trust Company of New York,** who retired in 1949, died on May 7 at St. Joseph's Hospital, Paterson, N. J. He was 70 years old and resided in Ridgewood, N. J. Mr. Whitney became associated with the Bankers Trust Company in 1918 as Credit Manager, and in 1919 was elected Assistant Treasurer and was transferred to the Banking Department. He became Assistant Vice-President in 1926 and Vice-President in 1943. From 1932 until his retirement he had his office at 44th Street and Fifth Avenue. Mr. Whitney was born in Brooklyn, N. Y., and was graduated from the Polytechnic Institute of that Borough. He was, for many years, an active member of Robert Morris Associates and a National Bank Credit Men's Association.

* * *

The election of Donald K. Mackenzie as an Assistant Vice-President of **The Marine Midland Trust Company of New York** has been announced by James G. Blaine, President. Mr. Mackenzie was formerly an Assistant Vice-President of Bank of America National Trust and Savings Association, and Assistant to the Treasurer of Prudential Insurance Company of America. During World War II he was a Lieutenant in the U. S. Navy from 1942 to 1946. Mr. Mackenzie received a B. S. in Economics from Wharton School of Finance and Commerce, University of Pennsylvania, in 1935 and an L.L.B. from Brooklyn Law School in 1939. He is a member of the New York Bar, and the New Jersey Bond Club.

* * *

Smith J. Hermans, a trustee of the **Rhinebeck Savings Bank of Rhinebeck, N. Y.,** since 1927, has been elected President of the institution to succeed Jacob H. Strong who has retired, according to the "Savings Bank News" of May 7. Mr. Strong, it is stated, will continue to serve as a trustee.

The board of directors of **The Western National Bank of Baltimore,** at its regular meeting on April 18, appointed Charles A. Nicodemus, Jr., Assistant Cashier since 1934, a Vice-President, and John P. White, Jr., Cashier since 1935, Vice-President and Cashier.

* * *

The consolidation of the **Old Phoenix National Bank of Medina, Ohio,** with a common capital stock of $500,000 and the **Seville State Bank of Seville, Ohio,** with common stock of $25,000, became effective at the close of business on April 21, under the charter and title of the Old Phoenix National Bank. In its April 30 "Bulletin," the Office of the Comptroller of the Currency states that the initial capital of the consolidated bank will be $550,000, in 5,500 shares of common on stock, par value $100 each. The initial surplus will be $550,000 with initial undivided profits and reserves of not less than $286,000. The quarters of the Seville Bank will be operated as a branch.

* * *

As of May 1, the consolidation was effected of the **Old National Bank in Evansville, Ind.,** having a common stock of $1,000,000, and the **Franklin Bank & Trust Co. of Evansville,** common stock of $150,000, the consolidation was consummated under the charter and title of the **Old National Bank in Evansville,** the initial capital of which is $1,200,000, in 120,000 shares of common stock, par value $10 each. The initial surplus is $1,400,000, with initial undivided profits and reserves of not less than $1,100,000.

* * *

We are advised by President C. R. Gossett, President of the **Security National Bank of Sioux City, Iowa,** that the directors of the bank at their monthly meeting on May 1 called a meeting of the shareholders to act on the question of increasing the common stock from $500,000 to $600,000 by the issuance of $100,000 in stock dividends, and to further increase the common stock from $600,000 to $800,000 by the sale of additional shares (par $100 each) at $120. In its statement of condition April 8 the bank reported a surplus of $600,000 and undivided profits of $306,355. On the same date the deposits were shown as $30,609,558, while the assets were reported as $32,015,912.

* * *

William A. McDonnell, President of the **First National Bank in St. Louis** and Chairman of the Board of Directors of the St. Louis Chamber of Commerce, headed the St. Louis Chamber's delegation to the 39th annual meeting of the **United States Chamber of Commerce** held in Washington, D. C., April 30 to May 2.

* * *

The oldest bank in Southern California, **The Farmers and Merchants National Bank of Los Angeles,** founded in 1871, announced on May 4 that during June, July and August it will be closed Saturdays. Victor H. Rossetti, President, stated that the action had been taken after consideration of the following reasons: interest of the personnel, the national trend, and permissive legislation making it possible. It is pointed out that at the present time approximately 32 states have passed legislation permitting banks to remain closed on Saturdays. The banks of California were granted this permission approximately 12 years ago under the statutory provisions of the Civil Code of California.

* * *

A brief ceremony in all branches of the **Bank of America National Trust & Savings Association of San Francisco** on May 5 honored the anniversary of the birth of the late A. P. Giannini, founder of the bank. On Sunday afternoon, May 6, a special invitational observance was conducted by Dr. Robert Gordon Sproul, President of the University of California, at Giannini Hall on the Berkeley campus. Mr. Giannini was born at San Jose, on May 6, 1870, and since his death on June 3, 1949, the birth date has been designated Founder's Day throughout the Bank of America organization as an occasion on which to honor the banker's memory.

* * *

Promotions for five members of the staff of **People's National Bank of Seattle, Wash.,** have been announced by Joshua Green, Jr., President. Donald Greenfield was advanced from Assistant Cashier to Assistant Vice-President of the First Avenue Branch; Eldon C. Schmad and Carroll H. Aitken, both of First Avenue Branch, were elected Assistant Cashiers; Albert A. Green, Jr., was named Assistant Manager of the bank's West Seattle Branch and Alfred G. Gunsten, Assistant Manager at the Bremerton Branch. Both were formerly with the First Avenue Branch. The promotions were voted at a meeting of the bank's board of directors on April 24.

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We Want MacArthur, Not Communism

By ROGER W. BABSON

Mr. Babson, commenting on popularity of Gen. MacArthur, says reason is because he has a policy, and people are fed up with the mumbo-jumbo out of Washington. Contends continued neglect of spiritual forces may lick America as leader of free nations.

Unless the leaders of our country can rejuvenate the common spiritual values which give meaning and purpose to the New World, America is licked as the leader of free nations.

Roger W. Babson

I get lots of letters these days asking me, "What can a man believe, anyway?" They come from business managers and production line workers alike. One man is as confused as the next. One doesn't like labor unions. Another doesn't like government bureaucracy. The next doesn't want price-fixing. Still another doesn't want the United States fighting wars in Korea. But all have a good word to say for General MacArthur.

MacArthur reports that Japanese intellectuals have been shocked by the inability of even our military officers to tell the Japanese what we believe in as a nation and what our long-term objectives are. We don't want the tyrannies of Hitler or Mussolini or Stalin. We don't want British Socialism. We don't want Communism; but, *for the moment,* we want MacArthur! We are fed up with the political mumbo-jumbo out of Washington. We are relieved and encouraged to find someone who has a policy, even if we don't agree with it.

What Americans Want

I think most Americans want something substantial they can grab hold of—something to believe in, an ideology, a creed, a way of life. Something with more substance than a 50-cent "dollar bill." There was a time when the Church gave a meaning of life to people. Apparently this isn't fashionable any more. Our neglect of the spiritual has brought about a great cultural lag in Western civilization.

What was it that satisfied so successfully the wants of our forefathers? Certainly, it wasn't fast automobiles, television, the 40-hour week or a soft life. I believe the happiness and success of our ancestors in this country was the result of their spiritual and courageous approach to problems. The roots of our vitality are not economic. They go deep into the ethical and spiritual soil. Today the trouble is that a startling lack of religion has crept into our national economic thinking. Ask the average person what has made America great and he will probably reply, "Our vast resources and our unparalleled production system." People who think this way have the cart before the horse.

Spiritual Rejuvenation

I am not a social scientist. Anthropologists tell me, however, that in order for any society, primitive or highly civilized, to hang together, it must have a courageous but simple rational creed, a set of spiritual values with strong emotional appeal which give meaning to life. This, I believe, is what we have lacked in the Western World since the disillusionment of World War I. This is what most Americans today long for—a vital, creative, forward-looking creed. We would like more brave leaders to help implement our beliefs for us. Many Americans do not like MacArthur's methods; but his forthrightness appeals to everyone.

Perhaps it is a defect that too many of us voters are waiting for someone else to come up with a real creed. This isn't the way our forefathers operated! They thought their policies out for themselves. I think more of our political, labor and business leaders need to take time to think, pray, meditate, and see if they can't rediscover life's essentials.

A Practical Suggestion

Did you ever stop to think what might happen if your neighborhood turned off the TV or forgot the corner movie for a night a week and, instead, met one night each week in some house to discuss ways to save our Union? The idea is explosive! Think of the force which such grass-roots thinking of this kind could exert on the electorate—on the nation and the world.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph R. Manwaring has joined the staff of First California Company, 647 South Spring Street. He was formerly with Revel Miller & Co. and Fairman & Co.

J. Barth Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lassor H. Grosberg has been added to the staff of J. Barth & Co. 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Joins Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — C. Kenneth DeWitt, Jr. has joined the staff of Paul C. Rudolph & Company, 127 Montgomery Street.

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Continued from page 9

The Federal Debt— Vehicle of Inflation?

would be released and the overall lending power of the banking system would be enhanced.

Stop 6—Inflation really gets rolling when the bank decides to sell tne security and it is purchased by a Federal Reserve Bank.

How does this work? In paying for the security the Federal Reserve grants to the bank a reserve balance. On the basis of a 20% legal reserve requirement (and assuming a $1,000 bond was involved in the transaction) the bank can now expand its loans and investments five-fold. Thus on the basis of government debt of $1,000, purchasing power of $5,000 may be created. Of course, the new loans by the banks may be for productive purposes, reducing thereby the inflationary impact. Nevertheless, this debt monetization energizes the engine of inflation which can easily get out of control.

The Federal Reserve can also pay for the bond by printing Federal Reserve notes, or the bank can cash in its excess reserve arising from the bond sale and get Federal Reserve notes in return. According to the Federal Reserve Act as amended, the Reserve Banks can print Federal Reserve notes as long as they can be backed by a 25% reserve of gold certificates and 75% in government bonds or acceptable commercial paper. The bond backing arises automatically from the above transactions, limiting the printing of money to four times the gold reserve; and the ratio can be lowered at the discretion of the Congress and the President.

Instead of selling the security outright to the Federal Reserve Bank, the commercial bank could have made a loan from the Federal, using the security as collateral. But since the loans may be for only short periods, not exceeding fifteen days, the inflationary impact is very temporary since compensating reductions in reserve balances are effected when the loan from the Federal is repaid.

Stop 7—The bond holding of the individual, instead of detouring to a commercial bank, could have taken the shortcut to the Federal Reserve's portfolio. The results would be the same.

In paying for the security the Federal Reserve pays out a cashier's check or Federal Reserve notes to the individual. He in turn deposits it in his bank or uses it for consumption, in which case the seller will deposit it in his bank. The bank then turns around and presents the check to the Federal Reserve Bank for payment, or else, if payment is in Federal Reserve notes, turns these in for redemption. The Federal Reserve then gives the banking system new reserves. Part of these are used up as backing for the individual's deposit. Assuming the same 20% legal reserve and $1,000 bond, the holder receives a deposit of $1,000 and the bank a reserve of $1,000. The bank must then set aside $200 as required reserves. But, it has $800 in excess reserves upon which it can lend to the tune of $4,000. Again, $5,000 in potential purchasing power is conjured up out of a $1,000 debt.

Stop 8—The most direct route to inflation would bypass the several stopping places enumerated above and proceed directly from the Treasury to the Federal Reserve Banks. Since the early thirties the Reserve Act has been amended so—

"That any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities either in the open market or directly from or to the United States; (but) the aggregate amount of such obligations acquired directly from the United States which is held at any one time by the twelve Federal Reserve banks shall not exceed $5,000,000,000." [Section 14-3(b) Federal Reserve Act as amended.]

Each time this amendment was to expire its life was extended. The latest extension keeps it in effect to July 1, 1952 with the maximum permissible holdings still $5 billion. An extended policy of the now limited direct purchases could prove a disastrously inflationary measure.

Conclusions

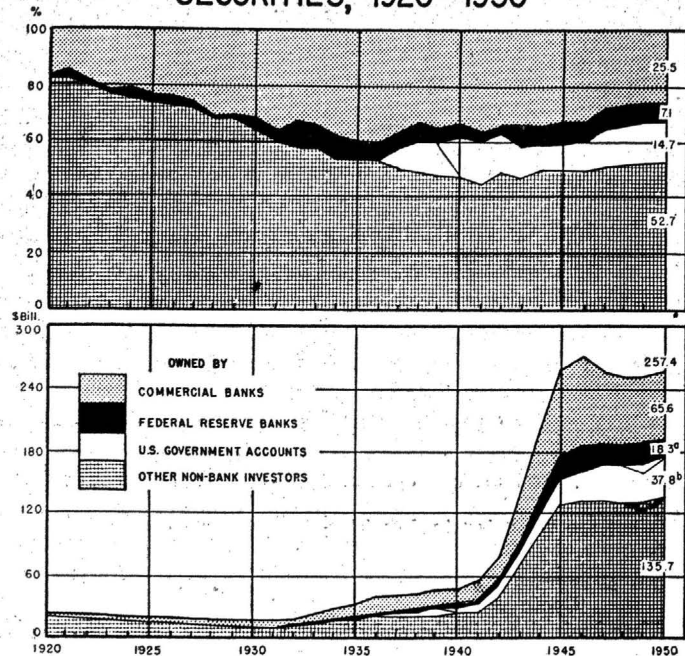
The most reassuring conclusion following from our bond's journey is that inflation is not uncontrollable. A pay-as-we-go tax program, imposed at once and on a broad base, will not only militate against further **debt incursion**, but will also tend to hold in check purchasing power and the resultant pressure on prices. Concurrently we should make every attempt to take the bonds out of banks' portfolios[8]—contracting the credit base of the country—and get them into the vaults of savers.

That we can do this is demonstrated in Graph 3, which shows the growth in outstanding Federal securities. The banking system owned almost $84 billion of the Federal debt in 1950, or 32.6 per cent of the outstanding amounts. We should aim at getting as many of these bonds into the hands of individual savers while striving to prevent the further growth of the Federal debt.

Above all we must move towards the reestablishment of a convertible gold standard, for only under its discipline will the banking system be prevented from overexpanding credit and the government constrained from taking the easy road to inflation via a monetized debt.

8 Stops 4 to 8 working in reverse.

OWNERSHIP OF U.S. GOVERNMENT SECURITIES, 1920 - 1950[1]



1. June 30 figures
a. Prior to 1932 less than $1 billion
b. No breakdown prior to 1937

Sources: U.S. Treasury, Federal Reserve

PREPARED BY: ECONOMISTS' NATIONAL COMMITTEE ON MONETARY POLICY ONE MADISON AVENUE, NEW YORK, N.Y.

$65,000,000 Bonds of State of Michigan Offered to Investors

A syndicate comprising groups formerly headed by the National City Bank of New York and C. J. Devine & Co. submitted the successful bid for the $65,000,000 State of Michigan hospital bonds offered on May 8. The syndicate purchased the bonds as 2½s and 1½s, and the terms of the bid provided for a net interest cost to the State of 1.5696%. Two other bids were entered at the sale, an offer by a Chase National-Bankers Trust Co. account being based on a 1.57319% net cost, while a syndicate managed by Halsey, Stuart & Co., Inc., First National Bank of New York, and First National Bank of Chicago, offered to purchase the bonds on a 1.582% basis.

The successful National City-C. J. Devine group is re-offering the bonds for public investment at prices to yield from 1.10% to 1.65%, according to maturity. Maturing serially on June 1 from 1953 to 1971 inclusive, the bonds are legal investment for savings banks and trust funds in New York, Michigan and certain other States, and for savings banks in Connecticut and Massachusetts. The bonds, in the opinion of counsel, constitute general obligations of the State of Michigan which has an assessed valuation of $11,913,750,000 and total bonded debt, including the present issue, of $259,232,000.

In addition to the National City Bank and C. J. Devine & Co., the underwriting syndicate includes, among others, J. P. Morgan & Co., Inc.; The Northern Trust Co.; Smith, Barney & Co.; Lazard Freres & Co.; The Philadelphia National Bank; The First National Bank of Portland, Oregon; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Beane; Braun, Bosworth & Co. Inc.; American Trust Company of San Francisco; Estabrook & Co.; Carl M. Loeb, Rhoades & Co.; Lee Higginson Corp.; Alex. Brown & Sons; Mercantile Trust Company of Baltimore and R. H. Moulton & Co.

Railroad Securities

Chicago Great Western

Chicago Great Western preferred and common stocks both turned active and strong around the middle of last week when it was announced that a compromise had been reached in the preferred stockholders' suit. Actual details of the plan were released late in the week and the court set hearings for May 25. The suit centered around the question of claims for back dividends. By the terms of the stock, dividends are cumulative, whether or not earned, up to a maximum of 15% ($7.50 a share on the $50 par value). The suit had sought arrears in excess of this maximum on the grounds that directors had been derelict in spending money on property improvements rather than paying dividends.

As part of the settlement the suing stockholders agreed to give up their claim to the back dividends above $7.50 a share. This is an important victory for the company although past experience in other similar railroad cases would indicate that the stockholders had little hope on this point in any event. Also, as part of the general plan the company has agreed to pay reasonable fees and expenses, to be fixed later by the court. This appears as a reasonable price to pay to forestall lengthy litigation with its attendant expenses. The main feature of the settlement is, of course, the setting up of a formula for liquidating the arrears that do exist under the terms of the stock.

A payment of $0.75 a share was made last March, reducing the arrears to $6.37½. The company has agreed to make a further payment against arrears of $3.00 a share on or before July 16, 1951. Also, regular current quarterly dividends will be maintained this year. Starting next year a formula will be adopted for payment of the $3.37½ arrears, along with continuing regular quarterly disbursements. 60% of so-called "Available Net Income" will be dedicated to this purpose. In arriving at this available income, maintenance of way and structures will be limited to 19%. Also, the excess of any amortization of defense projects over normal depreciation will be added back to reported net income to arrive at "Available Net Income." Under such a formula it is quite likely that the full arrears could be liquidated next year.

Although the stockholders in their suit objected to the management spending large sums on the property rather than paying dividends, there is no question but that this policy has materially improved the basic status of the company and, therefore, the long-term prospects for both the preferred and common stocks. The company has attained 100% Dieselization. To reap the full benefits from this new power through the speedy operation of heavy tonnage trains it was obviously necessary to expand and modernize yard facilities and strengthen track structure. This, just as obviously, costs money. As a matter of fact, the track program has not even yet been completed.

Reflecting the heavy property rehabilitation program, Chicago Great Western in recent years has had one of the highest maintenance-of-way ratios in the country, well above the industry average. Last year this ratio amounted to 22.8% compared with 21.9% in 1949. The industry as a whole last year had a maintenance-of-way ratio of only 13.6%. It is expected that the ratio of Great Western will remain at this recent high level at least for the balance of 1951. Benefits of the heavy expenditures of recent years have been reflected sharply in lower transportation costs. As recently as 1947 the road had a transportation ratio of 44.3%. Last year it was down to 30.6%, among the lowest in the country and comparing with a Class I average of 36.9%.

Continued heavy maintenance has, of course, retarded the earnings growth. Nevertheless, common share earnings last year amounted to $5.59, before sinking and other reserve funds, compared with $2.73 reported a year earlier. The transportation ratio has been somewhat higher than a year ago so far in 1951, presumably at least in part in reflection of the February railroad strikes. Other expenses have also continued high and common share earnings for the first quarter dipped to $0.95, compared with $1.24 a year earlier. It is expected that this trend will be reversed in future months and it is now estimated that for the full year 1951 share earnings will at least match those of a year ago.

Ronald A. Beaton With Goodbody & Co.

Ronald A. Beaton

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Ronald A. Beaton has become associated with Goodbody & Co., 218 Beach Drive, North. Mr. Beaton for many years was associated with Merrill Lynch, Pierce, Fenner & Beane in Florida and Ohio.

With Carr & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Acar Z. Bill has become associated with Carr & Co., Penobscot Building, members of the Detroit Stock Exchange.

Shader-Winckler Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John R. Panelli has been added to the staff of Shader-Winckler Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is again on the defensive, after a shortlived spurt which carried it up from the lows. A combination of forces is working in the money markets now but the absence of buyers is again the most important reason for the declining trend. As has been the case, volume continues on the light side, but enough sellers are around to keep the pressure on quotations. This makes for a receding market with many issues back to the lows of the year. Because the so-called free market cannot stand on its own feet, Federal has been in there lending support to keep matters orderly. It is reported that selective purchases of the tap issues by the Central Banks have been the way in which protective custody has been extended to the market.

The market is trying to establish a bottom, and this will be done, with official help, but it is going to take time to accomplish it. It does not take much now to shake confidence because of the severe shock the market has already suffered. Nonetheless, there are levels beyond which quotations cannot be allowed to go, and once these areas are established there will be an entirely different tone and psychology in the money markets.

Treasury Ignores Call Option

One of the real points of concern in the government market was the 2s of 9/15/51-53. Feelings about what would be done with this issue (to be retired or not to be retired) had been wavering in both directions. In some quarters the guess was that the September, 1951-53 would be called on May 15, while in other places the opinion was strong that the Treasury would pass up the retiring of this obligation. The Treasury cleared up the mystery yesterday by announcing that these bonds would not be retired on the first call date, Sept. 15. For the first time since 1933, the Treasury passed up the calling of an issue for redemption at the earliest call date.

The 2s of 1951-53, which are not to be retired at the first opportunity, can be called next Sept. 15, or each March and Sept. 15, on four months' notice, prior to maturity. If there had been an announcement that the 2s of 1951-53 were to be retired at the earliest call date, it is believed the market would have been given a fillip from such action which would be a favorable development. On the other hand, the passing over of the first call of these 2s, in the opinion of many followers of the money markets, probably means the market is in for another unsettled period, if this should only be brought about from the psychological angle. The decline of government bond prices, especially the longer-term issues well below the 100 level, has been a very hard blow for the market to absorb, especially from the standpoint of confidence. This kind of treatment is not easily taken and there is considerable question as to whether another crack between the eyes so quickly after the first one, will not have a rather adverse effect upon the government security market.

There was no question about the callable bond being taken care of by another government obligation, but the Treasury evidently felt it could not replace the 2% issue without putting out an obligation bearing a higher rate of interest. Also, in the future, it may be possible to refund this obligation at a more favorable rate.

Market Movements

Although there is a reluctance to register losses, as has to be done in making switches between the various issues these days, especially in certain of the tap bonds, there is nonetheless a fair amount of swops being consummated, according to reports. It should be borne in mind, however, that the volume involved in these exchanges is small compared with what has gone on in them in the past.

Insurance companies and savings banks are still on the sell side, but there is no tendency noticeable yet among these institutions to let bonds out on the way down. There has been a minor amount of liquidation on the decline, but this has come mainly from the smaller holders of Treasury obligations.

While the near-term market has been quite steady, Treasury bills have been appearing from time to time, because money is tight, and this has taken some of the glamour away from the shorts. Nonetheless, there is still a good demand for shorts around, because the desire for liquidity is as strong as ever.

The partially-exempts, while not bucking the trend, have nonetheless been moving into strong hands when they come into the market. Prices have been shaded to conform to the pattern of the market, but it is reported that the bonds that have come in for sale have been taken out rapidly enough to have very little influence upon quotations.

The longest bank bond, the 2½% due 9/15/67-72, it is indicated, is now being bought by certain deposit banks that were sellers at higher prices. Scale purchases are being made, but no set pattern is being used. The 2s of June and December 1952/54 are also among the issues that commercial banks have been taking on in a cautious way. According to reports, the 2⅞s of 1955/60 have been involved in a couple of fairly sizable operations recently.

THEN and NOW...

Guess Who?

If You Can't Turn to Page 33

(A)

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Over the Hump of Production In Two Years!

expect a potential of 89½ million —an increase of 30%.

And what goes for steel and aluminum and power, goes in the same proportion for railroad cars and coal, for oil, for synthetic rubber, for chemicals, and for agricultural products.

By sheer coincidence, we are cranking up for this two-year production spin at the same moment that Russia is crowing about completion of its latest five-year plan. Do you know any better reason for our expansion? I don't.

I believe in taking Russia's arithmetic at its face value. It's safer to believe it than to doubt it. And the first thing Russia tells us is that its over-all production in 1950 hit an all-time high. How high is up? That's what we need to know.

What Russia Is Doing

We get a better glimmer of what's going on in Russia, if we stack the Russian figures up against our own.

Here's coal. Russia says she mined 286 million tons in 1950. We mined 556 million tons.

Here's oil. Russia pumped 52 million tons in 1950. We pumped 298 million tons.

And here's steel—its worth a little story of its own. The cold figures show that Russia turned out 28 million tons of steel in 1950, while we produced about 97 million tons.

Much of Russia's steel—and she keeps this figure a dark secret—went for military purposes. Most of our steel went for civilian uses.

Now look at the steel figures from another slant. The **increase** alone in our steel capacity by "S-Day" will be about **three-fourths** of Russia's **total output** at the end of its five-year plan.

Maybe we think this looks pretty good for our side. But how can we take any solid comfort in it? I don't think we can—not as long as communism is wandering around with a bayonet in its hand. Any Communist production gain has got to be a goal for us—not a hitching post. There's no security for us—absolutely none—in keeping just a few production laps ahead of Russia. We must so outstrip her that even a Kremlin mind will understand the insanity of aggression.

I think we all know how Russia managed to produce this relatively handsome tableful of key commodities. There was a Lazarus underneath the table, for the Russian people had to live on crumbs to fatten the larder for war.

The Kremlin never gave its people a moment to relax between the starvation diet of the last war and the onset of the new five-year plan.

The Russian workers have sweated 48 hours a week—plus so-called voluntary hours on their so-called days of rest, which could mean anything.

We have struck to 40 and 44 hours.

Russia has taken and Russia will take, the shoes off the feet of its people and the clothes off their backs to challenge our powerhouse. We haven't even scraped the jam from the breakfast toast.

This production capacity of ours is our El Dorado—and it's our guardian angel. It's our security.

But what are the fear salesmen clamoring about?

Why, they are asking what we're going to do with all our steel capacity after "S-Day"? What are we going to do with all our oil? What are we going to do with all our railroad cars? And all our aluminum? And all our electric power?

What are we going to do with this genie of new plant capacity?

No Dangerous Avalanche of Goods Ahead

They look ahead to the end of our two-year production expansion plan and see a dangerous avalanche of goods to drug the market and founder the economy.

They look ahead not to Security Day for America but to Bust Day for America.

Now of course the fear salesman could be right. There's always that chance. They are making a long-shot bet, and Gloomy Gus has as much chance to win on a long-shot as anyone else.

I am making no long-shot wagers. I'm taking a side bet against the fear salesmen on the basis of their own past record. They have far more often been wrong than right.

In every one of our emergencies these dealers in calamity have predicted collapse and ruination. But while they bayed at the moon like frightened coyotes, the American nation went on working and growing and expanding and prospering.

Remember 1942? As far back as that, our fear merchants were hawking a postwar depression as a sure inside tip. We hadn't hit Normandy Beach—and we hadn't begun the island hop in the Pacific, but we were doused with the drizzly prediction of 8 to 10 million jobless as soon as the shooting was over.

But what happened? We didn't have a depression. We didn't have breadlines. The farmer had his best years in history. We had record employment. Record business. Record incomes. We had expansion, not depression.

And in spite of our huge working force and in spite of our enormously greater production, Korea caught us with shortages of everything—including manpower. We were so short of steel that we had a gray market in it most of the time and a black market in it every now and then.

The fear salesmen of the war years were bad guessers. They failed to allow for the long-corralled civilian wants in 1945. They failed to allow for the vitality of an economy that had known almost full employment and good prices for a long stretch of years.

They failed to allow for the new appetites created in a vast working force. I think they are failing to allow for those same things all over again.

The fear salesmen tell us we might as well draw the fires when mobilization is complete. I think we have shaken off the fossilized doctrine that production is a fine battle cry but a poor partner in peace.

Isn't this land too opulent in talent and too rich in ingenious minds to mistake the ravens of calamity for the owls of common sense?

I think the fear mongers are misreading the American success story.

It's one of the greatest stories ever told, and it can't be told twice the same way. The plot can't be outlined in advance. There is no keeping up with the speeding pen of American destiny.

I don't know what America is going to look like 10 years from now, but I'm sure of one thing: the theme of the American success story won't change. For America is now and always has been the land of calculated risk. The United States was born as a political and social risk—with the cards stacked against it—and the dynamo of our economy is risk. We thrive on risk—because—we Put Freedom First.

I believe the American success story is only in its opening chapters. Clean, bright pages are ahead of us. Together, we can inscribe them with braver, bolder, more rewarding chapters, and together we can share in a new abundance of the fruits of the earth.

Walter J. Wade Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Jack J. Korff has become associated with Walter J. Wade, Inc., Michigan Trust Building. He was formerly with Paine, Webber, Jackson & Curtis.

Looper & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

JOPLIN, Mo.—J. Arthur Kennamer is now associated with Looper & Co., Joplin National Bank Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Walter H. Haglage has become connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Reinholdt Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Walter F. Mayer and Gilbert F. Tuffli are now with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

With W. R. Luttrell

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga.—William R. Luttrell, Jr. is now associated with W. R. Luttrell, Swift Bldg.

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Continued from page 14

We Don't Have Economy In Government

the current year and the one beginning July 1:

How long can expenditures increase at this rate? I don't know. But here are some indicators of what we may expect:

Military expenditures last year totaled $12.3 billion. It is estimated that in the current year ending June 30 military expenditures will be something under $20 billion. In the coming year, beginning July 1, military expenditures will total more than $40 billion. Military Establishment officials recently testified before the Senate Armed Services Committee that after next year the military budget will exceed $48 billion, under conditions short of war.

General Eisenhower has estimated before Congress that we may be on a war-alert basis for 20 years or more.

So, for the foreseeable future:

To a military budget of $48-$50 billion or more, add some $6 billion or more for interest on the Federal debt which cannot be cut, add $7-$8 billion in foreign aid which the administration has requested, add approximately $5 billion for veterans, and add $9-$10 billion which the President has requested for domestic-civilian programs, including socialized housing, agriculture and medicine.

All this adds to a Federal budget in the foreseeable future of $75-$80 billion a year. Add to that state and local public expenditures and you have an annual tax bill of nearly $100 billion, if we are to avoid inflationary deficit spending.

That means we are working nearly a third of the time for the government.

Against the probability of Federal expenditures at an annual rate of $75-$80 billion, the latest estimates on Federal revenue, taking into account the prospects for still further inflated incomes, indicate the Federal tax take next year will be between $55 and $60 billion at current tax rates.

The President started in January asking for $16 billion in new income and corporate taxes. Then he revised his request to a "quickie" hike of $10 billion. No matter how you slice it, new taxes are bound to come unless we resort to more deficit spending, or reduce expenditures.

If the President's January tax request were granted, we would be raising Federal taxes 60% within a year, counting the two increases already imposed.

To grant such increases would be to take terrible chances that the free enterprise system would not be confiscated. Under such conditions it is questionable that preparedness production requirements could be met.

To resort to indefinite deficit spending of a $10-$20 billion magnitude would be to throw away the inflation brakes and invite chaos.

The alternative is elimination of nonessential Federal expenditures. And therein lies our only hope for the defense and preservation of freedom here and in the world.

Deflating the Expenditure Balloon

There is only one major area in the Federal budget where immediate, substantial and constrictive reductions cannot be made. That is interest on the Federal debt.

Only this week are we beginning to see the full force of the Administration's real spending plans for the military establishment and foreign aid take form.

There is nothing in the military budget as it has finally been presented to alter the reputation of the military services as the most wasteful agencies on earth, both in manpower and money. There has not yet been opportunity to analyze the estimates in detail. But there is no doubt that at least a half billion dollars could be saved by reducing requests for civilian employment.

Since before Korea the Military Establishment has been employing civilians at the rate of more than 1,000 a day. In February they hired six civilians for each eight men drafted. At this moment they have more than 35,000 people in the Pentagon, and they have 500 military establshments scattered around the country. Altogther they are employng a million civilians; one for every three men in uniform. In some areas, such as Dayton, O., they have run out of qualified civilians to hire. So they are trying to hire inexperienced high school children, pay them $42 a week while they send them to business school with tuition paid under government contract.

It is significant that this week also it has been disclosed that the Secretary of State is to have control over the expenditures to be made in all foreign aid programs—military and economic.

This shift of control is the sequel to the earlier indication that economic and military aid would be scrambled in such a manner as to make it inseparable.

These programs should be separated and so-called economic aid abolished. We can't fight a war for those people, arm them at home, and indulge them in economic luxuries all at the same time. It is a little too much to ask.

How these foreign aid programs may affect our people at home is demonstrated by one serious example. In his January Budget Message, the President said: "Our chronic shortage of doctors, dentists and nurses will be aggravated as more of them are called into the armed services. . . .

"Many communities that will be faced with added health burdens arising from defense needs do not have adequately staffed local health departments. . . ."

Despite these conditions which the President says exist throughout the United States, I am in receipt of confirmation by both the ECA and the Public Health Service that we are sending doctors, nurses and public health experts to Indonesia, Indochina, Thailand and Burma.

The purpose of these expeditions, according to ECA Administrator William C. Foster, is "to build strength, and at the same time make a favorable political impact on the people."

It would be a fine thing to wipe out all of the malaria and poverty in Asia and the Near East, but that achievement would seem to be highly improbable while we are in a shooting war, and attempting to arm half the world against atomic attack. We must confine ourselves to meeting the first requirements of our own security, or we shall extend ourselves to failure in all respects.

Continuing with examples of where Federal expenditures may be reduced, we come to the third major category—veterans' costs. I do not propose to eliminate one dollar of pensions, medical costs or readjustment aid to men who have made permanent service-connected sacrifices in the military service of their country. But the Veterans Administration Empire Builders never sleep. For instance when banks as a group, in a community of 40,000 to 50,000, recently responded to Federal edicts to restrict nonessential loans as a means of curbing inflation, Veterans Administration agents moved in and started making Federal loans direct.

Veterans expenditures could be reduced 10% simply by eliminating these "busy beaver" operations, without impairing the bona fide obligations of the government to its veterans.

In the category of domestic-civilian programs, examples of nonessential expenditures are more obvious to all of us. We see them every day. A few recent examples:

There is the case of the Public Health Services using commercial telegrams to inquire how many marriage licenses were issued in an Indiana county during the preceding month;

There is the case of $15,000 for Economic Stabilization Agency easy chairs;

There is the case of the Post Office Department, already operating at a half billion dollar deficit, considering the printing of multicolored postage stamps.

These are only a few examples of Federal spending we can do without in these times of emergency. They are cited because they are simple, uncomplicated indicators not only of the kind of extravagance we see every day, but they represent the kind of inept administration that makes the man in the street lose faith in his government.

In my own considered judgment, the recent national demonstrations were more the result of an accumulation of dissatisfaction over this kind of administration than they were expressions of indignation over any one single incident.

I sincerely believe that reduction of Federal expenditures by $7-$9 billion under the President's request for the coming year would be the most wholesome thing that could happen to this country at this time.

By my own analysis, I know that it could be done without impairment of a single essential function, and I have submitted suggestions to the President in detail. In brief, I have suggested reducing:

Military expenditures by at least $0.5 billion;

Foreign economic aid by more than $3 billion;

Veterans expenditures by up to $0.5 billion;

Domestic-civilian expenditures by up to $5 billion.

If orderly reductions in these proportions were made in the current budget and administrators in the executive branch would apply them with sympathetic effectiveness, I sincerely believe we would achieve more efficient military preparedness and foreign assistance, render better service to veterans who need it and accomplish more in the essential civilian programs.

Oppressive tax increase would be avoided. Increased production would be served. More effective preparedness would result. Inflation would be curbed. Respect for Federal programs, and faith in Federal administration would be restored at least in some degree.

These I submit are the immediate objectives we must achieve.

Joins R. F. Griggs

WATERBURY, Conn. — Frank N. Hess is now connected with The R. F. Griggs Company, 35 Leavenworth Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Woodrow W. Kinder is now affiliated with Waddell & Reed, Inc., Barkley Building.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Walter G. Taylor is associated with Bache & Co., 101½ West Market Street.

Public Utility Securities

By OWEN ELY

Public Service Electric & Gas Company

Public Service Electric & Gas Company was recapitalized in 1948 when its stocks were exchanged for those of Public Service Corp. of New Jersey, in the dissolution of the latter holding company. It is one of the largest utilities, with annual revenues of $186 million, about three-quarters electric and one-quarter gas; it also controls Public Service Co-ordinated Transport and subsidiary companies, a huge bus system with annual revenues of $46 million, whose operations are not consolidated with those of the parent company. Electric operations are well diversified, being about 34% residential, 32% industrial, etc. The company supplies virtually all of its own power requirements through steam generation. Principal industries served include chemicals, apparel, oil refining, electrical and other machinery, foods, textiles, transportation equipment, fabricated metal products, etc.

Public Service Electric & Gas Company earned $2.06 last year compared with $2.25 in 1949, the decline being due largely to loss of dividend income from Public Service Co-ordinated Transport (in 1949 it received 29c a share from the bus subsidiary). Operations of the transit companies were unprofitable in 1950, the net loss of $2,680,000 being due to higher labor costs and lower fares. The 7c fare was reduced by Court Order to 5c for nearly half the year, but was restored in March, 1951, and the company is now seeking further readjustments. (The first quarter loss approximated $2,100,000.)

Public Service Electric & Gas has been earning a fairly high rate of return from electric and gas operations—approximating 7% in 1950, it is estimated—and the company was recently ordered by the New Jersey Public Utility Commission to reduce its electric rates by $5 million. After a brief demur the company agreed to this, and the reduced rates will become effective with bills rendered on or after June 1. First quarter share earnings were $1.12 compared with 74c a year ago, despite the impact of higher Federal taxes. The loss of income due to the rate reduction, if considered applicable for eight months of the year, would approximate 37c a share (after tax savings) in the calendar year 1951—just about offsetting the gain in the first quarter.

The improvement in earnings for the first quarter was probably due to economies obtained from the purchase of natural gas, as well as increased industrial use of electricity and lower generating costs. The company first began to receive small amounts of gas from Texas on Dec. 22 (via the 1,840-mile Transcontinental Gas Pipe Line), with gradual increase toward the scheduled total of 70 million cubic feet per day. The heating quality of its gas is being increased by enrichment with this natural gas from 525 to 650 BTU, in several stages. This change is enabling the company to increase the effective capacity of its distribution lines, reducing the requirements for pipe and fittings. Public Service has also signed an agreement to purchase 45 million cubic feet a day of gas from the "Big and Little Inch" pipe lines operated by Texas Eastern Transmission Corp., subject to FPC approval.

Electric operations are benefitting by operation of the huge Sewaren Generating Station. This station was reported the most efficient steam electric plant in the United States in 1949, as compared with 242 other plants, in a bulletin published by the FPC. Construction of the fourth 125,000 kw unit is proceeding rapidly, for anticipated installation in the fall.

However, in addition to the rate cut and the possibility of a further jump in income tax rates later this year, there is another factor which may tend to offset the very favorable results being obtained from operating economies. On July 1 the conversion terms for the 6,056,000 shares of $1.40 preference common stock are changed from 1.1 shares of common to an even exchange. As the two stocks have been selling close to an exchange parity recently —in other words the preference is selling at about 1.1 times the common—there may be a considerable amount of stock exchanged by July 1. Such conversion would of course dilute the common share earnings, since it would be equivalent to raising the dividend rate from $1.40 to $1.76 a share on the newly-issued common stock.

Golfers to Compete At Bond Club Field Day

Wall Street "Bulls" and "Bears" will fight it out for the golf championship of the Street at this year's Bond Club Field Day on June 8. The 27th annual contest for bond men will be played over the two courses of the Sleepy Hollow Country Club at Scarborough, N. Y.

With several hundred entries in prospect, Gustave A. Alexisson, Chairman of the Field Day golf committee, announced yesterday that the Bond Club would sponsor a two-ball foursome selected drive medal play tournament, a variation of the Scotch foursome. This type of tournament was selected to replace individual medal play in order to speed up the completion of rounds by the large number of entires.

Wall Street's best golfers will be organized into two opposing sides for the contest, with the "Bulls" captained by President Clarence W. Bartow and the "Bears" by Vice-President James J. Lee.

Matches will be played in foursomes consisting of two opposing teams. Each member of the foursome will drive off from every tee, and after the drive each team of two will select the ball to be played. The second shot will then be played by the team member whose drive has not been used. Thereafter alternate shots will be taken until the hole is finished. On any penalty shot the alternate player takes the next shot.

All matches will be at medal play using one-half of the combined handicaps, with one point being scored for the side of the winning team, and one-half point scored for each side should a tie net score result.

The traditional Bond Club cups will continue to be played for, Mr. Alexisson announced, and twice the usual number of cash prizes will be awarded.

Joins William Beeken

WEST PALM BEACH, Fla.—Ernest M. Guillaume has become affiliated with William S. Beeken Co., Harvey Building.

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As We See It

is a poison. Its spread "all over the world" in any really effective way would set mankind back thousands of years. The magnificent results obtained by the free enterprise system would be lost in large part, and progress toward better things which has always been a characteristic of that system would be destroyed. Despite a good deal of flirting with such notions in recent years, the American people, we feel confident, would never knowingly adopt such systems of social and economic organization as communism or socialism—quite regardless of whether or not they were an instrument of conquest by some alien people.

A Tenet of Communism

Moreover it is one of the major tenets of communism that it must spread to embrace all mankind. It was the "workmen of the world," not merely those of Germany, to whom Karl Marx appealed in his famous Manifesto. Much has been said of late years about the possibility of the co-existence of communism and private enterprise, and of orthodox Communist doctrine on the subject. Whatever the answer to this question may be, it is clear that the true Communist envisions conversion of all the world to his notions. Co-existence to him is but an intermediate step between things as they are and things as they ought to be. In this he is not unlike (although much more aggressive in his tactics) the prophets of democracy who for the most part see the salvation of the world in their type of social and economic organization. The difference between the two is in the validity of their positions and in the aggressiveness and the techniques employed in spreading their respective doctrines.

But it is when the semi-religious and proselyting fanaticism of communism becomes wedded to the historic imperialism of a great State such as Russia that it becomes doubly and trebly dangerous—indeed that it becomes dangerous at all in a military sense. It is then that the remainder of the world is called upon to fight two kinds of wars at once, or at the very least to fight one kind of war and be ready to fight another at hardly more than a moment's notice. In this respect the world is locked in a type of struggle which has no precedent in history, and one which in consequence requires—but does not always obtain—the utmost in wisdom.

It has often been said, and is obvious enough, that it is not possible to fight ideas—sound or fallacious—with arms. All too often, however, we told ourselves that we were engaged in such a conflict in World War II. We won the war in a military sense, only to find (as we should have known from the beginning) that we were allied with the Kremlin which, under its present management, embodies everything which we abhorred and were warring against in Germany, Italy and Japan. The weapons which are effective against fallacious ideas are truth and experience. If the Communist philosophy is fallacious—as we, of course, know full well it is—then it can make headway in this or any other "free" country only in the degree that the people can be cajoled or deceived or persuaded to adopt that which cannot meet the tests of good hard sense.

An Appeal to Good Sense

To be sure that nothing of the sort occurs, the thing to do is to appeal to the good, hard sense of the rank and file. Such an appeal is all too often difficult, and the results, when arrayed against it are set all sorts of wiles and bribery in the form of access to the public purse, are discouragingly unsatisfactory, but despite all this we are confident that the American people can be held back from going all the way, or even very much further in the direction of communism or socialism. At any rate our salvation must be sought in appeals to common sense here at home.

When notions are coupled with the doctrines of "revolutionaries" who would force their systems upon majorities by carefully and secretly planned violence, and when operations are directed by alien groups with overweening imperialistic ambitions and no conscience at all, the situation takes on added seriousness. It is very well for General MacArthur to evade the question as to where the center of all this activity is. No one but the General is in any doubt about it. No one but the General is ignorant of the fact that all of Asia, or virtually all of it, offers troubled waters for the Kremlin to fish in, and that the Kremlin is not neglecting such opportunity. That its intention in any of these areas is bona fide "liberation" of the peoples is, of course, a bedtime story.

The Magnates of Moscow

The magnates of Moscow, however, know full well that most of Asia for centuries has been a victim of colonialism as well as of its own backwardness. This idea of "liberation" is, accordingly, an essential political trick with which to win support for puppets. Of course, Russia is one of the powers which has been active through the centuries in exploiting Asia. Of course, Russia has not the slightest notion of ending this exploitation. As for the Chinese themselves, even the Communist regime in China does not appear to be as yet very much imbued with the imperialistic urge. Mostly, they appear to be interested chiefly in the restitution of old boundaries, the taking back of territory which through the centuries has been wrested from their peoples. That their faces are turned south and not north may well be an adjustment to the realities of the situation, and little else. The imperialistic urge radiates from Moscow — as it does in Europe.

Kremlinism is our enemy number one.

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In Search of Freedom

any more than you have. I speak to you as a student, not as a teacher. And, in all humility, I come here to present for your consideration the results of my study of freedom.

Social Security

Probably the most clear-cut example of our lack of faith in individual freedom is found in the compulsory social security pension system administered by the Federal Government which has spread so rapidly over our country. I would guess that few persons here would abolish this system, even if they could. The reason, I believe, is clear: few persons believe that individual freedom and personal responsibility for one's own welfare offer the greatest possible security in an admittedly insecure world. It appears that we Americans no longer believe that a free person in a free country can or will voluntarily provide for the welfare of himself, his family and his handicapped or temporarily unfortunate neighbor. In contradiction of our own Declaration of Independence, we appear to be rapidly becoming a nation of dependents. That philosophy of despair is summed up in the question that is heard whenever the subject of security by dependence on government is discussed: "Would you let them starve?"

Let us consider the implied meaning of that question. To me it says, if people are free and responsible for their own welfare, they will starve. It says that we have rejected Christ's teachings on love and charity. It says that we—through our churches and our other voluntary organizations—either cannot or will not care for the unfortunate among us. It says that a free economy results in starvation instead of progress and prosperity. It says that freedom is a failure and that, for our salvation, we must turn to the authoritarian concept of government-guaranteed security. I believe this is an outright rejection of the original American belief in freedom of choice and personal responsibility for one's own decisions and actions.

I believe few would find fault with the announced goal of social security, i.e., freedom from want in old age. But even if we are willing to incur the dangers to **all** our freedoms which arise when we maximize the importance of "freedom from want," we still must answer the question: "Will it work as it is now administered by government?"

The receipts from social security taxes are used to defray current costs of government. But the goods and services which will be given in the future to the beneficiaries of social security will have to be provided from the then current production. They will be paid for by current taxes or by inflation. In either case the net effect will be to take from producers to give to nonproducers. When this effect becomes substantial, the incentive to produce is impaired or destroyed. And we must remember that the very safety of the nation depends upon our ability and our willingness to produce! Social Security taxes are, in effect, savings. If they are to be productive they should be used to increase our tools of production, not for current expenses of government!

Slavery and Privation

As proof of the error of our present approach, let us look at the nations of the world where governments exercise the greatest degree of control over their people. There you will find the lowest standards of living. Let us examine Russia and her satellites. The siren song ow government-guaranteed security has brought mass privation to the citizens of those nations.

Look at Britain and her promise of security from the cradle to the grave! The democratic vote of the British people has brought them compulsory labor and a permit from government to purchase five ounces of meat per person per week.

Now this fact of compulsory labor in Great Britain may come as a surprise to many who do not understand socialism. But here are the words of the Parliamentary Secretary of the Ministry of Labor from his official report on this subject for 1949: "374 directions were issued to men who were in the mining industry compelling them to remain in that industry, and 132 directions were issued to men in agriculture keeping them in agriculture." Thus has slavery, in the name of security, come to a once free people by their own democratic vote!

It is important to recall that the British experiment in government security has not only led to successive crises in this postwar period; it has also required that Britain be bailed our periodically primarily by American aid, with secondary assists from Canada and other Commonwealth nations. It is proper, then, to raise this question: Who will be there to do for us what we have done for others if we follow this road to bondage?

End of the Two-Party System

Our approach to the concept of government-guaranteed security here in the United States is more along the lines of British national socialism than the Russian brand of socialism. Here, we retain a two-party system and the right to vote, but most of the leaders of both parties are pledged to the same general program in such matters as governmental housing, social security, subsidies to farmers, loans to poor business risks, rent controls, price controls, tariffs and other restrictions against the freedom of honest persons to trade with other honest persons on terms mutually acceptable. There may be a difference in the degree of socialization or in the mechanics of administration advocated by our two major political parties. But it is difficult to distinguish any major difference in basic principle. Thus, I believe, we have clear proof at home and abroad that democracy of itself does not automatically guarantee freedom; in fact, we have proof that regimentation lurks insidiously behind democratic promises of governmental security.

Lost Freedoms

I will not undertake to list all of the many freedoms we have surrendered in the United States — the restraints against freedom of choice that we have voted against ourselves. But such a list would include controls over farmers, businessmen, industrial workers, bankers, foreign traders and other groups. It would include price controls, wage controls, rent controls, raw materials controls, controlled rates of interest, inflated money, artificially cheap credit, and controlled production. Each of these measures has the effect of preventing honest persons from doing what they want to do or of forcing honest persons to do something that they do not want to do. As such, each is a clear-cut denial of freedom. Else why has freedom been forsaken and forbidden in these vast areas of our daily activities?

To me, the sad part of these controls is that, even if we disregard the moral issues involved, I believe they will not accomplish what they are designed to do. I can find no evidence in history that they will work and I believe the reason is clear. It is not, as is claimed, an attempt to control prices or materials; it is always an attempt to control persons.

Historical Examples

For example, when the "new deal" was tried in Old Rome, it was announced as a program to control prices. It was persons, however, who were fed to the lions when they were caught charging more than the legal price. But, as they always will, the people continued to trade on terms mutually acceptable to buyer and seller, even when facing the death penalty.

During the French Revolution, the government tried to stop the rise of prices by condemning the so-called black market merchants to the guillotine. But, in spite of this, prices continued to rise in proportion to the amount of inflationary paper money that was printed and distributed by government.

In Russia, the government tried to stop inflation by the direct processes of starvation, the concentration camp, and the firing squad. It did not work, even in this most completely controlled economy the world has ever seen! And, in spite of its 34 years of rigid planning, real prices in Russia today are among the highest in the world.

The Vital Question

This brings us to the vital question: Will the price controls, wage controls, profit controls and other measures against freedom now being instituted by government stop inflation and high prices in **our** country? I believe the answer is "no." I believe that fines against so-called black marketeers will

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not stop inflation nor will prison terms stop it.

I concede that our government officials do wish to stop inflation. I suggest, therefore, that they consult the dictionary to find a definition of what they are trying to stop. They will find that inflation is defined as "a disproportionate increase in the quantity of money or credit, or both, relative to the amount of exchange business." That is, inflation is caused by a disproportionate increase of money and credit relative to available goods and services. The question then is: Who or what is responsible for increasing the money and credit?

According to our Constitution, "Congress shall have the power . . . to coin money." And by delegation of powers by the Congress, the Federal Reserve Board and the Treasury are in practical control of the overall credit policy followed by our banks.

A Clever Device

Thus it would appear to be our own government that is responsible for the inflation and high prices that are upon us today. Yet, this same government is leading the posse in an attempt to catch the culprits! While we are being warned to watch out for "speculators and black marketeers" the real culprit (our own government) continues its inflationary fiscal policies of creating more and more money and credit in relation to the production of goods and services.

We are now fighting one costly war while we are preparing for a greater one. Such a program requires a tremendous amount of goods and services. If these must be produced now, instead of 10 years from now, then the efforts of individual citizens must be directed now to that purpose. Whatever the cost in effort of rearmament, it comes at the time the goods are being provided. It is not possible to have the products now and to postpone the effort to suit our convenience. And if the government does not pay for the effort required to produce the goods of war with money gathered by taxes now, then, **judging by past experience,** the government will pay for those goods with printing-press money, or its equivalent, that will destroy by inflation the value of our earnings and savings as though they had been taken from us by taxes. It appears that the sole effect of so-called "deferred payments," **as previously practiced,** is to delude us into believing that it is possible to get something for nothing—instead of having to work and pay for it.

It is proper, I believe, to raise this question at this point: How can we discharge that obligation to "secure the blessings of liberty" to our posterity which the Constitution enjoins upon us, if we pursue the will-o'-the-wisp of inflation and thus mortgage the liberty of that posterity?

Four Minus One Is Three

We have been told that one-fourth of our production and services may eventually be absorbed by the armament program. In the face of that, some of our more optimistic government officials tell us that the Defense Program will cause little or no decline in our standard of living. I cannot follow this line of reasoning. For when one is subtracted from four, the result is three. And all the controls in the world cannot change that answer or the natural consequences that must inevitably result when more and more money bids for fewer and fewer goods and services.

I believe that if our government adopted the forthright approach of collecting in taxes the full amount of its expenditures, we would thus eliminate any excuse for building up a huge bureaucracy in the futile effort to prevent prices and wages from finding their natural levels. For on a pay-as-you-go basis, as goods and services are funneled into rearmament, an equal amount of purchasing power would be withdrawn by taxation. Thus there **would be no se**rious inflation and little or no further general price rise in the overall economy.

But if we continue in the direction we have been going in recent years, with a steadily increasing stream of money accompanied by compulsions against individual freedom, we have reason for concern for the future of our nation. For such a course will bring two evils that must eventually destroy us—as surely as if we were invaded and conquered.

A Nation of Law Breakers

In the first place, I believe economic necessity will eventually induce us to become a nation of law breakers in order to survive under a permanent system of wage, price and other controls. Normally honest persons will find it necessary for economic survival to return again to the under-the-counter deals and black market operations that existed under previous governmental attempts to abolish the free market and the right of persons to trade with each other on mutually acceptable terms. Good laws will then suffer along with bad laws. Because the only way to create respect for all law is to make sure that all laws are themselves respectable. Laws that cause normally honest people to become technical criminals are not respectable laws. But these laws against individual freedom of choice and action, laws that are designed to abolish the natural operations of a free and competitive market will offer criminals and gangsters an unexcelled opportunity to flourish. This could easily mean the end of our American experiment in freedom—the end of our original concept of government as servant, not master of the people.

Power Corrupts

Another great danger is to be found in what happens to the officials who are called upon to administer these great governmental powers. For when a person gains power over other persons—the political power to force other persons to do his bidding when they do not believe it right to do so — it seems inevitable that a moral weakness develops in the person who exercises that power. It may take time for this weakness to become visible. In fact, its full extent is frequently left to the historians to record, but we eventually learn of it. It was Lord Acton, the British historian, who said: "All power tends to corrupt; absolute power corrupts absolutely."

Please do not misunderstand me. These persons who are corrupted by the process of ruling over their fellow men are not innately evil. They begin as honest men. Their motives for wanting to direct the actions of others may be purely patriotic and altruistic. Indeed, they may wish only "to do good for the people." But, apparently, the only way they can think of to do this "good" is to impose more restrictive laws.

Do-Gooders

Now, obviously, there is no point in passing a law which requires people to do something they would do anyhow; or which prevents them from doing what they are not going to do anyhow. Therefore, the possessor of the political power could very well decide to leave every person free to do as he pleases so long as he does not infringe upon the same right of every other person to do as he pleases. However, that concept appears to be utterly without reason to a person who wants to exercise political power over his fellow man, for he asks himself: "How can I 'do good' for the people if I just leave them alone?" Besides, he does not want to pass into history as a "do nothing" leader who ends up as a footnote somewhere. So he begins to pass laws that will force all other persons to conform to **his** ideas of what is good for **them.**

That is the danger point! The more restrictions and compulsions he imposes on other persons, the greater the strain on his own morality. As his appetite for using force against people increases, he tends increasingly to surround himself with advisers who also seem to derive a peculiar pleasure from forcing others to obey their decrees. He appoints friends and supporters to easy jobs of questionable necessity. If there are not enough jobs to go around, he creates new ones. In some instances, jobs are sold to the highest bidder. The hard-earned money of those over whom he rules is loaned for questionable private endeavors or spent on grandiose public projects at home and abroad. If there is opposition, an emergency is declared or created to justify these actions.

If the benevolent ruler stays in power long enough, he eventually concludes that power and wisdom are the same thing. And as he possesses power, he must also possess wisdom. He becomes converted to the seductive thesis that election to public office endows the official with both power and wisdom. At this point, he begins to lose his ability to distinguish between what is morally right and what is politically expedient.

I am aware that whenever controls and restrictions are proposed, the argument is made that they are temporary, "for the period of the emergency only." But I am also aware that the RFC and similar activities that now appear to be with us forever were imposed upon us as "temporary measures," made "absolutely essential" by military or economic emergency. I have seen too many "temporary" measures harden into permanent controls by government to permit me to view them with complacency. We have been told by government officials that the present emergency may last for a generation or even longer! Will these controls and restrictions on freedom last that long? We should, I believe, base our appraisal of any measure on the moral principle involved, and reject all justifications which are based on political or other expediency. Such justifications are inevitable when people grasp for power. Moral principle is timeless. An act that is wrong 10 years from now is just as wrong today!

A Vital Struggle

We are now engaged in a contest between our philosophy of living and that of a totalitarian state. We have said again and again that it is our free way of life that gives us both spirtual and material superiority over Russia and communism. Yet, when the crucial test between these two philosophies is imminent, we apparently feel compelled to adopt their system in order to prove that ours is best. We feel compelled to reject freedom and embrace the Communist idea of a planned economy and a controlled people. Thus we surrender in the most vital battle, the battle of ideas, even before a shot is fired! What will it profit us to defeat aggressive foreign nations who believe in a regimented people and government ownership of the means of production, if, in this process, we accept the validity of their doctrines for use here in the United States? That would indeed be a Pyrrhic victory!

A Return to Freedom

Where then does this search for freedom lead us? What should we do? First, I want to say that I am quite sure I am not capable of determining for 150 million people their everyday economic and personal decisions concerning such things as wages, prices, production and all the rest. I believe that no other person, or group of persons, is capable of doing so. For that reason, I propose that these decisions and the problems connected therewith be returned to the people themselves. This, I believe, could be done in three steps:

First let us stop this headlong rush toward more collectivism. Let there be no more special privileges for employers, employees, farmers, businessmen or any other group or persons. Let there be no enlargement of the area of socialism. That is the easiest step of all. We need merely refrain from passing additional coercive laws! And let us not ignore the fact that whenever special privilege is granted to a person or group the freedom of others is correspondingly restricted—that is coercion!

Second, let us undertake at once an orderly demobilization of many of the existing powers of centralized government. This can be done by the progressive repeal of the various socialistic laws that we already have. Let us remove the special privileges that we have granted to persons and groups. This will be a very difficult step because every pressure group in the nation will fight bitterly to retain the laws that grant them monopoly privileges and protection from competition. But if freedom is to live, all special privileges must go! Would it not be a wonderful thing if each pressure group would voluntarily surrender its own special privilege as a contribution to the great cause of freedom for all?

Third, of the powers which remain in government, let us decentralize as many as possible by returning them to state and local governments. For on the local level the people will be better able to safeguard their freedom by critical scrutiny of the acts of their government officials.

But I am sure that none of these steps will be taken until we believe that freedom as a way of life will work! Thus, the very first step of all is for each of us to examine his own conscience, to find out why he has lost faith in freedom in those vast areas that have been delegated to government; and how he can regain that faith. It is my firm belief that such self-examination will result in a rebirth of confidence in freedom and in individual moral responsibility in a nation now beset by fear and confusion. For I am sure that when a person understands freedom, he must believe in it!

In this time of grave national crisis I believe we can obtain guidance from the wisdom of our founding fathers. I, therefore, commend for your consideration these statements by George Mason and Thomas Jefferson in the Virginia Bill of Rights, which was itself the foundation of our Declaration of Independence:

"That all men are by nature equally free and independent, and have certain inherent rights, of which, when they enter into a state of society, they cannot, by any compact, deprive or divest their posterity; namely, the enjoyment of life and liberty, with the means of acquiring and possessing property, and pursuing and obtaining happiness and safety.

* * *

"That no free government, or the blessing of liberty, can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality, and virtue, and by frequent recurrence to fundamental principles."

These, I believe, are the truths by which we must live if we are to be free!

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Harriman Ripley & Co. Inc. and Wood, Gundy & Co. Inc. and associates are offering $50,000,000 Province of Ontario (Canada) 3¼% debentures maturing May 15, 1971, at 98% and accrued interest.

Proceeds of the sale of the debentures are to be advanced by the Province of Ontario to The Hydro-Electric Power Commission of Ontario as an advance of moneys to be used by the Commission to provide in part for capital expenditures in connection with its present capital construction program and to repay temporary loans incurred for such capital expenditures.

The new debentures will be direct obligations of the Province of Ontario which had a funded debt as of Dec. 31, 1950, of $686,-891,500. The Province has always paid the full face amount of the principal of an interest on (a) every direct obligation issued by it, and (b) every indirect obligation on which it has been required to implement its guarantee, all promptly when due.

Ontario, the second largest in area of the Canadian provinces, covers approximately 412,000 square miles, of which about 88% is land area. Estimated population of the Province at June 1, 1950, was 4,512,000, representing 32.6% of the total population of Canada.

Other members of the offering group are The First Boston Corp.; Smith, Barney & Co.; The Dominion Securities Corp.; A. E. Ames & Co. Inc., and McLeod, Young, Weir, Inc.

Texas IBA Group Annual Meeting

DALLAS, Tex.—The sixteenth annual meeting of the Texas Group of the Investment Banker Association of America will b held in Dallas, May 24 and 25. Principal speakers will be Brigadier General Robert J. Smith President of Pioneer Airlines, an R. R. Gilbert, President of th Federal Reserve Bank of Dallas

Planned for entertainment ar golf tournament at the Lakewo Country Club; a Nieman-Marc style show; giant ranch party a barbecue with square dancing a other entertainment; and a gra ball.

Members of the Conventi Committee are John L. Canava Rauscher, Pierce & Co., Gener Chairman, and Chairman of entertainment; Winton A. Jackso First Southwest Company, Chairman for golf; Clarence E. Samp and George S. Rooker, Mercanti National Bank of Dallas, co-Chairmen for publicity; George Hemmingson, Central Investment Company of Texas, program Chairman; Carrol Bennett, Dalla Rupe & Son, Chairman of transportation; and Judson S. Jame Judson & James & Co., Chairma of the ladies committee.

Two With Scranton

NEW HAVEN, Conn.—David Clark and Huntington P. Wel have become associated wi Chas. W. Scranton & Co., 2 Church Street, members of t New York Stock Exchange. M Clark was formerly with W. Langley & Co.

Marine Trust Company Of Western New Yor

BUFFALO, N. Y.—The name the Marine Trust Company Buffalo, 235 Main Street, has been changed to the Marine Trust Company of Western New York.

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Continued from page 7

What to Expect From The Defense Economy

wage restraint, but this possibility is remote. The Wage Stabilization Board will be handicapped in limiting wage increases by the absence of a strong public opinion demanding that wages be held down.

I do not know how much advances in wage rates will raise payrolls, but the amount will probably be around $10 billion a year. With the increase of $11 billion or more resulting from the rise in employment and from longer working hours, the total expansion of payrolls by the second quarter of 1952 will be $21 billion or more as an annual rate above the second quarter of 1951. This is a somewhat smaller increase than that forecast by the staff of the Joint Committee on the Economic Report which estimates an increase of $23.5 billion in the annual rate of wages and salaries between the second quarter of 1951 and the second quarter of 1952.[3] During the next nine months, when the increase in the consumption of goods for defense will outrun the growth of the gross national product, the rise in the annual rate of payrolls will be around $16 billion, or roughly $12 billion to $13 billion after taxes at present tax rates.

Will not the period of strong inflationary pressures end in about a year when there is reason to expect that the gross national output will be increasing faster than expenditures on defense goods? I wish that I could answer this question by "Yes," but I fear that the answer must be "No." Undoubtedly inflationary pressures will be substantially diminished when it is possible to divert most of the increase in production to civilian uses. Nevertheless, throughout 1952, the demand for goods will be large in relation to supplies. The resulting sellers' market will produce a continued rise in wage rates and thus in personal incomes. The increase in personal incomes is likely to outrun the increase in the supply of consumer goods for some months after the total physical increase in production becomes larger than the rise in consumption for defense.

IV

What steps should be taken to control the rise in prices? Many proposals have been made, such as strict control of credit for non-defense purposes, tax increases sufficient to balance the budget of the Federal government, reductions in non-essential expenditures of the government, ceilings on wages and prices, restrictions on non-defense capital expenditures by business, and the encouragement of personal savings. Most of these proposals are useful, but some of them are much more useful than others, and a few of them are of doubtful merit. Some of them fail to reach effectively the heart of the problem, namely the tendency for personal incomes to outrun the supply of consumer goods.

Certainly it is desirable to keep the expansion of short-term bank credit as small as possible, and particularly to limit the increase of credit for non-defense purposes. Even strict control of bank credit, however, will not prevent personal incomes from outrunning the supply of consumer goods. One cannot count on the scarcity of bank credit to bring about an offsetting increase in personal savings—though undoubtedly the scarcity of bank credit would be helpful in causing business enterprises to attempt to encourage personal saving.

Likewise, new taxes sufficient to keep the Federal budget in balance during the coming fiscal year cannot be counted upon to reduce the gap between personal incomes and the supply of consumer goods. Some taxes are inflationary, especially in a sellers' market. Hence, even a balanced budget may be inflationary. For example, sales taxes, which may be deflationary in a buyers' market, have mixed inflationary and deflationary effects in a sellers' market. They produce higher prices—though the price increases do not raise private incomes. An increase in taxes on corporate incomes is also likely to be inflationary. Such an increase will cause some enterprises to pay off bank loans more slowly and will put pressure on other enterprises to finance their expenditures on plant and equipment by inflationary methods, such as borrowing from banks or selling government securities to banks. Incidentally, it should be pointed out that under the present erroneous methods of computing depreciation on original costs rather than replacement costs, the corporate income tax, until shifted to buyers, is partly a levy on capital.

The kind of taxes that are most effective in reducing the gap between personal income and the supply of consumer goods are taxes on personal incomes. These taxes are politically unattractive and it is unlikely that Congress will raise the yield of the personal income tax by more than $3 billion or $4 billion a year. This amount is far less than the gap between personal incomes and the supply of consumer goods.

Cuts in government expenditures are particularly useful. They tend to limit the increase in personal incomes and they also release productive capacity for making goods, thus helping to keep up the supply of consumer goods. The outlook for limiting the rise in prices would be much brighter if there were signs of a strong desire on the part of the Administration and Congress to cooperate in cutting government expenditures. The public demand for such cuts does not seem to be sufficiently insistent to have much effect in Washington.

Ceilings on wages and prices may have limited usefulness for at least a few months. I have given my reasons, however, for not expecting much effective restraint on wage increases. Unless price ceilings are flexible, they are bound to produce shortages of those kinds of goods that are the least profitable to produce. If consumers cannot get what they really wish for their money, the purchasing power of personal incomes is limited. Price ceilings may have the effect for some months of encouraging personal savings, as they did during the Second World War. As these savings accumulate, however, the desire to convert them into goods becomes more and more insistent. Hence, the effectiveness of price ceilings in limiting personal expenditures must be expected to diminish in the course of time. Nevertheless, wisely administered price ceilings may be of some help in retarding the rise in prices during the next six or nine months when the shortages of consumer goods will be most acute.

Business concerns are planning to spend large amounts this year on plant and equipment. Indeed, non-agricultural enterprises plan to spend about 29% more on plant and equipment during 1951 than during 1950. When the planned expenditures were reported, plant and equipment costs had risen about 7% above the 1950 average. Hence a rise of about 22% in the physical volume of additions to plant and equipment in 1951 over 1950 is indicated.

Should not new expenditures on plant and equipment be discouraged for the purpose of retarding the rise in prices? A large part of the outlays on plant and equipment are not required by defense. Certainly non-essential expenditures on plant and equipment should be discouraged, particularly during the last half of 1951 and probably during a good part of next year. To considerable extent controls of scarce materials will have the effect of curtailing expenditures on non-defense plant and equipment, particularly during the second half of the year.

The principal way of checking the rise in prices, however, is through an increase in the rate of personal savings. A higher rate of personal saving strikes at the very heart of the problem of inflation because it diverts into the financing of defense expenditures and expenditures on industrial plant and equipment part of the incomes that otherwise would bid up the prices of consumer goods. The great defect in all of the proposed programs for curbing the rise in prices is their failure to spell out effective ways and means of encouraging a substantial rise in personal savings. A considerable rise in personal savings can be brought about by the reduction of dissaving. The amount of dissaving (expenditures in excess of one's income) has been running at an annual rate of around $15 billion a year, and a considerable amount of dissaving occurs among people with good or moderately good incomes. If new borrowing is discouraged among persons of moderate or good incomes, there will be a substantial drop in dissaving. For some months the volume of saving will be increased by the repayment of debts incurred last year or the year before.

Steps need to be taken by both government and business, however, to stimulate saving among individuals. The government up to now has done little to stimulate personal savings. The kind of securities that it offers non-institutional buyers are not attractive to them. Ever since the middle of last year redemptions of E bonds have considerably exceeded sales. In the nine months ending in March the excess of redemptions over new sales were about $800 million. The government must meet this problem by bringing out the kinds of securities that fit the needs and desires of would-be non-institutional savers and by developing effective house-to-house methods of selling its securities.

Business also has been at fault in failing to build up a demand for corporate securities among non-institutional buyers. The outlays of non-financial corporations on plant and equipment last year were $17 billion. In addition, non-financial corporations raised around $14 billion in 1950 to finance expansion of inventories and the extension of credit to customers. Nevertheless, new stock issues in 1950 were about $1.6 billion and new bond issues only about $2.5 billion. Some of these new issues were sold to institutional buyers. The net increase in personal saving in the form of corporate securities during 1950, however, was less than a billion dollars. The control of the rise in prices will be lacking in effectiveness until business enterprises learn to finance a much larger part of their capital needs by drawing on personal savings.

One of the unfortunate consequences of the present lull in business is the encouragement of delay in steps that should be taken promptly to limit the rise in prices. Tax legislation ought to be effective on the first of July. It looks, however, as if it would not be effective before the first of the year. Likewise, there should be no delay in developing arrangements for encouraging personal savings, but the lull encourages delay. One is forced to the conclusion that the lull instead of providing valuable time improving the attack on inflation, is likely to foster delays that make the ultimate attack less effective.

V

Will the peak in defense expenditures be followed by a period of deflation? One may postulate, as a rough time table, that defense expenditures will remain at peak levels or very close to peak levels throughout 1952. Early in 1953 a drop may occur. Everyone should realize, however, that unexpected developments during the next year or so may increase the levels of defense expenditure and postpone the date when the big levels are reached. There is a strong probability that the military operations of the United States in foreign countries will broaden. Certainly there is no present reason for being optimistic that they will contract.

Let us assume that the size of the armed services will not decrease in 1953—that the United States must maintain a given state of preparedness for an indefinite period. If the armed services remain at about 3.5 million, the drop in defense expenditures will be simply a result of the fact that the enlarged armed services have been pretty completely equipped and that new equipment is needed only for replacements. Prewar experience suggests that the cost per man-year may run around $11,000. This assumes present prices, but some increase in the per man-year cost over prewar. The resulting total cost would be nearly $39 billion a year. Foreign aid may drop to around $4 billion. This would indicate a decrease in total expenditures of little more than $10 billion a year. The actual outlays for defense will probably be somewhat higher than I have indicated because the price level will be higher. The drop in expenditures will extend over a year. It will be quite gradual. No one can predict how gradual it will be. The more rapid is technological progress in the art of warfare, the slower will be the drop in military expenditures because technological change will increase the amounts that must be spent to keep the armed services equipped with the most modern weapons.

The Second World War, contrary to the expectations of many persons, was followed by a boom rather than a recession. One should not conclude, however, that the defense program will also be followed by a boom. In a number of important respects the transition from the defense program to a more normal economy will be quite different from the transition that followed the Second World War. I believe, however, that the termination of the defense program will be followed by expansion of the economy rather than contraction.

Let us note briefly some of the deflationary and inflationary influences that will follow the termination of the defense program. This will enable us to see why the inflationary influences are likely to be stronger than the deflationary ones. Let us look first at the deflationary influences. Among the trends that will limit the demand for goods after the peak in defense expenditures are the following:

(1) The output of cars and other durable goods during the present year will be roughly two-thirds as large as last year. Since the output last year was abnormally large, output this year will be about sufficient to meet normal demand. In other words, there will be little or no accumulation of a deferred demand for durable consumer goods.

(2) The output of housing during 1951, which will be about two-thirds as large as last year, will also be sufficient to prevent an increase in the backlog of demand.

(3) Demand after the Second World War was stimulated by the large drop in personal indebtedness that occurred during the war, particularly the drop in short-term indebtedness. Consumer credit outstanding dropped from $8.8 billion at the end of 1941 to $4.6 billion at the end of 1943. By the end of 1945, it had increased to $5.6 billion. The rapid rise in short-term consumer indebtedness between 1945 and the end of 1948 (when consumer credit increased from $5.6 billion to $14.5 billion) was made possible by the drop in consumer indebtedness during the war. There will probably be some drop in consumer indebtedness during the next year and a half. It is not likely, however, to leave consumers with such a small ratio of indebtedness to income as existed at the end of the Second World War.

(4) Since the beginning of the Korean War there has been a rapid rise in short-term business indebtedness—in contrast to the Second World War when this indebtedness increased only slowly. The short-term business indebtedness is large. When the government's defense expenditure drops, the repayment of these debts can be a powerful deflationary influence.

The defense program is also building up conditions that will help sustain demand several years hence. I believe that these influences will be more powerful than those tending to produce deflation. One should bear in mind that the ultimate drop in Federal expenditures will be much less than the drop that followed the Second World War. The decrease after the Second World War was tremendous—from $84.8 billion in 1945 to $31.1 billion in 1949. The drop in expenditures for defense will be quite small and gradual. As I have already pointed out, it will be retarded by the progress of the technology of war which will maintain a high replacement rate for all types of military equipment. Here are some of the influences that will sustain the demand for goods as defense spending drops:

(1) Wages will rise more rapidly than prices during the next two years. This will necessitate an ultimate advance in prices.

(2) The increase in the length of the work week will build into the economy a certain amount of postponed inflation — or at least the need for a certain amount of postponed inflation. When working hours are reduced to normal, about the time that the Government defense expenditures drop, wage earners will seek compensating wage increases just as they did in 1946. These wage advances will create the need for price increases.

(3) The increase in the proportion of population of working age in the labor force will create a demand for goods. The rise in the number of people at work tends to sustain itself. Expenditures come out of incomes, and the more people at work and the larger their incomes, the greater is the volume of spending. If the

[3] 82nd Congress, Joint Committee Print, "The Economic and Political Hazards of an Inflationary Defense Economy," p. 77.

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labor force is increased by an abnormal amount for two or three years of the defense period, a good many demands for additional productive capacity will be built up.

(4) The stockpiling of essential materials will probably be incomplete when the enlarged armed services have been pretty completely equipped and when total defense expenditures start to drop. Purchases for stockpiling, therefore, may turn out to be an offset to cuts in other forms of defense spending. This spring, stockpiles of essential materials were about $3.2 billion out of requirements of about $9.7 billion.

(5) Some of the tax increases will be temporary. This is probably true of the increase in the personal income tax (or at least part of the increase), the excess profits tax, and possibly part of the increase in the corporate income tax. By 1953, existing taxes will be yielding around $6 billion more than their present yield. Any tax increases voted later this year will probably not last for as much as two years. Reductions in taxes will help sustain the non-government demand for goods.

VI

Will the defense program be a heavy burden for the economy? Is there danger that it will seriously undermine the economic strength of the United States?

One must allow for the possibility that the present scope of the program will have to be substantially expanded. The United States may soon become involved in considerably larger military operations in Asia. Even if an expansion of the fighting in Asia can be avoided, the defense program will have to be broadened. At present it runs pretty narrowly in military terms. And yet the fight to halt the spread of communism throughout the world can not be won by military methods alone. Part of the fight must take the form of raising standards of living throughout the world.

A program to raise standards of living throughout the world need not be a burden on the American economy. Living standards cannot be raised over the long run by gifts—they can be raised only by higher production and higher production must be based upon investment. There is no reason why investments abroad should not be profitable and why they should not yield a good return to investors. It is the military part of the program, therefore, that imposes or may impose a net burden on the economy.

As a matter of fact, the net cost of the defense program may be fairly small. It may be conservatively estimated that the strong extra demand created by the defense program this year has raised employment by two million above the level that otherwise would have prevailed. As a result, the gross national output is probably about $10 billion more than it otherwise would have been. The increase in defense expenditures over the pre-Korean level is less than $10 billion. Hence, in the year following Korea the net cost of the defense program will be nil.

In the year to come and the following year, the results will not be so favorable. In the year after Korea, expenditures on defense and foreign military aid will be about $30 billion above the pre-Korean rate. The additional output attributable to the defense program may continue to be close to $10 billion a year. This would make the net cost around $20 billion.

A partial and important offset to this additional cost will come from the stimulus to technology provided by the defense program. The requirements of the armed services are stimulating research in many fields of technology. For example, the defense program will undoubtedly move forward by several years the use of jet planes in commercial aviation. When one takes into account all of the ways in which the defense program accelerates the development of technology, one is forced to the conclusion that the net cost of a program of the present size is probably less than 5% of the gross national product.

Honor Pierce on 50 Years in Finance

A testimonial dinner honoring E. A. Pierce upon his fiftieth anniversary in the financial business was held Wednesday night at the University Club. The dinner is tendered to Mr. Pierce by his partners in the brokerage and investment firm of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City.

Edward A. Pierce

Winthrop H. Smith, managing partner of the firm, acted as toastmaster.

Mr. Pierce started his career in the financial business on May 9, 1901 when he resigned a position as manager of a lumber office to become a broker's clerk for A. A. Housman & Company, a Wall Street firm. His advancement with Housman was steady and in 1915 Mr. Pierce became a full partner in the firm. In 1921 he was named managing partner and five years later, as a tribute to his ability and leadership, the name of the firm was changed to E. A. Pierce & Co.

Under his guidance the firm became the largest commission house on the New York Stock Exchange with 70 offices and 2,500 employees. In 1940 through a consolidation, E. A. Pierce and Co. joined with Merrill Lynch, which was the beginning of the present firm, Merrill Lynch, Pierce, Fenner & Beane.

The name of Pierce was given to another well-known organization in the late '30s when he was called upon to head the Pierce Committee, which engineered the reorganization of the New York Stock Exchange. Mr. Pierce also aided in the drafting of the SEC Law and with the organization of the Securities and Exchange Commission.

As a partner of the firm Mr. Pierce continues to be active in the brokerage and investment business. In addition he holds directorships in five corporations and is a member of eight stock and commodity exchanges.

Orchids From Bob Huff

LOS ANGELES, Calif.—Robert H. Huff, partner in Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, has been bringing beautiful orchids to the office for weeks and all the girls are sporting corsages, too! These orchid blossoms are not flown in from Hawaii, but are raised by Bob in his very own garden. If he is not too busy writing insurance articles, he may tell you how to make an orchid lei.

Joins A. M. Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—LeRoy Dennis Crane has become connected with A. M. Kidder & Co., 216 71st Street.

Did You GUESS?

Here's the 1951 version of the angel appearing on page 28.

Robert D. Diehl

(A) Robert D. Diehl, Paine, Webber, Jackson & Curtis, 626 South Spring Street, Los Angeles 14, Calif.—President of Security Traders Association of Los Angeles.

Thomson & McKinnon Quarter-Century Club

At a dinner held at the Hotel Biltmore, Thomson & McKinnon, a leading brokerage firm, paid special tribute to members of the organization who have been with the firm 25 years or longer.

Forty-six employees and partners of the New York office were so honored, climaxing a series of dinners throughout the country inaugurating the Quarter-Century Club and honoring 91 of over 700 employees.

Hamilton gold wrist watches and diamond-studded lapel pins were presented by Henry Holt, senior partner, to all these associates and employees. "We believe that it is fitting to recognize the length of service reached by these 91 in an organization of 700 persons," Holt said, "we do honor to them and at the same time the awards emphasize the fine performance of an organization that has been active in serving the public since 1885. Sound service has never been more necessary than at present in view of the widespread interest in securities on the part of the general public."

Thomson & McKinnon are members of the New York Stock Exchange, the New York Curb Exchange and other principal security and commodity exchanges throughout the country. The firm serves investors through its private wire system connecting offices in more than 40 leading cities throughout the United States and Canada.

Richard W. Jones

Richard Walter Jones passed away April 25 at the age of 86. He had been organizer and cashier of the Merchants and Farmers Bank of Macon, Miss.; President of the American National Bank of Kansas City; Vice-President of the Seventh National Bank; President of the Oriental Bank, and Vice-President of The National Reserve Bank of New York. Mr. Jones had entered the investment business in 1911 and when he retired was senior partner in McBee, Jones & Co.

Oakes & Co. Add

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Henry D. Draper has been added to the staff of Oakes & Company, 605 Lincoln Road.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Emanuel M. Davis is now affiliated with Goodbody & Co., 218 Beach Drive, North.

Farm Leader Opposes Price-Wage Controls

Allan B. Kline urges, as inflation curbs, increased production, pay-as-you-go taxation, effective credit controls, and sound management of government finances.

In a talk before the Commodity Club of New York on May 1, Allan B. Kline, President of the American Farm Bureau Federation, expressed the view that Government price and wage controls, as provided for in the Defense Production Act of 1950, should be allowed to expire on June 30 and other means of fighting inflation should be resorted to. Price and wage ceilings, Mr. Kline declared, are diverting attention from the policies which must be adopted if inflation is to be brought under control.

Allan B. Kline

"A real inflation-control program must include increased production, strict government economy, pay-as-we-go taxation, effective credit controls and sound management of the public debt," he said.

"These measures are consistent with our American system, the way of life which has made possible this country's unmatched record of productivity. There would certainly be no wisdom in trading our peculiarly successful system of individual freedom and incentives for a clumsy and inefficient government control program of a kind which has demonstrated its relative inefficiency in some other countries. It is worthy of note that these are some of the countries which previously held leadership in the world.

"Yet just such a trade is implicit in the imposition of price and wage controls on our economy. In addition we must consider the fact that these direct restrictions simply do not control inflation.

Traditionally, Mr. Kline declared, governments have caused inflation by unbalancing their budgets and making up the deficit by printing money or by selling bonds. "The inflation we have experienced since Korea has been almost entirely a monetary inflation. As a result of the Treasury's insistence that interest rates be kept low to keep down the cost of carrying the government debt, the Federal Reserve System increased its holdings of government bonds about $4.5 billion between May 1950 and February 1951. This increased bank reserves and made it possible for the banks to increase their loans and deposits, with the result that the supply of money went up about $8 billion in the last half of 1950."

In addition, he pointed out, rising prices since Korea have been stimulated by an inflation psychology resulting from irresponsible statements from Washington on the magnitude and ultimate cost of the defense program, doubts that taxes would be raised enough to pay the bill, controversy over the need for wage and price controls which suggested that prices were going to "run away," and the rumors which preceded actual imposition of controls.

Mr. Kline called for an end to price controls on the present expiration date of June 30, warning that their continuation would make it "exceedingly difficult ever to return to a free choice system."

He added that "this would not only threaten our liberty at home, but also seriously impair our ability to avoid the catastrophe of a third World War and to defend our way of life against any eventuality."

The present international tension may last for years, the national farm leader declared, and our policies must be of a kind which we can maintain indefinitely without crippling the economic power of our nation. A realistic appraisal of the situation calls for measures which, rather than putting us into a straitjacket, will encourage development of greater and greater national strength. Such measures, he said, must be firmly rooted in the American system which has been proved to work better than any other in history.

"Nothing is more important to the future of the world than what we do here in America," Mr. Kline concluded. "Our demonstration of what human freedom can accomplish here will do more than anything else to determine the future of freedom throughout the world."

NSTA Notes

CINCINNATI STOCK & BOND CLUB

The Cincinnati Stock & Bond Club will hold its annual spring outing aboard the Delta Queen, largest inland waterway boat on June 1, 1951.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing as of May 4, 1951 are as follows:

TEAM	Won	Lost
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	25	14
Donadio (Capt.), DeMaye, O'Connor, Whiting, Workmeister	23	15*
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	22	17
Goodman (Capt.), Lax, Valentine, M. Meyer, H. Frankel	22	16*
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	22	17
Mewing (Capt.), Klein, Cohen, Manny, Chegan	20	19
Leone (Capt.), Krassowich, Nieman, Pollack, Gavin	18	21
Serlen (Capt.), Gersten, Gold, Krumholz, Young	18	21
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	18	21
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	15	24
H. Meyer (Capt.), Smith, Farrell, A. Frankel, LaPato	15	24
Krisem (Capt.), Bradley, Montanyne, Weissman, Gannon	14	25

*38 games played.

Only three more nights so keep the interest alive by attending. In that way we make it fair for all the contenders.

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Continued from first page

Tax Education of Mr. Jones

That is why I want to talk to you today about a law which Congress has recently passed, and which will exert a profound influence upon the entire national defense program. It is the controversial "rapid amortization" section of the 1950 Revenue Act; and of all the domestic issues that are now under popular discussion, I know of none which has been so thoroughly misrepresented and so completely misunderstood.

Even among the members of Congress who enacted this measure there is an erroneous belief that it grants a tax subsidy to business. Certain Washington observers have implied that there is some undefined and hidden scandal about the operation of this statute, and, in some quarters, there seems to be a studied attempt to use this suggestion of scandal as a lever with which to force public acceptance of a program of government construction and ownership of defense plants.

Misunderstanding in Washington

That such misunderstanding and confusion exists in Washington and elsewhere is not surprising, of course; for it is almost impossible to discuss this complicated tax issue without getting lost in a maze of technical accounting terms such as "amortization," "depreciation" and "write-offs."

In my opinion, however, the root of most of this confusion is to be found in the fact that the word "profit" means one very distinct thing to the average citizen, and an entirely different thing to an accountant or a tax collector.

To the citizen, a profit means exactly what the dictionary says it does: the amount by which receipts exceed expenses in a business transaction. It is money and it is spendable. The tax collector, however, deals often in profits which are wholly fictitious and which exist only on paper. Most businessmen, moreover, have become so accustomed to paying taxes on these fictitious paper profits that they have virtually forgotten what a real cash profit is.

It is this confusion of terms which is responsible for much of the present controversy. To a high degree, it is a matter of semantics. For instance, it is said that the law permits a manufacturer to write off his investment over a certain number of years; when as a matter of actual fact the law sternly compels him to wait that number of years before he can recover fully—out of his own business income—the money which he, himself, has spent for the plants and facilities in question.

Joe Jones Views the Law

It seems to me that if we could only view this law through the eyes—for example—of Citizen Joe Jones, and see for ourselves how it would affect him in his business, much of the misunderstanding which prevails so generally today would simply evaporate. Let us say that our Mr. Jones came home from the last war, found a small job which provided his support, but nurtured a strong desire to start a business of his own in the hope, some day, of becoming his own boss. Perhaps I should add here the usual warning that any resemblance between Joe and any person, living or dead, is entirely coincidental. But having cast this anchor securely to windward, I should like, for the next few minutes, to put myself in his shoes, to see through his eyes, and to describe in his words the problems he meets as he launches his business career.

So—as Joe—I look around and decide that what this country needs is a brand new gadget. Moreover, I think I know just what that gadget is and how to make it. Maybe it's a better mousetrap. Maybe it's something else. Let's just call it a "whatzit."

In any event, I find that to manufacture this product, the first thing I'll need is a machine that costs $2,000. Then I'll need the raw materials, and a man to run the machine.

So, for the purposes of this illustration, I incorporate myself, and go around to my good old Aunt Mathilda, who generously agrees to pawn the family jewels and to lend me the $2,000. I buy the machine, set it up in my basement, hire a man, get the raw materials, and the Whatzit Manufacturing Company, Inc. is open for business. Then I go out and establish a market for my product, and sure enough, it sells.

Everything is going fine, and at the end of the first year I start to figure out where I stand. That's fairly easy.

I find I sold exactly $10,000 worth of whatzits, so there are my total receipts—$10,000.

Next I come to expenses. The first thing I spent, of course, was $2,000 for the machine, so I put that down. Then I put down all my other expenses—let's call them my "running expenses" — labor, raw materials, light and power, maintenance and repair of the machine, and my selling expenses, advertising, and so forth. And these running expenses come to precisely $8,000. So I find that I broke exactly even.

My tax return is very simple: receipts, $10,000; expenses, $10,000; no profit; no tax.

I send the tax return to the collector; drop around and repay the $2,000 to my Aunt Mathilda, who is overjoyed; and I come home feeling pretty good. I've worked a whole year, and while I haven't made a dime, I haven't lost a dime either. Moreover, I've established a good business, and next year—if all goes well—I should make a profit for the first time.

So I come whistling down the street, turn in at the front gate, and there—sitting on the doorstep—is a gentleman from the Internal Revenue Bureau, who wants to ask me just one simple little question: "Whaddaya mean, no profit?"

Well, I take him in and show him my books and they don't feaze him at all. He just looks over at the corner and says, "How about that machine? It's all yours now, isn't it? You own it now, don't you?"

I say, "Of course I own it. I bought it, and I paid for it. That was my very first item of business expense."

Well, he looks at me kind of sadly and says, "Listen, pal, this may come as a great shock to you, but that machine isn't an expense—it's a profit. You can't spend it, or eat it, or wear it; but just the same, it's profit!"

Well, of course, I can't see that at all, and I tell him so. I paid $2,000 for that machine, and until I get that money back, I haven't made any profit at all. That's all there is to it, and that's the way it really is! But he shakes his head and says:

"Look, Bud, it might sound that way to an ordinary guy, but life just isn't that simple—not when you're dealing with the government, at least. You're a businessman now, and you've got to start thinking like a certified public accountant, or a tax collector, or maybe even like a Chairman of the Board. That machine represents a capital expenditure and you've got to amortize it or depreciate it."

Well, I tell him that I'm certainly not going to do anything like that to a perfectly good machine; and he can see I'm getting pretty sore about it, so he explains it to me very patiently.

"It's like this," he says. "You paid for that machine, and you're entitled to recover—out of your earnings—all the money you put into it. If you couldn't do that, you wouldn't go into business in the first place and neither would anybody else. So up to that point we agree. But here's the catch in it. You're NOT entitled to get your money back all 'in one fell swoop'—as Shakespeare used to say. The law says you have to spread out the cost of that machine over its entire useful life. If we think it will last five years, we let you recover one-fifth of its original cost each year, out of your earnings. If we think it will last 10 years, you can get one-tenth of your money back each year, and so on. Now it happens that the particular machine you have over there is good for 20 years, so we will let you 'depreciate' it at the rate of 5% per year. That's what we mean by amortization."

"You may call it amortization," I tell him, "but I call it an outrage. What you're saying is that I've got to wait 20 years to get back the money that I had to pay out, cash-on-the-barrel-head, in one year."

"Put it that way if you want to," he agrees amiably, "but that's what the law says and that's the way it's going to be—or else! Now let's figure your income tax the way you should have figured it. You took in $10,000 and spent $8,000 for what you call your 'running expenses.' That leaves $2,000, which you might call your 'operating profit.' Now, out of that $2,000 you write off $100 to cover depreciation on the machine. . . ."

"Wait a minute," I interrupt. "How do I 'write off' a hundred bucks?"

"Easy," he says. "You just take the hundred and put it in a bank, and you do the same thing every year for 20 years. At the end of that 20 years, your machine is all worn out and useless, but over in the bank you've got the $2,000 you paid for it; so everybody's happy."

Well, of course, I'm not happy about it at all, and I ask him just one question: "What happens if I don't earn enough in future years to cover that $100 depreciation? Suppose there isn't any 'operating profit,' as you call it?"

"Brother," he says, "take my advice and don't let that happen. If it does then hire yourself a smart tax lawyer, because right there the law gets awfully complicated. But in any event, it's your worry, not mine." And with that he gets out his pencil and starts figuring my income tax.

Now, for the purposes of this little illustration, let us assume that the tax rate applicable to this particular business is 50%. Actually, of course, on a small corporation of this kind it would be lower than that, and on a big corporation it would be higher than that. But just to keep it simple, let's call it 50%.

So the Internal Revenue man gets through with his figuring and says, "Congratulations, my friend. You made a very handsome little profit this year. After paying all your running expenses, and after writing off that $100 to cover depreciation on your machine, you had $1,900 left. That is your taxable income. Now you owe me half of that, which is $950; and that leaves a clear profit of $950 for you. That's nice goin'."

"It's nice goin' for you all right," I agree, "but there's just one little thing that puzzles me. If I really made a $950 profit, the way you say I did, I certainly ought to have enough money around here somewhere to pay my tax with. But I haven't got a nickel. So what do I do about it?"

"Buddy," he says, in a kind of friendly tone, "if you don't want to spend the next 10 years in Alcatraz, you'd better run over and see your Aunt Mathilda!"

And there you have the first chapter in the story of the Tax Education of Joe Jones. That's how he found out about amortization, depreciation, and write-offs—the hard way. And that, also, is how he began to pay a corporation income tax on a paper profit that he had never really received in cash and would not receive in full until the end of 20 years.

Naturally, Joe felt that he had been gypped; and if you look at it through his eyes, he had been. But he realized that every other corporation in the country was being taxed in the same way, and there was nothing he could do about it. So he went ahead for five years, manufacturing and selling his gadgets, and by a strange coincidence, which occurs only for the purposes of this illustration, his receipts remained exactly the same, each year, and so did his running expenses and his tax rate. Every year he put aside a hundred dollars to cover depreciation on the machine, and every year he paid the government $950 in taxes.

Then, one day, an Army officer from Washington walks into the shop and says, "Joe, we're in trouble and we need your help."

"Sure," says Joe, "anything at all. What can I do for you, Major?"

"Well, it's like this," the Major explains. "You know all about the police action in Korea and the present national emergency. We've got to build up our defenses very quickly; and the Army needs a whole lot of those whatzits that you're making. So we want you to put in another machine, hire another man, and double your output. Will you do it, Joe?"

"You bet I will," says Joe. "Just tell me how I get the machine. You see I don't yet have enough money to buy another one, and my Aunt Mathilda died last year, and . . . well, what do I do?"

"I'm afraid that's up to you, Joe," the Major replies. "You're going to have to buy the machine yourself and pay for it, just as you did before. There's not a thing I can do about that; but Congress has just passed a new law that ought to help you swing the deal."

"What law is that?" asks Joe, pulling up a packing case for the Major to sit on.

So the Major describes the new amortization provisions of the Revenue Act and tells Joe, frankly and clearly, just what they will and will NOT do for him. He explains that Joe is entitled to apply to Washington for a certificate, showing that the new machine is necessary to the defense program. When and if he gets that certificate of necessity—and after his new machine is installed—Joe will then be allowed to "write off" a large part of the cost of the machine in five years instead of being compelled to wait 20 years to recover his investment. That is what the law does, and that is all the law does, the Major points out.

Does Not Guarantee Profit

He makes it clear that it does not guarantee anybody any profit of any kind; and that unless the income from the new machine is sufficient to cover the increased depreciation to which Joe is entitled, the certificate will do him no good whatever. That is a risk that Joe must take. Moreover, the new law does not even guarantee Joe a market for his product; but as long as the emergency continues, of course, he can be reasonably confident of selling his expanded output, so he should come out all right.

The certificate of necessity, the Major also emphasizes, has nothing whatever to do with the RFC. It does not entitle Joe to obtain a loan from the government or from anyone else; and yet it may help because—he says—"it's a lot easier to get a loan that you can repay in five years than it is to get one that you can't repay for 20 years."

And there—the Major concludes—is the nub of the new law. It offers no financial incentive or reward to any business because—he explains — no patriotic American needs any special inducement when it comes to the defense of his country. What the law does do, he points out, is to make it financially possible for many vital industries to undertake, at once, a vast expansion program that they otherwise could not attempt, perhaps, for many, many years.

Joe has just one question. "What happens," he asks, "if — after a couple of years—the Army doesn't need any more of these gadgets? How will I pay off my loan at the bank?"

"Joe," says the Major, very slowly, "that's a tough one. The amortization law that Congress passed during the last war would have protected you especially against that contingency; but the new law doesn't. It's a risk you'll just have to take, and one that a lot of other businessmen are taking in this emergency. But, Joe—I'm asking you to take it. We need those whatzits badly!"

Well, young Joe responds to that appeal as any other good American would. He borrows the money and expands his production. And here I am going to make two rather violent assumptions: first, that the government—in an excessively generous mood—permits him to write off the entire cost of his new machine in the five years; and second, that he buys the machine itself at the same old price of $2,000. In justification of the latter assumption, I can only suggest that perhaps he got it at wholesale, through a friend.

In any event, our enterprising new businessman now has two machines in his basement. He has bought and paid for both of them. His certificate entitles him to recover the cost of the new one in five years; but he still must spread out the cost of the old one over the full 20-year period. And so, at the end of another year, we find him preparing his tax return.

Each machine, he discovers, has yielded an "operating profit" of exactly $2,000. On the new machine, therefore, he takes the $400 depreciation which his certificate allows him; and this leaves a taxable income of $1,600—$800 tax for the government and $800 profit for himself. On the old machine, however, he can take only the regular $100 depreciation; so he pays his usual tax of $950 and has a $950 profit left.

And now, for the first time, he can see exactly what the new law has meant to him in actual terms of dollars and cents. His certificate is "saving" him $150 a year in taxes on the new machine, but it is also "costing" him $150 a year in profits. So he figures he's breaking even on the deal, and sends a check for $1,750 to the tax collector.

And this time, the collector has no complaints about it, but apparently he is practically the only man in Washington who hasn't. Joe wakes up, next morning, to find that instead of being a patriotic American citizen, he has suddenly become Public Enemy Number One.

In the very same Congress that enacted the law, some of the members are now declaring that Joe is raiding the Federal Treasury and robbing his fellow taxpayers. They say that, at the end of five years, he will own his machine, free and clear, and that the government will have paid for it through tax concessions. Many of the most distinguished Senators and Representatives agree without question that the Treasury is subsidizing Joe; and a member of the

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President's Cabinet declares that it might be cheaper for the government to have bought the machine in the first place, and to have gone directly into the business of making whatzits, on its own.

Patriotism and Profit

A certain labor leader, who is never slow to impugn the patriotism of his fellow Americans, declares, in a speech, that Joe is so disloyal that he refused to lift a finger to fight Communism until the government had guaranteed him a profit. And a member of Congress is so impressed by the speech that he has it printed in the Congressional Record at the taxpayers' expense.

Newspapers report that two separate Congressional Investigations of the affair are being started, and a columnist predicts that these investigations will unearth a scandal which will make that mink coat in the White House look like a dyed muskrat in the bargain basement.

Joe can hardly believe his eyes and ears. From his own actual operating experience, he knows that every one of those charges is untrue — except, perhaps, that one about getting the subsidy. He isn't quite sure about that; so he digs out a pencil and paper and starts to figure it for himself. It doesn't require calculus, or analytical geometry, or trigonometry, or even algebra. All it requires, Joe finds, is plain, old-fashioned, grammar school arithmetic.

There are, he discovers, three major possibilities: that the emergency will last less than five years; exactly five years; or more than five years. If it lasts less than five years, of course, he will be left saddled with a debt on his machine, as the Major had explained, and no amount of figuring will help, so he passes on to the second possibility.

Here he finds that if the emergency lasts exactly five years, and if then there is no further market for the output of his new machine, his situation will be this:

He will have recovered—out of his own earnings—the $2,000 that he paid for the machine, and he will have settled his loan at the bank, in full. Over the whole five-year period, he will have paid $750 less in taxes than he will pay during the same interval on the old machine; but he likewise will have received $750 less in profits.

Clearly, therefore, the government has made no financial contribution whatever to Joe's business, and by no possible stretch of the imagination could the so-called tax "concession" of $750 have paid for a machine which cost $2,000. So Joe can only conclude that the official who argued that it would be cheaper for the government to have bought the machine in the first place was either very weak on arithmetic or very strong on government ownership.

Moreover, the machine itself is now worthless, so far as Joe is concerned. Mechanically, it will be good for another 15 years, but productively, its useful life is over. Under any theory of taxation, of course, Joe would always have been entitled to recover the cost of that machine over the period of its useful life; so the certificate of necessity has given him no tax "concession" whatever. Yet without that certificate, he probably could not have bought his new machine at all. So here is what has happened:

As the direct result of that certificate, the Army has received the defense materials which it needed so badly; one more worker has been given a job; the government has collected $4,000 in taxes, which it would not otherwise have obtained; and Joe has received $4,000 in profits as the fruit of his enterprise. Moreover, he is now in a position to expand his production still further should some new emergency require it.

Next, Joe comes to the third possibility — that the emergency does NOT end in five years, and that he is able to go right on selling the entire output of his new machine for the whole 20 years of its life. Those extra 15 years should be clear velvet for him, and that seems to be what his critics in Washington are most worried about. Yet a few simple calculations—had the critics taken the trouble to make them—would have put their minds completely at rest. Here is what Joe's figures show:

Since he will recover the entire cost of his new machine in the first five years, he can take no further depreciation on it, thereafter. So in the sixth year, he finds that his "operating profit" of $2,000 has become, automatically, his taxable income; and instead of paying the government a tax of $800, as he formerly did on this machine, he must now pay a tax of $1,000 a year on it. That is $50 per year more than he is paying on his old machine; and he will have to pay this extra $50 every year from now on.

Thus, 15 years hence, when his new machine is worn out, he will have paid the government a tax "bonus" of $750, which will exactly wipe out the tax "saving" of $750 which he enjoyed in the first five years. Over the entire 20 years, he finds, he will have paid a total tax of $19,000 on the output of the new machine—$800 a year for the first five years, and $1,000 a year for the next 15. On his old machine, over the same period, he will also have paid a total tax of precisely $19,000 — $950 a year for 20 years. It all comes out exactly even, to the penny!

And so, Joe discovers a fact which apparently has not yet penetrated the minds of many of the most distinguished and well-informed members of Congress. And that fact is this:

No Loss of Government Revenue

It makes not the slightest difference whether the cost of the machine is written off in one year, three years, five years, or any other number of years. At the end of the useful life of that machine—whatever its useful life may be—the result will always be exactly the same as long as the tax rate applicable to the income from that machine remains the same. It makes no difference, either, how large or how small the profit may be, or how widely it may vary from year to year. In the end, the government will have collected the same amount — the precise penny—that it would have collected under any other system of amortization or depreciation.

So once again, the certificate of necessity has proved meaningless so far as Joe's fiscal operations are concerned. It will produce neither gain nor loss for him as long as the tax rate applicable to his business remains unchanged. Should his tax rate go up over the 20 years, however, Joe finds that he will have lost money. He will have paid the government a larger tax than he would have paid had he not used the rapid amortization provision of the new law in the first place. Conversely, of course, if his tax rate declines over the next 20 years, he will have gained an actual tax saving.

In that respect, therefore, his certificate represents a gamble—but not a very good gamble from Joe's point of view. He figures that any man who sees how taxes have risen in the past 20 years and who will then willingly gamble on a tax decline in the next 20 years is undoubtedly engaging in the most magnificent flight of optimism that this country has seen since the Republican campaign of 1948.

And so, gentlemen, our now-highly-educated Mr. Jones has demonstrated conclusively that the new law neither subsidizes nor enriches business at public expense; that it will expand, rather than diminish, the tax revenues of the Federal Treasury; and that it has enabled American industry—at private expense—to enlarge its defense production to a maximum degree in a minimum of time.

Like all illustrations, the one I have just presented has been highly simplified. It has not taken account of the inflationary effects of rising wages, mounting costs and higher prices. It has ignored the recent tax boosts that have occurred. It will be noted too that Joe's profit represented a tremendously high return on his capital investment—more than three times as high, in fact, as the average which prevailed throughout industry last year. Yet, were all of these factors to be taken fully into account, they would not alter the basic lessons of this illustration in any particular.

Here we have seen the true and exact facts regarding this controversial law, and if there is any way whereby the committees of this chamber can bring an understanding of those facts to the American people, we shall, in my opinion, have performed a major service, not only to American industry, but to the entire national defense program as well.

For of this one thing I am convinced:

If this law is, in reality, the evil measure that its critics believe it to be, then it should be repealed without question; but if its critics are wrong, as the facts clearly prove them to be, then certainly, the businessman who avails himself of this law in the service of his country has a right to expect that he will not thus become an object of scorn and the victim of suspicion!

Irving Sumergrade Is With Bache in Cleve.

Irving Sumergrade

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Irving Sumergrade has become associated with Bache & Co., National City East Sixth Building. Mr. Sumergrade, who has been in the investment business for many years, has recently been with Francis I. du Pont & Co.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Sidney L. Huey has become associated with King Merritt & Co., Inc., 1616 St. Germain.

Joins Hincks Bros.

BRIDGEPORT, Conn.—Albert R. Pastircik is now with Hincks Bros. & Co., Inc., 872 Main Street.

Eddy Brothers Add

HARTFORD, Conn.—Rocco J. LaMonica has been added to the staff of Eddy Brothers & Co., 33 Lewis Street, members of the Boston Stock Exchange.

Wants Curb on Municipal Borrowing

Voluntary Credit Restraint Committee lists types of state and local government capital outlays for which financing should be postponed. Calls for advance clearance of all issues over $1 million.

The Voluntary Credit Restraint Committee, established by the Federal Reserve Board, issued on May 7 the following statement containing recommendations for postponement of various types of State and municipal projects deemed nonessential to the defense program or to the preservation of public health and safety:

"In 1951 State and local debt outstanding has reached an all-time high approaching $22 billion. Since Korea nearly $2 billion of public securities have been sold to raise new money.

"To curb inflation in 1951 every segment of the economy, public and private, must reduce expenditures wherever possible. Financing institutions participating in the Voluntary Credit Restraint Program should carefully screen loans to State and local governments as well as loans to other borrowers. Expansion programs that under normal conditions would be financed without hesitation should be critically examined. Ordinary government as well as private expenditures should be met largely out of current revenue rather than financed by new borrowing. If not urgently needed for preservation of public health and safety or for purposes directly related to defense, public works should be deferred.

Long-Term Borrowing

"Projects for expanding or modernizing municipally owned facilities constitute the major demand for public capital borrowing. Roads, schools, water systems, drainage and sewage projects and the like are the principal purposes. In the majority of cases local governments can borrow only on the approval of the electorate, which means that long periods intervene between first proposals and final financing. In many cases funds were authorized some time ago to finance projects that are just being put under way or which will be started shortly. Some projects which had voter approval before Korea are turning out to be under-financed at present prices and may require additional financing if they are carried forward on the basis of original plans. Examination of these plans might eliminate nonessential features and avoid more borrowing.

"It is sometimes difficult in individual cases to differentiate essential from nonessential expenditures and to sort out those programs which should be undertaken immediately from those which it would be desirable to postpone. Therefore, certain tests are suggested to financing institutions cooperating in the Voluntary Credit Restraint Program to be used in arriving at financing decisions in discussions with municipal authorities.

"Soldiers' bonus issues are inflationary under today's conditions. They add to the spending power of the public through the creation of credit. It would seem desirable to postpone such issues until a time when immediate purchasing power is needed to counteract unemployment and when it might be more beneficial to the veteran.

"Among the types of state and local government capital outlays for which, in the judgment of the Committee, the financing should be postponed are:

"(1) Replacemnet of any existing facilities that can continue to perform their function during the emergency period.

"(2) Construction of facilities of the types not recommended by the Defense Production Administration—such as recreational facilities and war memorials.

"(3) Acquisition of sites or rights-of-way not immediately needed.

"(4) Purchase of privately-owned utilities by municipalities, which involves borrowing to replace equity capital.

Short-Term Indebtedness

"Lenders are urged to encourage local governments to balance budgets and thus to avoid any deficit borrowing.

"Borrowing in anticipation of taxes or other revenues should be held to the minimum amounts and periods required for operation of state and local governments. Such borrowing should be discouraged if it exceeds reasonable expectations of revenues, since there is always the danger that deficits may thus be concealed.

"Temporary borrowing for capital purposes, unless anticipating current revenues, should be judged by the standards specified above for long-term capital loans.

Advance Clearance of Large Issues

"Regional committees have been established for consulation as to whether or not pending financing is consistent with the principles of the Voluntary Credit Restraint Program.

"The Committee recognizes that the established procedure for origination and bidding on public issues of state and local government differs from other types of financing. We are advised that for this reason Defense Mobilization Director Wilson has requested public bodies to submit financing of $1,000,000 or more to these regional committees for a ruling as to conformance with the Program before negotiation of private sale or advertising for public sale.

"Financing institutions are requested to cooperate in this matter by not participating in the public or private sale or purchase of such securities unless the issue involved has been cleared by the proposed issuer, or as the result of an application for a ruling by the financing institution itself. All such transactions, regardless of size, should be screened by the financing institutions in accordance with the statement of principles of the Program, and may be referred to the regional committees if the financing institutions so desire.

"The regional committees available to consider these transactions are the investment banking regional committees as follows:

"**Eastern Committee:** Percy M. Stewart (Chairman), Kuhn, Loeb & Co., 52 William Street, New York, New York.—**Territory:** The Atlantic Seaboard to and including Ohio, West Virginia, Tennessee and Alabama.

"**Mid-Western Committee:** D. Dean McCormick (Chairman), McCormick & Co., 231 S. LaSalle St., Chicago 4, Illinois.—**Territory:** Michigan, Indiana, Kentucky, Mississippi, Missouri, Kansas, Nebraska, the Dakotas, Minnesota, Iowa and Colorado.

"**Southwestern Committee:** John H. Rauscher (Chairman), Rauscher, Pierce & Co., Mercantile Bank Bldg., Dallas 1, Texas.—**Territory:** Texas, Louisiana, Arkansas, Oklahoma and New Mexico.

"**Western Committee:** Frank F. Walker (Chairman), Dean Witter & Co., 45 Montgomery St., San Francisco, Calif.—**Territory:** The West Coast States along with Arizona, Utah, Wyoming, Montana, Idaho and Nevada."

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The World Crisis and The American Economy

difficult at a later date to defend these resources.

At this point, let me step aside for a moment from my role as an economist and admit to you that all of us are swayed by personal feelings and even prejudices.

Many foreigners dislike the United States, partly because we people who live here are in a much more fortunate and secure position than most of the people who live in other countries.

Many of us, at the same time, have a feeling of resentment against some of the tactics pursued by foreign nationals, such as the British.

The British are very shrewd bargainers. They are trying desperately to protect their interests in the Far East. The Commonwealth countries are getting a very high price for all the raw materials they sell to the United States. Any interest I feel in the British, or the French, or the Germans, is a selfish interest.

They happen to be on the spot. They possibly may help in preventing the steel capacity of the Ruhr, and the oil wells of the Near East, from falling into the hands of the Russians.

How much is that worth?

It is hard to put a figure on it. We have spent a lot of money in western Europe under the Marshall Plan. It is conceivable that we may still lose out in that area, in which case the money will quite obviously have been wasted. It is conceivable, on the other hand, that this money, and probably a lot more, may prevent these resources from falling to Russia; and if that turns out to be the case then I think we will have received a reasonably good value.

The War in Korea

This, of course, is one of the hot subjects of the moment. I would like to go back at this point to the question of manpower. Manpower is the only economic factor in which Russia and its potential allies is stronger than the United States and its potential allies.

I think it is also important that we mention another fact: *Russia has not yet committed its own manpower on any single front.* But we have, in a fairly substantial way, in Korea. Our troops there are not fighting our real enemy — Russia — but they are nevertheless tied down, and fully occupied.

There is no substitute for victory. But we have been maneuvered into a position where, at the moment, we have to weigh the cost of a victory over the Chinese, who are no great threat to us, in terms of our position as against the real enemy—Russia.

That is what all the political fireworks are about at the moment.

Events, rather than the present debate, may influence our decision.

The Communist offensive in Korea cannot safely be regarded as a mere local battle, which will soon end with a new withdrawal of Chinese Communist forces.

The military outcome of present battles in Korea is still uncertain. But it is probable that the present campaign was prepared for many months in advance. The Chinese Communist command probably would not have undertaken the present campaign unless they were sure of substantial supplies and support from Russia. This probably also includes the building up of air bases.

Thus, the alternative policy suggested by advisors of the Administration, which sought to avoid the risks of a bigger war in Asia, will probably fail before it has been tested. Truman will probably not shrink from giving orders to strike against Chinese Communist bases in Northern China, including Manchuria, if large scale air attacks against United Nations forces in Korea are made.

Such an extension of the war in Korea still might not lead to direct war between the United States and Russia. MacArthur's view may be justified in these respects. A war between the United States and Communist China, in fact, will probably not be openly declared. But there is a good chance that the United States will become more and more deeply involved in China.

This would force the Administration to apply new economic sanctions, including a blockade of the Chinese coast. But it is doubtful whether and how far Great Britain would go along with such measures.

Great Britain and other western European countries would not openly defy United States policies under such conditions. But intense efforts would be made to limit the practical extent of such measures and to pave the way for new peace negotiations.

Russian propaganda, meanwhile, will emphasize the possibility of long-term peace in political campaigns in Europe, and will support such a belief through corresponding suggestions for continuous international negotiations.

During this stage, direct Russian military intervention in vital areas will be avoided. But anti-Western forces in key areas in southeast Asia, India, Iran and the Middle East will receive even greater support than they have received up to now.

Present governments in western Europe, especially in Great Britain, France, Italy and perhaps even in western Germany, may have to call for new elections. We do not expect immediate major shifts of the political forces within these countries. But the majority support of present governments in these countries is so small that a minor shift will make it impossible for these governments to continue. Their successors will be more subject to the "peace campaigns," will be fed by Russian proposals, than is the case now.

Leading politicians in western Europe, with few exceptions, do not expect war in the near future. They feel sure that war can be avoided, that Russia does not intend to move westward in the near future. Whatever truth lies in these anticipations, they certainly affect policies and they also reflect attitudes which are popular.

The removal of MacArthur from the Far East was therefore interpreted as a definite move of the Administration toward peace negotiations, which would satisfy British and probably also French suggestions: An early withdrawal of United Nations or American forces from Korea, and no military aid to Chiang Kai-shek or Formosa.

The realization that Truman cannot follow such a policy, and that his practical policy will correspond to most of the suggestions made by MacArthur, will result in a further cooling off of sentiment in western Europe, and in particular in Great Britain for close ties with the United States.

Repercussions Will Be Widespread

Other specific developments must be anticipated as follows:

The Western defense effort in Europe will not be as great as is anticipated by the Marshall Plan. Additional American contributions will be demanded, but Congress will be reluctant to support such a program. A "reexamination of the policy of the Administration in Europe" as well as in the Far East, and a drastic revision of the policies in Europe may be necessary under the pressure of British "isolationism."

Britain's empire will suffer new heavy blows because Russia will seek to strengthen European isolationism by sponsoring all-out attacks against British spheres in southeast Asia and also in the Middle East.

Hongkong will enter a critical stage, where its old position as the privilege trading center in the Far East may be lost. Communist China will try to open up its own trade channels with India and other countries in southeast Asia, or it will convert production which was traded with the west into production which is supplementary to the Russian economy. Hongkong will then depend largely on its ability to supply goods from the west, which will be more or less blocked by United Nations or United States embargoes.

The French sphere in Africa will also be in danger. New uprisings of native forces, which will be actively supported by Communist underground movements, will undermine French control of Morocco.

The American defense system in Europe and the Middle East will, to a great extent, rely on the new air bases which France has granted to the United States in North Africa. But if De Gaulle became the winner in new elections in France, he would probably ask for a revision or reexamination of military treaties with the United States.

But It Is Not All Black

The critical stage in which American international policies and defense programs will enter will, on the other hand, be modified by critical developments behind the Iron Curtain.

This applies in particular to Communist China, and especially to southern China, where hundreds of thousands of "unreliable" natives are in revolt. These multitudes will have to be liquidated or subdued by the present regime, if it is to secure its internal position during a period of great economic difficulty.

A drastic change of administrative personnel and leadership, now taking place in eastern European countries, reveals the difficulty Russia encounters there. A new generation of young administrators, less capable and less skilled than their predecessors, is taking over key positions merely because they are considered "reliable." As a result, these eastern countries are now experiencing greater supply difficulties than the western countries.

These critical developments in eastern areas cause difficulties for Russia. But they may force the eastern regimes to gain military victories abroad, so that they may appear "invincible." At such a point, a general war might break out overnight.

We are approaching a stage where such possibilities will be extremely acute; but we have not yet reached it at the moment.

The Domestic Economy

I have spent a great deal of time so far on the world crisis. There is nothing that is more important at the moment. Nevertheless, it is highly important for all of us to sum these things up in terms of the domestic economy.

All of you realize that the defense program of the garrison economy, or whatever you want to call it, has two phases. One will be based on a major increase in the actual production of defense items. This phase actually will only get under way during the last half of this year, or about a year after Korea was invaded.

The other phase was privately financed. It involved heavy buying by consumers and businessmen. Some of this buying was speculative, and in the past few months we have witnessed a period of digestion and liquidation.

Let me suggest that we keep in mind the fact that there really are two types of demand.

One type of demand represents actual consumption. An ultimate measure of this might be taken as the rate at which automobiles, furniture, apparel and other possessions of the public are actually worn out.

Another type of demand is what might be called *market demand*, and is measured by the rate at which businessmen place orders.

This was a decisive factor right after the invasion of Korea and was supplemented by a wave of consumer buying as well.

What everyone has noticed recently is that supplies are large.

However, even this present "excess" of supply is somewhat relative. Business inventories actually are not excessive in relation to the current volume of business, although they are certainly higher than they were a year ago. They are regarded as "excessive" in some quarters chiefly because:

(a) Nearly everyone expected shortages, particularly of consumers' durable goods, to develop in the first quarter; and

(b) Retailers are therefore surprised by the rapid rate at which shipments have come in.

The feeling of uncertainty and caution is further strengthened by the fact that February, March and April sales showed a decline from an extremely high January total.

At the moment, therefore, there is no doubt that the rate at which new supplies are being produced has been moderately higher than the rate at which new supplies have been taken by consumers off the marketplace.

Correctives at Work

Some natural correctives are already at work.

In most of the soft line markets, particularly textiles and apparel, prices have recently shown some weakness.

There is a measure of present surpluses. It also means, however, that retailers, for the first time in almost a year, can come into the textile-apparel markets and make "good buys," behind which they can put promotional efforts, which will stimulate unit volume at retail.

On the supply side, in these markets, it is likely that there will be some curtailment of output in the next few months.

These markets, in short are already following a normal course of correction, which should be reasonably well completed within another 30 to 60 days.

Similar conditions have arisen for a few hard lines, but in these markets the condition is much less general and the effect on prices has been minor.

Second Half Prospects

Supply and demand conditions in the second half of the year will show a change in two respects.

(1) They will be stronger.

(2) They will again look even stronger than they actually become.

The first point deals with the actual volume of supply available for civilians, in relation to a normal demand based on current trends.

The supply will be definitely smaller.

Most of the declines will come in consumers' durable goods.

These declines will develop as military production increases — which it will, quite rapidly, in the second half of the year—and by the end of the year will be quite substantial.

Such a development will automatically make supply and demand conditions look stronger.

Consumers who buy cautiously when supplies are obviously ample become more anxious to buy when supplies grow visibly smaller.

Retailers inclined now to pass up shipments of standard quality appliances or other durable goods will become anxious to get them again, as soon as they become hard to get.

We can even look a little beyond the end of the year with quite a bit of assurance. No matter how quiet Russia may be in the meantime, present defense schedules have been set. And they will be carried out.

Production will increase; spending for military hardware will increase; the cash position of the Treasury will deteriorate; manpower will become more scarce; costs will go on up; and inflationary fears will be revived. These developments will be supported by further increases in spending for new plant and equipment; and none of these developments will reach a peak before some time in 1952 or 1953.

So the minimum expectation we face is a period of high level business activity and a revival of upward price pressures, which will create a new crisis for OPS and many new problems for businessmen.

Looking beyond that, there are simply too many factors to guess about. We don't have to look beyond at the moment, but maybe, a year from now, a major war will have broken out. If it has not, then I hope I can come back here again, at that time, to sum up the outlook as it will appear then.

Wm. Carlin Joins Westheimer & Co.

CINCINNATI, Ohio—Westheimer & Company, 326 Walnut Street, investment securities dealers, announced that they have expanded their Grain and Commodity Departments. William G. Carlin has become associated with the firm as Manager of the Commodity Department.

Previous to his association with Westheimer & Company, Mr. Carlin resided in Gary, Ind., and was with the U. S. Steel Corporation. He has been active in the commodity markets for over 20 years. He has been a member of the Chicago Open Board of Trade, and has done considerable research work in the commodity price field. Mr. Carlin was educated at Northwestern University, Chicago.

Westheimer & Company, in addition to its membership on the New York and Cincinnati Stock Exchanges and the New York Curb Exchange, is a member of the Chicago Board of Trade and the Commodity Exchange, Inc., and has made arrangements to maintain a direct wire to Chicago with Lamson Bros. & Company.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made April 18 by M. G. Newcomb, New York fiscal agent for the banks. The financing, totaling $90,145,000, consisted of $30,000,000 2.00% consolidated debentures due Aug. 1, 1951, and $60,145,000 2.15% consolidated debentures due Feb. 1, 1952. Both issues were dated May 1, 1951, and were placed at par.

Of the proceeds, $60,855,000 was used to retire a like amount of debentures maturing May 1, 1951, and $29,290,000 is "new money."

As of the close of business May 1, 1951, the total amount of debentures outstanding amounted to $682,735,000.

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The State of Trade and Industry

be as broad in the beginning as it is designed to become a few months later.

Many consumers will regard the shift to CMP as a change in name only at first. Then they'll notice that production scheduling is made easier—at least for those who are included under the plan. Finally, they'll see the plan grow as additional requests for metals are (1) received, (2) scrutinized, (3) squeezed of excess and (4) programmed by certifying officials, the magazine adds.

The time and work required to properly process and weigh all these requests for metal will prevent CMP from operating at full scope from the beginning. In spite of this, National Production Authority is trying hard to get the plan operating as fully as possible during the third quarter.

As the scope of CMP is broadened to include more consumers, supply of free market metal will shrink accordingly. "The Iron Age" expects "free" steel to shrivel to about 25% of total output by the fourth quarter. NPA officials now admit more than half of steel production will probably come under control.

NPA has gained industry support by the way it has handled cutbacks on metal use so far. Both consumers and producers generally feel that if restrictions on use are necessary they should continue to follow the present pattern—that is, to control the amount of metal which may be used, but not the number of units which may be made from it. In spite of the advantages of this method, there are still some in Washington who would like to control unit production, this trade authority notes.

Auto producers are too busy looking for alloy and carbon bars and spring steels and testing substitutes, including boron-treated steels, to pay too much heed to the further reduction in steel use for autos. Auto makers, who can now use 80% of the steel they used during the first half of 1950, will be limited to 75% in June and 70% during the third quarter. But these cuts will prove academic if the auto industry doesn't solve the problems of bars and spring steels.

One large producer of heavy forging alloy bars reports that only 26% of its orders booked for August will be "free" tonnage. They say spring steel will be only a little better. Requirements of "essential" industries are almost certain to eat into even this small percentage of uncontrolled tonnage. It won't make much difference how much other steel auto people find, it won't be of much help to them if they can't break these bottlenecks. Cold-rolled sheets are now being traded two-for-one for alloy bars, concludes "The Iron Age."

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 103.7% of capacity for the week beginning May 7, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 104.0% a week ago, or a decrease of 0.3 of a point.

This week's operating rate is equivalent to 2,073,000 tons of steel ingots and castings for the entire industry, compared to 2,079,000 a week ago. A month ago the rate was 102.3% and production yielded 2,045,000 tons. A year ago it stood at 100.1% of the old capacity and amounted to 1,908,200 tons.

Electric Output Registers Sharper Decline in Latest Week

The amount of electrical energy distributed by the electric light and power industry for the week ended May 5, 1951, was estimated at 6,559,700,000 kwh., according to the Edison Electric Institute.

The current total was 113,805,000 kwh. below that of the previous week, 688,016,000 kwh., or 11.7% above the total output for the week ended May 6, 1950, and 1,276,108,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Advance With Increase in Ore Shipments

Loadings of revenue freight for the week ended April 28, 1951, totaled 824,662 cars, according to the Association of American Railroads, representing an increase of 15,142 cars, or 1.9% above the preceding week, due largely to increased shipments of ore in connection with opening of navigation on the Great Lakes.

The week's total represented an increase of 79,367 cars, or 10.6% above the corresponding week in 1950, and an increase of 39,218 cars, or 5% above the comparable period of 1949.

Auto Output Declines Further the Past Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 156,300 units, compared with the previous week's total of 162,740 (revised) units and 146,337 units a year ago.

Production losses last week were restricted principally to Dodge operations in the Detroit area where output declined approximately 2,000 cars and 1,000 trucks because of the Budd strike, Ward's said. Chevrolet truck output also dropped to more normal levels following unusually high volume the previous week, the agency added.

For the United States alone, total output was 147,375 units against last week's revised total of 153,586 units, and in the like week of last year 139,492. Canadian output in the week totaled 9,225 units, compared with 9,154 units a week ago and 6,845 units in the comparable 1950 week.

Total output for the current week was made up of 117,007 cars and 30,368 trucks built in the United States and a total of 6,705 cars and 2,520 trucks built in Canada.

Business Failures Hold Steady

Commercial and industrial failures were virtually unchanged in the week ended May 3, totaling 163 as against 162 in the preceding week, Dun & Bradstreet, Inc., notes. While casualties were off moderately from the 199 and 193 which occurred in the comparable weeks in 1950 and 1949, they were down sharply, 42%, from the prewar total of 281 recorded in the similar week of 1939.

Failures involving liabilities of $5,000 or more increased to 135 from 125 in the previous week, but did not reach last year's level of 151. Small casualties, those having liabilities under $5,000, declined to 28 from 37 and were considerably less numerous than a year ago when 48 concerns succumbed in this size group.

Wholesale Food Price Index Turns Downward

The Dun & Bradstreet wholesale food price index turned lower last week following the preceding week's upturn which interrupted a six-week downward movement. The index for May 1 dropped to $7.14 from the previous level of $7.16. It compared with $5.84 at this time a year ago, or a rise of 22.3%.

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 Ends Week at Lower Level

Continuing in a narrow range most of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped quite sharply on the final day to close at 321.77 on May 1. This compared with 322.93 a week ago, and with 257.15 on the corresponding date last year.

Grain futures on the Chicago Board of Trade continued to move in a fairly narrow range. The undertone in wheat was firm and final prices were slightly higher than a week ago. Domestic mill demand was relatively quiet, but sizable quantities of hard Winter wheat were sold for export account. Reports from the Southwest indicate a steady deterioration of the new Winter wheat crop since it was seeded, while rain, snow and cold weather have delayed seeding of Spring wheat in parts of the Northwest. Offerings of cash corn were limited; prices continued firm, aided by improved shipping demand and good support from commission houses. Oats prices were slightly easier, largely influenced by increased marketings. Volume of trading in grain futures on the Chicago Board of Trade declined last week. Sales totaled 154,819,000 bushels, or a daily average of 26,000,000 bushels, the latter comparing with 29,000,000 the previous week, and 47,000,000 bushels in the corresponding week last year.

Business in the domestic flour market remained quiet with buyers generally holding to the sidelines.

Raw sugar was firmer in response to increasing demand.

Cocoa and coffee prices were unchanged at previous levels. Lard prices eased off toward the close in sympathy with weakness in crude vegetable oils. Steers, hogs and lambs on the Chicago livestock market were mostly steady to slightly easier for the week.

Spot cotton prices remained generally at ceiling levels throughout the past week.

Activity in spot markets, however, declined to the smallest volume in almost two years.

Sales in the ten spot markets last week totaled 47,600 bales, comparing with 59,000 bales a week previous, and with 142,600 bales in the same week a year ago. Prices for new crop futures advanced moderately, aided by reports of lateness of the crop in certain sections of the belt, and the possibility of some increase in the current export quota. Offerings were attributed mostly to profit-taking attracted by recent advances, reports of unexpectedly large plantings and more favorable weather in some areas of the belt. Exports of cotton continued small, totaling 58,000 bales for the latest week, as compared with 113,000 bales in the previous week and 111,000 bales in the same 1950 week. Exports of cotton for the season through the latest period aggregated 3,360,000 bales, comparing with 4,179,000 bales in the similar period a year ago. Inquiries for cotton gray goods showed some improvement, but the undertone of prices for certain constructions continued easy.

Trade Volume Holds Steady in Latest Week

The continued presence of seasonal weather throughout large areas of the country was reflected in a slight rise in total consumer spending in the period ended on Wednesday of last week. The aggregate dollar volume spent was nearly unchanged from the level of the corresponding week a year ago, Dun & Bradstreet, Inc., reports in its current summary of trade.

A moderate rise in last week's apparel buying was led by an increased interest in certain women's wear lines; especially popular with shoppers were Summer dresses, blouses and accessories. The demand for sportswear continued to increase noticeably in proportion to formal items. There was a heavy demand for suits in some sections and for topcoats in others. The purchasing of shoes declined somewhat in scattered communities.

Total dollar sales of apparel were fractionally above a year ago.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 2% above to 2% below a year ago. Regional estimates varied from a year ago by these percentages:

New England, Midwest, and Pacific Coast +1 to —3; East and South 0 to +4; Northwest 0 to —4; and Southwest +3 to —1.

Wholesale ordering for the nation dipped very slightly during the week and total order volume was appreciably above the level for the similar week in 1950. The number of buyers visiting various wholesale centers increased slightly last week, but was somewhat below that of a year earlier.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 28, 1951, increased 3% from the like period of last year. This compared with an increase of 1% in the previous week, and an increase of 1% for the four weeks ended April 28, 1951. For the year to date department store sales registered an advance of 12%.

More vigorous promotions and favorable weather were credited with the better showing of retail trade in New York the past week. As a consequence, department store sales were estimated at about 10% above the like period in 1950.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of April 28, 1951, advanced 5% from the like period of last year. In the preceding week an increase of 1% (revised) was registered above the similar week of 1950. For the four weeks ended April 28, 1951, an increase of 4% was recorded above that of a year ago, and for the year to date, volume advanced 12% from the like period of last year.

Continued from page 2

The Security I Like Best

Great Northern will continue for many years to come.

The Great Northern has excellent growth characteristics. The Grand Coulee and Bonneville dams are located in its territory, and many other hydro-electric and irrigation projects are under construction. The Tiber and Hungry Horse dams in western Montana and the Chief Joseph and Columbia Basin irrigation project in the State of Washington will add to the cheap power in that area and bring large new agricultural areas into cultivation. Gross revenues have shown better than average growth in the past decade and this trend is expected to accelerate in the next few years. Great Northern is a fine property physically. Large expenditures on improvements have been made over the years. The road was a pioneer in the use of heavy freight diesel locomotives and its lines west of Havre, Montana, where steep grades prevail, have been completely dieselized. Despite the many non-recurring difficulties last year and the mountanious terrain and rigorous weather conditions under which it operates, the ratio of expense to gross revenues in 1950 was 71.3%, against 74.5% for Class I railroads as a whole.

Great Northern has good credit. In 15 years, fixed charges have been reduced from $19.3 million to $7.9 million, where they are equal to only 3½% of gross revenues. Further reduction is indicated next year when the road is expected to retire $11.7 million of general mortgage 5½s of 1952, its only near mortgage maturity, out of liquid resources. The interest rate paid on obligations still outstanding will average about 3% and will consume only about 15% of pre-tax earnings based on 1950 results. Putting it another way, the dividends received from Burlington, on the present rate of payment, amounts to about 75% of total annual interest requirements.

Great Northern Preferred is now on a $4 annual dividend basis and this rate seems well protected. While directors are desirous of avoiding wide fluctuations in the rate, continuation of the present high level of earnings should ultimately mean a larger return to shareholders. With 3,092,583 shares outstanding, the stock does not have the leverage of some of the more speculative rail issues, but it possesses features of strength which few equities selling so low in relation to earnings and dividends afford. At the current price of around 51 the return on the investment is approximately 8%. The stock is selling at from 4½ to 5 times estimated 1951 earnings and about 6.2 times average earnings of the past decade.

J. H. Jackson With Lehman in Chicago

CHICAGO, ILL.—Lehman Brothers, 231 South La Salle Street, announce the association with its Chicago office's municipal bond department of John H. Jackson, formerly with Lee Higginson Corporation and Harriman Ripley & Co. Incorporated.

Joins Sutro Co. Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Herbert M. Hauser has become associated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Hooker & Fay.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

This should be a cinch to write because the market has performed almost according to a blue print. I could devote a couple of paragraphs to the taking of bows, and presto! I'll be at the end of the current piece.

* * *

But because it's so easy I haven't the faintest idea what to say. For the past three weeks this column has been on record to the effect that instead of more down than up, the signs pointed to more up and then a lot more down than generally believed. Well, you've had the up—the industrials have made new highs, and the down has also started. Now the question to be answered is how far down will they, or can they go, before any new turnabout.

* * *

You see I can pose the questions. But when it comes to answers I can be as evasive as the average customer's man. Late this afternoon, Tuesday, the industrials went down to 260 or so, where they closed, after making a high of 264. The rails, on the other hand, didn't go up but also went down. It's a very interesting picture. If you're long, then you're obviously bullish, and you interpret the recent action accordingly. If you're out of this market, or short of them, then your interpretation is equally subjective. It's six of one or a half dozen of another.

* * *

To get underneath the hopes, wishes and fears that constantly ride this market, you have to take a long look at individual stocks and what they're doing. If you can forget your position, you'll notice that the isolated moves I pointed to during the past few weeks seemed to stand out while the rest of the market either went down, or worse, did nothing. A few weeks ago it was the oils, then came the "romance" stocks. But all the while the solid citizens that most people refer to with awe—the blue chips—were lying on the side of the road licking their paws.

* * *

It wouldn't be too hard to wander off at this point and blame everything on Congress, Truman, MacArthur, the Reds, or any other single or collective group. It would be comforting to find a whipping boy to blame things on. Unfortunately, finding a straw man isn't going to help you one dollar. In the final analysis you will still have to give instructions to the order clerk, or whoever it is you do business with.

* * *

A long time ago I discovered that the only way to have an unbiased judgment is to be out of all positions, long or short. If I sold everything and still liked them, I would buy them back. If not I would either hug the sidelines or put out a couple of short lines.

* * *

I'm personally long of some stocks and I'm also in the red. But I think they'll go lower. So don't do as I do. Let your own bankroll be your guide.

[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.]

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Inflation, Spending and Taxes

been no such catastrophic decline in price as the Secretary of the Treasury had feared and had charged. The general result has been relatively healthy, and at least in the last two months there has been no inflation of private credit, and it is this lack of inflation of private credit combined with the stability of government finances which in my judgment has prevented prices from rising during these last two months.

Year Ahead May Be Gloomy

We are in the sunshine for the moment, but the year ahead may be very gloomy. The reason for this, of course, is the increased rate of military expenditures to which we are committed. In 1949 and 1950 we spent for military purposes $13½ billion. As the previous speaker has said, we are now spending at the rate of about $25 billion a year. We have about doubled our expenditures. The budget for next year calls for military spending of at least $40 billion, and authorizations of $20 billion more. The excess of authorizations over appropriations is to permit the Defense Department to place contracts during the coming year for which payments will not be made until later.

Let us take $40 billion as the bedrock figure. To that should be added the $7½ billion which is contemplated for foreign aid—and I may say that that is to be almost entirely military aid, primarily to re-equip a number of French divisions—plus $2½ billion for tomic energy, which is a defense purpose, plus a billion and a half dollars for stockpiling, and we come to the total of $51½ billion for defense purposes, and this is probably, as I have said, a minimum.

There are $20 billion more in the estimated budget for all other purposes; from $5½ to $6 billion of this will go for interest, and veterans' payments will run from $4 to $4½ billion. So these two purposes will take about $10 billion, leaving $10 billion for all other purposes. This arithmetic comes in handy because sometimes people believe that the non-defense, non-fixed portions of the Federal budget amount to the major portion. As you will see from what I have said, they amount to about $10 out of $17 billion—still a large sum, but a fraction of the total.

We should add to these estimated Federal expenditures some $22 or $24 billion to be spent by State and local governments, making a total of $95 billion in governmental expenditures at all levels, or 37% of the net national income of $260 billion, which is the best figure for the present time.

Let me take the Federal budget, because it is that with which we are most intimately concerned. Estimated expenditures under the figures submitted by the President are $71 billion. It had been thought in January that the estimated receipts would be around $55 billion. The increase in production, the rise in prices, in my judgment, will probably raise the receipts at the present level of taxes to about $60 billion, leaving a deficit of somewhere around $12 billion. Unless we eliminate this deficit for the coming year, we will have inflation in the year ahead, because the government will be compelled to borrow money to meet the deficit and, as I have explained, in borrowing money it will largely borrow from the banks. If it borrows purely from individuals out of their savings it would not be inflationary. It would be a transfer of purchasing power. If the money is borrowed from the banks, the banks will create monetary purchasing power in the form of bank credit which will be made available to the government, and the result will be an increase in the ratio of money to goods, and a rise in the price level.

Budget Should Be Balanced

It is therefore to my mind absolutely essential that we should prevent this deficit from occurring. One way to do it, and I should think the most popular way to do it among this group, and the most important way is to cut expenditures, and I am all for that. Let us see what can be done in this direction. Taking into account that I am now speaking of the non-military items which, excluding veterans' payments, do not amount to more than $10 billion and including veterans' payments to about $15 billion. In the first place, there is still a considerable degree of overstaffing of the governmental agencies, although not as great an overstaffing as there was last year before we made our cut of $750 million. There is a general tendency to overstaffing in all large concerns. I think you gentlemen may find that some of your concerns are somewhat overstaffed at the top. But this tendency tends to be particularly acute in government because the people who do the hiring do not have to bear the immediate responsibility for meeting the payroll. The Civil Service rules in some cases are so arranged that men get promotions according to the number of people who serve under them. This is sometimes true in the staffs of military organizations as well.

I still feel that the Congress should make a determined effort to reduce the overstaffing which exists, and I would single out two branches of government as being particularly characterized by overstaffing. The safe thing for a politician is to denounce overstaffing in general but not to mention individual instances. I am a very imprudent politician and so I shall mention two government departments which in my judgment are grossly overstaffed: The Veterans' Administration, which according to the Budget in January had 188,000 employees, and the Department of Agriculture, which maintains a duplicate, not only a duplicate, but in many cases triplicate and quadruplicate and quintuplicate county organization in most of the 3,000 counties of the country.

I think the squeeze could be applied with profit to those two organizations, but I can picture the anguished howls which will come when the axe is swung.

I have made myself extremely unpopular with governmental employees, of whom there are 81,000 in the State of Illinois, by saying that I thought the vacation allowances of government employees were excessive. They are 26 days a year for vacation. I would not object to a month's vacation, and this seems to be a month's vacation, 26 days, but it is 26 working days, and the government is on a five-day week, so that amounts to 5⅕ weeks of vacation for each governmental employee, which seems to me excessive.

A cutting back of the vacation allowance to the average of a month or perhaps better still a graduated scale according to seniority, with a similar application to sick leave, which now amounts to 15 days or three weeks, would save somewhere between $150 million to $200 million a year.

In all honesty, I think I should point out that governmental employees, like other employees, have suffered from the increase in the cost of living, for which during this past year no provision has been made. It may well be that as a result of the inflation which we have already suffered, most of the gains which we would have obtained by squeezing out excess overstaffing and excess vacation will be absorbed by the salary increase which in all fairness governmental employees should receive.

I do not wish to dwell too long about the fact, but I believe that appreciable savings can be obtained in reducing the number of automobiles which governmental employees, particularly in the city of Washington, have at their disposal, and in reducing the printing and publishing bills of the government.

"Cut Out the Pork Barrel"

What I have said has been popular up to date. What I shall shortly say will not be so popular.

In nearly every year the Congress is faced with a bill for rivers and harbors of approximately $750 million to $900 million a year. As you examine that bill you find that there is something in it for virtually every state in the Union, except the Mountain states which do not have rivers and do not have harbors. Along the Atlantic Coast and the Gulf there are generally provisions for harbor improvements which upon a national size turn out to be appropriations to enable pleasure yachts and motorboats of well-to-do members of the local Chambers of Commerce to be taken care of. And these appropriations are generally sufficient to command the enthusiastic support of the Senators and Congressmen from these states. The Republican Congressmen find it very easy to advocate harbors for pleasure yachts because they feel in very close rapport with the local Chambers of Commerce. The Democrats of course never get the support of the Chambers of Commerce, but they always live in hopes, so they too advocate these projects.

The result is that you get an accumulation of a great many millions of dollars spent for these harbors which if you analyze them closely really have no national interest.

But the big money goes for the lower Mississippi, for the upper Missouri, and for the Arkansas rivers. That is where the big money in the rivers and harbors appropriation goes. All I will ask is that you study very carefully the report of the Hoover Commission and the report of the recent Commission on Waterpower Policy as regards the Missouri River proposal, namely, a proposal to get a deep draught water, to get the Missouri River so that magnificent ships may cruise up from Kansas City to Sioux City at the border of Iowa and South Dakota, and similarly a proposal to open up the 500 miles of the Arkansas River to navigation. There just will not be enough river traffic on Missouri and Arkansas rivers to justify these eight, and twelve-foot channels. If you examine the past traffic figures, there just is not going to be enough traffic there to justify the expenditure, which will run into fantastic figures, hundreds of millions of dollars. If ultimately carried out it will run to billions of dollars.

There is something about the prospective sound of a steamboat whistle which destroys the senses of otherwise level-headed men, and so I urge you, examine these projects with some care, and when

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it is also proposed that you get a nice little harbor for your yachts and boats, examine that with some care, because that is the come-on stuff used to get the big appropriations.

Having offended everybody along the rivers, I am now going to offend everyone in the semi-arid states by speaking about our irrigation policy, which I think in the beginning was an extremely good policy, but which has now been carried to the point where we are spending money to irrigate semi-arid lands in the West at costs which run from $600 to $900 an acre, and in the case of one project which was proposed and passed by the Senate, $1200 an acre. I can hear someone whistling at that. Well done. I just priced some land north of Bloomington, in my state, which we fondly regard as the most fertile land in the United States. Iowa, please take note. I found that it was selling at $450 an acre. It certainly is uneconomic to spend the sums which we are spending irrigating land even if you get an intensive cultivation. As a matter of fact, the irrigation features of these projects certainly do not pay out. Yet, I hope my friends from the semi-arid states will not take this amiss when I say that though they are short on population, they have tremendous power in the United States Senate. The eight states of the Mountain Region, which have a total population of less than five million, have 16 Senators in the United States Senate as compared with the two Senators from my state of Illinois, which has a population of 8,600,000, and New York State with a population of virtually 15 million and having only two Senators. So New York State, with three times the population of the Mountain States, has one-eighth the representation. We don't complain about that because the only way we could get this country created in 1787 was to have the small states represented, but we do ask them to have a heart in the way they push their political power.

I could extend that into the field of sugar, wool, and silver. If money be the price of power, Lord God we of the industrial states have paid in full. It is the penalty of the lack of power, I should say.

The Post Office Expense

Now let's take the Post Office, which last year operated at a deficit of $550 million, and which as I looked over the Treasury report this morning looks as though it will operate at a deficit of $450 million during the coming year. Every one is in favor of having the Post Office pay its way, but nobody seems to be in favor of helping to pay its way. I would say in the first place that about $150 million of the deficit is caused by services which the Post Office performs to other governmental agencies and for which private users of the mails should not be asked to pay—the franked mail, $75 million, of which we in Congress used only $1.1 million, I hasten to say; offices for recruiting agencies and so on. But from $300 to $400 million is the deficit on services performed. It is very likely that the efficiency of the Post Office could be increased. Perhaps we could save $100 million that way, but we still would have a subsidy to the private users of the mails of from $200 million to $300 million.

The interesting thing is that this subsidy does not fall on first-class mail. The three-cent letter pays its way. The subsidy is on second-class mail, namely, newspapers and magazines; third-class mail, unsealed advertising matter used by the direct mail boys, and fourth-class matter, parcel post, of which the chief users are the great mail order houses of the country. Newspapers, magazines, direct mail advertisers, and the mail order houses are the chief recipients of the subsidy paid by the general taxpayer to make the Post Office deficit. I dare say there are some publishers and newspapermen here, possibly some mail order men, possibly some direct mail advertisers. I am making no personal attack upon you, but I am laying down the facts. Yet these groups in the community are I suppose those who are most vociferous, first, in demanding that national governmental budgets be balanced, and second, that the government should not pay subsidies.

My friends, I refer to the saying that what you do speaks so loudly that I cannot hear what you say.

I had a very interesting time with a group of newspaper publishers a year ago in which I said that I appreciated the advocacy of a balanced budget in eliminating the deficit but I thought their best contribution to this would be coming forward voluntarily and hitting the sawdust trail and asking for an increase in mailing rates on newspapers and magazines. I urged them to reform and come forward. I said this request on their part would do more to eliminate subsidies and help us balance the budget than any other single thing. Up to date the enthusiasm in this direction on the part of the newspapers and magazines has been something less than overpowering (laughter).

But in all honesty I must single out one or two newspaper chains for favorable mention. First is the Scripps-Howard papers which have advocated an increase in postal rates, and the second comes from a newspaper chain which has not been precisely overflowing in its love and friendship for me in the past—the newspapers owned by the Chicago "Tribune." Common honesty compels me to single these two groups out as groups which have advocated an increase in postal rates. May their tribe increase.

Furthermore, if you analyze the Post Office expenditures and other expenditures, you find overt subsidies tucked away, subsidies to airlines for carrying the mails, subsidies to ships. Though my railway friends will take me to task, I believe the contracts with the railways for carrying the mails give them a somewhat excessive amount. These have been really subsidies, in the case of ships and airlines, for national defense in the past. I do not believe the same necessity exists in the years ahead, because the airlines and the ships are getting volume, and I believe these subsidies are not necessary now.

In my judgment, if we can save $2 billion out of the civilian budget, we will be doing pretty well.

The Military Budget

When we come to this huge military budget, there are undoubtedly enormous wastes which are being incurred, and savings which could be made if we could find out what they were, and if we had backing to propose the savings without losing the support of the country. Every time Congress looks with a critical eye on the Military Establishment, it has great difficulty in isolating sources of expenditure, isolating specific wastes.

One member of Congress, Congressman Engle of Michigan, did heroic service in this connection some years back, and the present Commander-in-Chief, when he was head of the Senatorial Investigating Committee, probably saved billions of dollars for this country.

Then Congress is always put in the position that if it makes a cut in the military appropriations, it lays itself open to the charge that it is neglecting national defense. At times our friends in the Defense Department use that against us. We can always be certain that our potential rival out in the field who wants to get our job is storing that vote up and is likely to spring it when election time comes around. So we have our difficulties.

I happen to have had the honor of having been a member of a competitive military force, sometimes referred to as the "Police Force of the Navy," (Applause) the Marine Corps. I can see a few Marines shaking their fists in approving fashion down on the floor. We have never been characterized by undue modesty. (Laughter.) But I want to give you a few figures to indicate some of the savings which could be made if we had free enterprise in the Military Establishment and if we had more competition between the Services.

I have been getting some figures together. They have not yet been successfully challenged. In 1948 the average cost of maintaining a Marine was approximately $4,450, even with all overhead charged in. The average cost of maintaining a soldier was $5,900.

Senator Lyndon Johnson has just made a survey of 16 boot camps in the country; sometimes they are called boot camps. Sometimes they are given the elaborate title of indoctrination center. He has told me, and I believe his statement to be correct, that in the two Marine training depots, Parris Island and San Diego, there is one enlisted Marine for every ten men who are being trained; that in a large number of Army and Air Force centers, there is one enlisted man for every 1.2 men being trained.

I submit that our Army friends could learn a great deal from adopting the standards of the Marine Corps, and I submit that this comparative measuring stick might with profit be applied to their expenditures.

I can go further and say that I think the ratio that you have to have 100 men in uniform in the Army in order to get 23 men inside a division, a combat unit, a combat division, plus its affiliated units, is excessive; that the Army wastes civilian manpower, that it wastes military manpower, and that I believe the same charge could certainly be applied to the Air Force, and that even within a division there is too much idle overhead. A Marine division is 16% larger in size than an Army division, but it has 25% more men carrying M-1 rifles. It has twice as many men using caliber .30 machine guns. It has more men with the Browning automatic rifle. It has 100 men with sub-machine guns, whereas an Army division has none. It has enormously more fire power proportionately than an Army division, but it has 2,000 fewer vehicles, and therefore 2,000 fewer truck and jeep drivers.

I submit that our Army friends, in the interest of national defense, should not think of the stock of money and manpower as being unlimited, but that they should be willing to economize and get the maximum of efficiency at a minimum of cost, and get a maximum of firepower out of the men who go into the service.

I suppose it will be said by some of my Army friends that I am now sabotaging national defense and reflecting unduly upon the honor of a sister service. I am not doing that, but I would like to make this proposal: This is semi-facetious, and I know you should never make a semi-facetious proposal when the gentlemen of the press are present, because they immediately seize upon it and send it out in headlines; but with the understanding that this is off the record and will not be held against me—that is a good way to have it get around (laughter)—I would like to suggest that if you want to get real value for your money, let the Army and the Marine Corps bid against each other for the defense of the nation. We will guarantee to get a more effective fighting force at 20% less cost.

What I am really trying to introduce is the principle of competitive bidding into our Services. Being human, I think we will be doing very well if we get $2 billion of savings out of these $40 billion of expenditures.

Faced With Deficit of $16 to $12 Billion

So personally, I would fix the practicable limit of the savings which we can make, the practical limit, at around $4 billion. But we are faced with a deficit of from $10 billion to $12 billion. The conclusion which I draw is that unless we run a deficit, with its consequences of inflation, we shall have to increase taxes.

That is not popular. Edmund Burke once said that to tax and to please was not given to mortal man. It is extremely unpopular. No one likes to pay more taxes except in a period of war, and then it hurts. Nobody likes to levy more taxes. But I see no answer for it.

In distributing this burden of taxes, I would like to remind you of two things. The first is that there are still a lot of poor people in this country. I don't see too many of them around Washington, unless you go hunt for them. The average family income here is $4,130, according to the Census; it is not a low-income area. But there are lots of poor people in this country, on the farms and in the cities. A sales tax which is imposed on food and the cheaper forms of clothing will weigh much more heavily on this group than on the upper group, because a large percentage of their income will be spent on food and at least on the cheaper forms of clothing. So a sales tax which falls on these items of expenditure will not be proportionate; a 3% sales tax will not be proportionate. It will be regressive; and regressive taxation, after all, is unfair taxation. That is the first thing I should like to remind you of.

The second thing I would like to remind you of is that on the whole, American business isn't doing so badly, even under this Democratic Administration. I have been looking over the corporation profits. As far as I can tell, they are running at a rate of about $48 billion a year. Even after the taxes, even after the personal income taxes are taken—and they are heavy, I know—the owners of American industry are not doing badly at all.

We don't want you to do badly. Get this idea out of your head that the party which I represent—and I am very proud to belong to it—get the idea out of your head that we are intent on penalizing business or that we intend to soak one class of the community. Not at all. We do believe that this society of ours is a fraternity, and that those better able to bear the burden should bear a larger share of it, but we have no desire to penalize any one class.

So I ask you to think this problem over: the need for more taxes, the need for more economy. But, even with the economy, the need for more taxes. And, if so, where the chief source of these taxes should be, because what we need in this country is equality of sacrifice or a greater degree of equality of sacrifice. That is the only way you can fight a war, particularly against an enemy so expert in propaganda as the one which we face.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering, subject to authorization by the Interstate Commerce Commission, $2,670,000 Denver and Rio Grande Western RR. 3% equipment trust certificates, series Q, to mature semi-annually Dec. 1, 1951, to June 1, 1966, inclusive. The certificates are priced to yield from 2.20% to 3.05%, according to maturity. The group was awarded the issue at competitive sale yesterday (May 9, 1951).

The certificates will be unconditionally guaranteed, principal and dividends, by the Denver and Rio Grande Western RR. Co. and will be secured by the following new standard gauge railroad equipment estimated to cost not less than $3,560,000: 5 Diesel-electric road switching locomotives and 525 all steel hopper cars.

Associated in the offering are R. W. Pressprich & Co.; The Illinois Co.; Otis & Co.; Freeman & Company; McMaster Hutchinson & Co. and Peters, Writer & Christensen, Inc.

In New Quarters

CHICAGO, Ill. — The Chicago office of Kidder, Peabody & Co., investment bankers, have moved to new and larger quarters at the First National Bank Building, 33 South Clark Street, Erwin A. Stuebner, resident partner, has announced. The firm was located at 135 South La Salle Street.

Kidder, Peabody, with offices also in New York, Boston and Philadelphia, is a member of the New York, Boston and Midwest Stock Exchanges and the New York Curb Exchange. The firm has maintained a Chicago office since July, 1937.

Now Russell, Long & Co.

LEXINGTON, Ky. — Effective May 1, 1951, J. R. Burkholder III has with drawn from the partnership of Russell, Long & Burkholder, 257 West Short Street. The business and commitments of the partnership will be continued thereafter under the name of Russell, Long & Co. The firm is a member of the Midwest Stock Exchange.

Women's Bond Club Elects New Officers

At the annual meeting of the Women's Bond Club of New York the following officers and board members were elected for the ensuing year: President, Dorothy Funck; Vice - President, Irene Sheehan; Secretary, Helen Garvey; Treasurer, Virginia Farnham; board members: Margaret Kennedy, Catherine Pepper, Isabel Benham and Olga Fluck.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La. — Jule D. McDowell is now with Slayton & Company, Inc., 515 Market Street.

With J. Arthur Warner

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Daniel F. Doyle has become associated with J. Arthur Warner & Co., Inc., Clapp Building.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul Smith is now associated with Goodbody & Co., 50 State Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Gerald R. Grenewald is now affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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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 13	103.7	104.0	102.3	100.1
Equivalent to—					
Steel ingots and castings (net tons)	May 13	2,073,000	2,079,000	2,045,000	1,908,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Apr. 28	6,154,000	6,143,750	6,041,400	5,013,950
Crude runs to stills — daily average (bbls.)	Apr. 28	‡6,236,000	6,265,000	6,381,000	5,314,000
Gasoline output (bbls.)	Apr. 28	19,876,000	20,060,000	20,398,000	18,038,000
Kerosene output (bbls.)	Apr. 28	2,698,000	2,778,000	2,828,000	2,029,000
Gas, oil, and distillate fuel oil output (bbls.)	Apr. 28	8,061,000	8,172,000	9,365,000	6,531,000
Residual fuel oil output (bbls.)	Apr. 28	8,747,000	8,601,000	9,147,000	7,272,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 28	137,474,000	138,891,000	142,433,000	128,655,000
Kerosene (bbls.) at	Apr. 28	15,635,000	14,698,000	13,285,000	12,825,000
Gas, oil, and distillate fuel oil (bbls.) at	Apr. 28	43,859,000	42,957,000	43,170,000	36,686,000
Residual fuel oil (bbls.) at	Apr. 28	36,080,000	35,899,000	37,282,000	39,260,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 28	824,662	809,520	755,435	745,295
Revenue freight received from connections (number of cars)	Apr. 28	702,581	698,070	703,308	658,448
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 3	$270,573,000	$284,691,000	$311,168,000	$250,591,000
Private construction	May 3	166,513,000	129,041,000	188,188,000	140,944,000
Public construction	May 3	104,060,000	155,650,000	122,980,000	109,647,000
State and municipal	May 3	70,210,000	62,031,000	69,562,000	79,032,000
Federal	May 3	33,850,000	93,619,000	53,418,000	30,615,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 28	10,420,000	*10,630,000	10,190,000	11,325,000
Pennsylvania anthracite (tons)	Apr. 28	725,000	730,000	539,000	993,000
Beehive coke (tons)	Apr. 28	137,300	*129,700	138,500	128,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Apr. 28	293	281	258	285
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 5	6,559,700	6,673,505	6,735,844	5,871,684
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 3	163	162	195	199
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 1	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	May 1	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	May 1	$43.00	$43.00	$43.00	$31.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 2	24.200c	24.200c	24.200c	19.200c
Export refinery at	May 2	24.425c	24.425c	24.425c	19.425c
Straits tin (New York) at	May 2	142.000c	142.000c	150.500c	76.500c
Lead (New York) at	May 2	17.000c	17.000c	17.000c	11.000c
Lead (St. Louis) at	May 2	16.800c	16.800c	16.800c	10.800c
Zinc (East St. Louis) at	May 2	17.500c	17.500c	17.500c	11.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 8	97.58	97.85	99.46	102.68
Average corporate	May 8	111.62	111.62	112.19	116.02
Aaa	May 8	115.43	115.63	115.63	120.84
Aa	May 8	114.46	114.46	114.85	119.41
A	May 8	110.88	110.70	111.44	115.63
Baa	May 8	106.04	106.21	107.44	108.70
Railroad Group	May 8	108.16	108.16	109.24	111.25
Public Utilities Group	May 8	111.44	111.62	112.19	117.00
Industrials Group	May 8	115.24	115.24	115.24	120.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 8	2.66	2.64	2.53	2.30
Average corporate	May 8	3.08	3.08	3.05	2.85
Aaa	May 8	2.88	2.87	2.87	2.61
Aa	May 8	2.93	2.93	2.91	2.68
A	May 8	3.12	3.13	3.09	2.87
Baa	May 8	3.39	3.38	3.31	3.24
Railroad Group	May 8	3.27	3.27	3.21	3.10
Public Utilities Group	May 8	3.09	3.08	3.05	2.80
Industrials Group	May 8	2.89	2.89	2.89	2.65
MOODY'S COMMODITY INDEX	May 8	510.2	515.4	521.3	377.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 28	202,342	225,583	257,563	200,061
Production (tons)	Apr. 28	248,326	256,538	236,532	208,056
Percentage of activity	Apr. 28	105	107	98	92
Unfilled orders (tons) at	Apr. 28	646,878	694,218	704,936	343,709
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 4	153.9	154.5	154.3	120.6
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. 21	29,067	30,496	23,117	38,747
Number of shares	Apr. 21	856,153	911,732	662,756	1,232,325
Dollar value	Apr. 21	$38,528,573	$40,480,963	$27,596,790	$45,303,898
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 21	27,239	28,718	20,737	44,377
Customers' short sales	Apr. 21	202	398	317	279
Customers' other sales	Apr. 21	27,037	28,320	20,420	44,098
Number of shares—Total sales	Apr. 21	749,387	806,061	564,133	1,307,897
Customers' short sales	Apr. 21	7,066	13,969	12,087	10,104
Customers' other sales	Apr. 21	742,221	792,092	552,046	1,297,793
Dollar value	Apr. 21	$31,433,463	$32,976,365	$23,049,104	$44,267,867
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 21	223,650	227,210	155,870	447,650
Short sales	Apr. 21	------	------	------	------
Other sales	Apr. 21	223,650	227,210	155,870	447,650
Round-lot purchases by dealers—					
Number of shares	Apr. 21	328,800	362,890	279,640	329,450
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 1	183.4	183.6	183.3	154.7
Farm products	May 1	201.1	202.4	201.8	162.9
Grains	May 1	188.1	189.9	189.7	166.1
Livestock	May 1	269.9	273.8	188.5	172.5
Foods	May 1	188.6	188.0	269.0	205.8
Meats	May 1	279.1	276.8	186.1	158.7
All commodities other than farm and foods	May 1	171.6	*171.7	274.4	229.2
Textile products	May 1	183.6	*183.9	172.1	146.9
Fuel and lighting materials	May 1	138.3	138.3	184.5	135.7
Metals and metal products	May 1	189.6	189.6	139.0	131.8
Building materials	May 1	227.5	227.5	189.8	169.1
Lumber	May 1	358.9	358.9	227.5	195.9
Chemicals and allied products	May 1	143.9	144.0	358.9	‡
				145.3	116.6

*Revised. †Not available. ‡Includes 466,600 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons) Month of March	70,022	62,740	58,747
Stock of aluminum (short tons) end of Mar.	12,048	14,445	11,623
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of March	7,649	6,590	9,130
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of March 31:			
Total consumer credit	$19,375	$19,536	$16,338
Instalment credit	12,980	13,075	11,077
Sale credit	7,379	7,524	6,334
Automobile	3,942	3,990	3,355
Other	3,437	3,534	2,979
Loan credit	5,601	5,551	4,743
Noninstalment credit	6,395	6,461	5,261
Charge accounts	3,938	4,010	3,211
Single payment loans	1,373	1,369	1,045
Service credit	1,084	1,082	1,005
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters) final report	9,907,918	------	15,908,591
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1935-39 Average=100) Month of April:			
Adjusted for seasonal variation	306	290	293
Without seasonal adjustment	287	284	265
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Jan. (000's omitted)	26,689,735	25,640,329	22,943,238
Revenue from ultimate customers—month of January	474,794,000	458,072,100	425,325,400
Number of ultimate customers at Jan. 31	45,065,983	44,986,292	42,980,306
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of February:			
All manufacturing (production workers)	13,185,000	13,019,000	11,460,000
Durable goods	7,371,000	7,257,000	5,982,000
Nondurable goods	5,814,000	5,762,000	5,478,000
Employment indexes—			
All manufacturing	160.9	158.9	139.9
Payroll indexes—			
All manufacturing	429.4	423.7	330.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,957,000	15,766,000	13,997,000
Durable goods	8,864,000	8,732,000	7,324,000
Nondurable goods	7,093,000	7,034,000	6,673,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of March:			
Earnings—			
All manufacturing	$64.36	*$63.76	$56.53
Durable goods	68.80	*68.10	59.74
Nondurable goods	58.47	*58.32	53.04
Hours—			
All manufacturing	41.1	*40.9	39.7
Durable goods	41.8	*41.6	40.2
Nondurable goods	40.1	*40.0	39.2
Hourly earnings—			
All manufacturing	$1.566	*$1.559	$1.424
Durable goods	1.646	*1.637	1.486
Nondurable goods	1.458	*1.458	1.353
GAS APPLIANCES MANUFACTURERS ASSOCIATION—Month of March:			
Domestic gas range shipments (units)	303,000	249,700	264,000
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of April:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	19.609c
Electrolytic export refinery	24.425c	24.425c	19.876c
Lead (per pound)—			
Common, New York	17.000c	17.000c	11.721c
Common, St. Louis	16.800c	16.800c	11.521c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.160c	90.160c	72.614c
Silver, London (pence per ounce)	78.500d	78.500d	63.409d
Sterling Exchange (Check)	$2.80000	$2.80000	$2.79750
Zinc (per pound)—East St. Louis	17.500c	17.500c	11.973c
Tin (per pound)—			
New York Straits	145.735c	145.808c	77.495c
§§New York, 99% min.	144.735c	144.808c	76.495c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$215.600	$217.333	$70.346
¶Antimony (per pound) (E. & M. J.)	45.298c	45.280c	27.780c
Antimony (per pound) bulk, Laredo	42.000c	42.000c	24.500c
Antimony (per pound), in cases, Laredo	42.500c	42.500c	25.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$90.000	$90.000	$66.000
†Cadmium (per pound)	$2.55000	$2.35000	$2.00000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.07500
§Cadmium (per pound)	$2.80000	$2.80000	$2.15000
Cobalt, 97%	$2.10000	$2.10000	$1.80000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	17.192c
Magnesium, ingot (per pound)	24.500c	24.500c	20.500c
**Nickel	50.500c	50.500c	40.000c
PORTLAND CEMENT (BUREAU OF MINES)—Month of March:			
Production (barrels)	18,708,000	15,201,000	14,301,000
Shipment from mills (barrels)	17,692,000	11,294,000	14,669,000
Stocks (at end of month—barrels)	23,143,000	22,129,000	23,216,000
Capacity used	84%	76%	66%
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of January:			
Net railway operating income	$77,690,910	$113,297,938	$32,795,905
Other income	19,636,593	59,483,307	20,184,546
Total income	97,327,503	172,781,245	52,980,451
Miscellaneous deductions from income	4,505,435	5,482,921	3,684,067
Income available for fixed charges	92,822,068	167,298,324	49,296,384
Income after fixed charges	57,960,725	131,341,786	15,732,326
Other deductions	3,035,152	11,282,150	3,230,886
Net income	54,925,573	120,059,636	12,501,440
Depreciation (way & structures & equip.)	36,441,925	36,965,360	34,790,293
Amortization of defense projects	1,898,759	2,797,564	1,383,490
Federal income taxes	57,151,311	104,418,311	16,754,467
Dividend appropriations:			
On common stock	10,055,982	22,556,246	5,504,169
On preferred stock	6,764,695	7,434,837	4,046,433
Ratio of income to fixed charges	2.66	4.65	1.47

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained.

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The Outlook for Air Transportation

port more first-class passenger traffic than the railroads. I think the evidence is plain also that in not too many years all long-haul passenger travel will take place by air.

As an interesting sidelight, in 1950 there were only two railroads—the Pennsylvania and the New York Central—which had passenger revenues exceeding the $88.2 million gross passenger revenues of TWA. In fact, TWA's domestic passenger revenues alone were almost $61 million as compared with almost $47 million for the New Haven, which was the third highest passenger carrier in the United States, in the railroads.

Reconversion Problems Over

But let us return briefly to the unhappy financial period of recent airlines memory. As the war ended in 1945, great expectations were held for the airlines. They had been held back during the war, but everyone, the managements, the Civil Aeronautics Board, the public, the employees, and even some of the experts from financial circles, expected that traffic would boom.

Airline managements faced unusually difficult reconversion problems. Half of their equipment had been conscripted after Pearl Harbor. Orders for new, larger and more efficient equipment had been diverted to the military, and the small nucleus of highly trained employees had been scattered to battle fronts all over the world. Meanwhile, the development of modern, four-motored land type airplanes, as opposed to the more cumbersome flying boats, had made over-ocean air transportation on a large scale possible for the first time. New equipment must be obtained quickly; thousands of new employees must be hired and trained to their exacting jobs; the demands of labor unions must be settled; and new techniques to fit the expanded scope and tempo of traffic must be devised. Besides, the capital to finance expansion must be found. A tremendous logjam of traffic which was backlogged by the war was screaming to be accommodated—and the devil take the hindmost!

Meanwhile, the regulatory authority put on its rosiest spectacles, and its primary concern seemed to be that the airlines would be subjected to the immoral effects of undue prosperity. Based on the erroneous assumption that unnatural wartime load factors would be a permanent fixture, it multiplied competition, countenanced the establishment of countless so-called "non-scheduled" airlines, slashed mail rates, and encouraged the reduction of passenger fares.

For example, in 1945 the Board reduced TWA's mail rate and that of the other Big Four carriers to 45 cents per ton-mile. This rate was based on a forecast that TWA would carry about 16 million ton-miles of mail per year, and thus would receive some $6,767,000 annually in domestic mail revenues. Actually, in 1947 the Post Office Department tendered to TWA less than half of this volume of mail, and the revenues were $3 million less than the Board's forecasts. People just did not write as many letters as the Board's staff had anticipated—at least they did not send them by air.

Neither the Board nor the airline managements foresaw the tremendous inflation in wages and prices, the strikes and dislocations, which would take place immediately after the war. Traffic increased rapidly during 1946, but by 1947 its rate of growth had begun to taper off just when the new postwar equipment was appearing in volume, so that load factors began to decline sharply. With wage rates and prices high, and with the new employees as yet untrained, the airlines began to lose money, and lost it fast. Meanwhile, traffic not only stopped growing, but in 1948 it declined slightly. Some predicted that a permanent plateau had been reached.

The airlines had begun to trim ship in 1946, but it took a while for their economy programs to become effective, especially as against the continued rise in prices. Most of them had reached break-even or better by the end of 1948. Meanwhile, strenuous selling efforts, promotional fares, and improved service brought about a resumption of rising traffic and most carriers ended 1949 well in the black.

* * *

The losses of the airlines in the immediate postwar years were particularly unfortunate in timing, because this was a period when capital requirements were very heavy. The industry was almost entirely financed by equity capital until the end of World War II, and probably a large share of the new capital needed for expansion and reconversion would have been raised from this source had circumstances permitted.

The market for airline securities was good in the winter of 1945 and early 1946. How much new equity securities it could have absorbed is a matter for speculation. Unfortunately, most of the larger carriers, with the exception of American, missed the market. Even in the case of American, you will recall that the underwriters could not dispose immediately of all the securities which were issued in 1946.

The result was that, by the time postwar equipment was available in quantity to the airline industry as a whole, it had to be financed through debt. As of Sept. 30, 1950, the domestic trunk airlines had a total long-term debt of $138 million, as against capital stock and surplus of $245 million—over a one-third ratio of debt to total. This is not quite as bad as it might seem, because most of the debt is chattel mortgages or other obligations against equipment, and is being written off rapidly through depreciation charges. At the same time, I think most carrier managements would prefer a lower debt ratio, and with continued improved earnings some refinancing might well be expected.

Impending Refinancing

In order to do this refinancing successfully, it will be necessary that airline earnings be sustained. The extent to which earnings can be sustained as inflation once again sets in will depend upon the moderation shown in the demands of the three groups whom I mentioned earlier.

Before closing, I would like to mention a major revolution in the character of airline economics which has taken place almost unnoticed in the last three years. In the beginning, all the airlines—both domestic and international—were primarily carriers of mail. Passengers, express and freight were by-products. As the commercial revenues increased, the share of the costs which had to be borne by the Post Office decreased, but it was still necessary to allow some need or subsidy element in the mail pay of each carrier for it to earn a return.

In the past three years, the Big Four domestic lines, which carry almost 80% of the domestic air mail, have become economically self-sufficient. They are being paid by the Post Office Department only for the service they perform in transporting the mail. Probably other domestic airlines soon will be in the same class.

This development has given rise to a demand from Congressional sources that domestic mail pay and subsidy be segregated and separately established, and it seems likely that such a separation will be established within the near future.

This new development also gives rise to two important questions:

First: Once mail pay and subsidy are segregated, to what extent will the government be justified in subsidizing one airline to compete with another which operates without subsidy?

I do not offer any answer to this question, but leave it with you as food for thought.

Second: Now that some airlines are on compensatory mail rates, how long will first-class mail continue to go by rail?

Cheaper Air Mail Rates

For years, many airline enthusiasts have urged that all first-class mail go by air where time would be gained. The purpose of the proposal was to encourage air transportation.

The railroads have argued this would cost the government too much, and it would deprive the railroads of long-haul mail while leaving them with the less desirable short-haul.

Meanwhile, over recent years, airline mail rates have declined sharply, while railway mail rates have increased, and are still increasing. Recently, an economy-minded Postmaster General has begun to divert short-haul mail from railroads to trucks, simply because it was cheaper.

In fiscal 1950, the cost to the Post Office Department for a ton-mile of first-class mail moved by rail, including both transportation and distribution in transit, was 72.6 cents. The average cost on one of the Big Four airlines, including transportation and the expenses of distribution at Air Mail Field Post Offices — the equivalent of the Railway Post Offices — was about 82.5 cents. But the Big Four air mail rates are "step" rates—they begin high, and decline with volume. According to our own analysis, the Post Office Department right today could send all the long-haul first-class mail by air and save money as against rail transportation.

I predict that it will not be long before this actually happens. The interesting thing is that it will not be done to help the airlines or to speed up the mails—but simply to save money for the taxpayer.

I should add parenthetically that these figures were arrived at before yesterday's show-cause order cutting the air mail rates some more, which, if sustained, would actually make the combined air mail field and post office distribution rate lower than the rail rate is.

I think that is a striking illustration of the transformation which air transportation has undergone in the last few years.

Charles Rekerdres Is With Ira Haupt in Dallas

DALLAS, Tex.—Ira Haupt & Co., members of the New York Stock Exchange, announce that Charles Rekerdres has joined their organization and will be associated with Ernest S. Harrington at their Dallas office, Cotton Exchange Building.

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Observations . . .

stimulates to the maximum possible extent their devotion to the company's interest, for they are given the status of serving their own property. In many instances, in the case of managerial employees as well as outside directors, recognition of human nature discloses the tieup of ownership as the surest guarantee of good practice (as in arriving at decisions regarding dividend policy).

Proxy statements coming to hand revealing the personal stockholdings of directors, seem to indicate many instances of correlation between substantial director ownership, low remuneration, and all-around management excellency.

Thus the officers of Minnesota Mining and Manufacturing, that *bluest chip* growth company, with regular ex-bonus remuneration ranging from only $22,000 to a top of $40,000, own common stock ranging up to 1,036,000 shares (or 13% of the outstanding stock) by the Chairman of the Board, and 432,668 (over 5%) by the Chairman of the Executive Committee. Minnesota has since November, 1949, had a below-price stock option plan for non-directors, under which 2,728 employees have been participating.

Manifestations of Good Practice

In the plans thus far submitted many facets of good practice, either legislatively prescribed or voluntary, are uniformly followed. Thus, the total amount of stock to be set aside is specified (1,300,000 shares, or 5%, in the case of Steel); the option is not transferable; the running time is specified usually at 5-10 years; and although the law prescribes the option price to be at least 85% of the fair market value of the stock, most of the plans call for 95-100%.

As a further safeguard, the law insures the employee special tax treatment only if he remains in the employment of the company for a substantial period after the time when he acquires the stock and actually invests in the stock of the company for a considerable period. The last excludes from the privilege "controlling persons" owning 10% or more of the company's voting stock at the time the option is granted; which prevents the use of stock options by employers seeking merely to convert the earnings of a corporation from ordinary income into a capital gain.

Moreover, many Boards of Directors have been submitting plans for the approval of their shareholders even though the laws of their respective States make that unnecessary. In any event, there is nothing surreptitious about the plans; they are instituted under full scrutiny, via the press as well as detailed proxy statements.

This, of course, is not to imply that every company's incentive technique is perfect, either in regard to the option feature or in the overall arrangement. The privilege should be spread among employees, and not concentrated on a small hierarchy narrowed to a few officers. Perhaps the option price in the case of all listed companies should be 100% of the stock's market price. Also, the option and liberal salary bonus arrangements might be limited to an either-or basis, instead of maintaining *both* media of incentive rewards to a single individual.

Another Opportunity for Fund Managers

The fair evaluation of such details, as well as intelligent consideration of the overall technique, constitutes another place where mutual fund managers can perform invaluable constructive service in promoting intelligent understanding between the lay individual shareholder and management. Thus the fullest fruition of this excellent corporate device could be furthered for the benefit of all concerned.

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Fringe Benefits Aid Inflation

sembly decided not to make any substantial changes in the disability law. However, claim experience should prove favorable and next winter the unions will bring pressure in an election year to increase weekly benefits, length of disability benefits and to add hospitalization coverage.

The whole area of "fringe benefits" will be a major battleground between the advocates of government control and private enterprise. While this country is at war it is easy to minimize the effect of increases in disability insurance and other "fringe benefits." However, the social planners will change the entire social structure of our country by a program of increased benefits and high taxes. The costs of increased "fringe benefits" will not go back after the emergency; the so-called "social gains" will be ever present and so will their added cost.

As employers you can do much to preserve our free enterprise system and combat inflation at the same time by opposing expansion of "fringe benefits" especially those controlled by the State and over which you have no control. The whole area of "fringe benefits" is a broad and confusing one. There are all types of plans: private ones such as well-established company pension plans; socialistic ones such as the New York Sickness Disability Law—and the Rhode Island Disability Law which is completely State controlled and Communist inspired.

Much of the benefit from a worldwide victory over Communism will be lost if, during this emergency, due to extension of disability, social security and other State inspired laws we drift closer to a state socialism such as England is so unpleasantly experiencing. The trend toward "Stateism" should be and can be successfully opposed by the various segments of the business world. Instead of going on the defensive, a united effort should be made to acquaint the public with the facts. A program of education and enlightenment concerning the fact that increases in "fringe benefits" especially under government monopoly or insistance, spearheads the drift toward state socialism and the lowering of the present day American standard of living.

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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. (5/14-19)
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.

● **Animas Minerals, Inc., Silverton, Colo.**
April 26 (letter of notification) 5,000 shares of common stock (no par). **Price** — $30 per share. **Underwriter**—None. **Proceeds**—For development of mining and milling of tungsten, lead, zinc, etc.

Arizona Edison Co. (5/28-6/2)
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 being offered to stockholders and public up to July 1, 1951. **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.
April 15 filed 117,200 shares of common stock (par $10) being 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**—$19 per share. **Underwriters**—Union Securities Corp. and Smith, Barney & Co., New York. **Proceeds**—For construction program.

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.

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.

Corporate and Public Financing
NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA SAN FRANCISCO CLEVELAND
Private Wires to all offices

Carr-Consolidated Biscuit Co.
March 30 filed 434,604 shares of common stock (par $1), of which 384,604 shares are being 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 offered to certain employees. **Price** — $2.25 per sare to stockholders and $2.75 to employees. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., New York. **Proceeds**—For general corporate purposes. Statement effective May 3.

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 and will not be extended. The remaining 35,497 com. 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.

● **Chicago Magazine Corp., Chicago, Ill.**
April 30 (letter of notification) 2,850 shares of common stock, of which 2,500 shares will be issued to Maurice English in payment of ideas and property, and 350 shares will be sold to a number of subscribers not exceeding 25. **Price**—$2 per share. **Underwriter**—None. **Proceeds**—For organizational expenses. **Office**—231 So. La Salle St., Chicago 4, Ill.

● **Cienega Basin Oil & Gas Co., Yuma, Ariz.**
May 4 (letter of notification) 1,200 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Address**—P. O. Box 1165, Yuma, Ariz.

● **Cincinnati (O.) Economy Drug Co.**
April 27 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To reduce bank loans and for working capital. **Office**—209 East Court St., Cincinnati 2, Ohio.

Cleveland Trencher Co., Euclid, Ohio (5/21)
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 (11,560 of latter to be underwritten and 7,000 shares are to be offered to employees and officers). **Price**—To be supplied by amendment. **Underwriter**—Hayden, Miller & Co., Cleveland, Ohio. **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.

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 April 30.

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.

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**—Indefinitely deferred.

Culver Corp., Chicago, Ill. (5/21)
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.

● **Cumberland (Md.) Motor Express Corp.**
April 26 (letter of notification) $150,000 of five-year 5% notes and 50,000 shares of common stock (par $1) to be offered in units of $1,500 of notes and 500 shares of stock. **Price**—$2,000 per unit. **Underwriter**—F. S. Yantis & Co., Inc., Chicago, Ill. **Proceeds**—To retire three-year 5% promissory note. **Office**—Springdale and Third St., Cumberland, Md.

● **Dean Phipps Stores, Inc., Scranton, Pa.**
May 1 (letter of notification) 9,877 shares of common stock (par $1). **Price**—$6 per share. **Underwriter**—Cohu & Co., New York. **Proceeds**—To Dean H. Phipps, Chairman of the board, who is the selling stockholder.

● **Delemar Mining & Recovery Co., Spokane, Wash.**
May 1 (letter of notification) 400,000 shares of class A stock and 100,000 shares of class B stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To develop mine. **Office**—Bus Terminal Bldg., Spokane, Wash.

● **Dewey & Almy Chemical Co. (6/1)**
May 8 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds** — To retire $1,100,000 of 3¾% serial notes issued April 1, 1949, and for working capital.

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. (5/21-23)
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), to be offered to common stockholders of record April 28 on basis of one share for each two shares held, with an oversubscription privilege; rights to expire about June 11. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office** 5 Oak Street, Elgin, Ill.

Fairchild Camera & Instrument Corp.
April 13 filed 69,406 shares of common stock (par $1) being 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. Statement effective May 2.

● **Falls Creek Mining Co., Seattle, Wash.**
April 27 (letter of notification) 400,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Under-**

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writer—None. **Proceeds**—To three selling stockholders. **Office**—418 Second & Cherry Bldg., Seattle 4, Wash.

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. Statement effective April 30.

Frontier Industries, Inc.
April 30 (letter of notification) 18,500 shares of common stock (par 50 cents). **Price**—$16 per share. **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. (5/21)
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.

● **General Glaze Corp., Baltimore, Md.**
May 1 (letter of notification) 22,500 shares of 5% non-cumulative prior preferred stock (par $5) and 95,000 shares of common stock (par 20 cents). **Price**—Preferred at $5.60 per share and common at par. **Underwriter**—None. **Proceeds**—For equipment and working capital. **Address**—Box 7705, Baltimore 21, Md.

General Telephone Corp.
April 19 filed 150,000 shares of common stock (par $20) being 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. The initial offering will close on July 3, 1951. **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. Statement effective May 1.

● **Georgia Power Co. (6/5)**
May 4 filed $20,000,000 of new first mortgage bonds due June 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Bros.; 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**—To be opened at 11 a.m. (EDT) on June 5.

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) being offered to common stockholders of record April 30 for subscription on basis of one preferred share for each 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. Statement effective May 1.

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.
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.

● **Harrisonville Telephone Co., Waterloo, Ill.**
April 27 (letter of notification) $50,000 of first mortgage 4½% bonds, series B, due May 1, 1971. **Price**—103.35% and accrued interest. **Underwriter**—McCourtney-Breckenridge & Co., St. Louis, Mo. **Proceeds**—To retire notes and pay accounts due. **Offering**—Made on May 4, was immediately oversubscribed.

Hiller Helicopters, Inc. (5/15)
April 25 filed $2,500,000 of 5% convertible income debentures due May 1, 1961. **Price**—At par ($1,000 per unit). **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.

NEW ISSUE CALENDAR

May 12, 1951
Utica Cutlery Co. — Common

May 14, 1951
American Dairy Products Corp. — Pfd. & Com.
Consolidated Natural Gas Co., 11:30 a.m. (EDT) — Debentures
Gamble-Skogmo, Inc. — Common
Mid-Continent Airlines, Inc. — Debentures
Panhandle Producing & Refining Co. — Common
Utah Uranium Corp. — Common

May 15, 1951
Chasapeake & Ohio Ry. — Equip. Trust Ctfs.
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
Cleveland Trancher Co. — Common
Culver Corp. — Common
Ekco Products Co. — Common
Frontier Refining Co. — Debentures
North Penn Gas Co. — Debentures

May 24, 1951
National Dairy Products Corp. — Debentures

May 25, 1951
Virginia Electric & Power Co. — Common

May 28, 1951
Arizona Edison Co. — Common

June 1, 1951
Dewey & Almy Chemical Co. — Common

June 5, 1951
Georgia Power Co. 11 a.m. (EDT) — Bonds

June 6, 1951
Buffalo Electro-Chemical Co., Inc. 1:30 p.m. (EDT) — Common

June 12, 1951
Glenmore Distilleries Co. — Preferred

June 24, 1951
Public Finance Service, Inc. — Debentures

July 17, 1951
Mississippi Power Co. — Preferred

September 11, 1951
Alabama Power Co. — Bonds

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.

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.

● **Imperial Brands, Inc., Los Angeles, Calif.**
May 2 (letter of notification) 40,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase baking machinery and equipment. **Office**—3213 East Fowler St., Los Angeles, Calif.

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.

● **Iowa Pork Shops, Inc., Long Beach, Calif.**
April 30 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—1140 Carson Ave., Long Beach, Calif.

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.

● **K-W Oil Co., Phoenix, Ariz.**
April 30 (letter of notification) 29,300 shares of common stock (par $1) to be issued to persons at a par value equal to amount paid by them for purchase of leasehold interests. **Underwriter**—None.

Lincoln Telephone & Telegraph Co.
April 24 (letter of notification) 10,002 shares of common stock (par $16.66⅔ per share) being offered to common stockholders of record March 31 on a 1-for-15 basis; rights will expire on May 23. **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. Statement effective May 2.

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.
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.

● **Madison Co., Wilmar, Ark.**
May 1 (letter of notification) 1,500 shares of common stock to be offered to stockholders of Ozark Lumber Co. and The Wilmar Co. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To purchase logs and timber lands. **Address**—c/o Ozark Badger Lumber Co., Wilmar, Ark.

Mays (J. W.), Inc., Brooklyn, N. Y.
April 27 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co. and Lehman Brothers, New York. **Proceeds**—To Joe Weinstein, President of the company, the selling stockholder.

● **McCormick & Co., Baltimore, Md.**
May 3 (letter of notification) 7,795 shares of common stock (no par). **Price**—$25 per share. **Underwriter**—Aler. Brown & Sons, Baltimore, Md. **Proceeds**—For working capital. **Office**—414 Light St., Baltimore 2, Md.

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.

● **National Dairy Products Corp. (5/24)**
May 3 filed $30,000,000 of sinking fund debentures, due June 1, 1976. **Price**—To be supplied by amendment. **Underwriter**—Goldman, Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For plant and equipment improvements and for general corporate purposes.

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.

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. (5/21)
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 &

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Co., Inc.; Drexel & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—To repay bank loans.

● **Norwich Pharmacal Co.**
May 2 (letter of notification) 2,100 shares of common stock (par $2.50). **Price**—At market (approximately $19 per share). **Underwriter**—Reynolds & Co., New York. **Proceeds**—To Warren E. Eaton, the selling stockholder.

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 150,000 shares of pfd. 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.

● **Oil Producers, Inc., Oklahoma City, Okla.**
April 26 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—15 cents per share. **Underwriter**—None. **Proceeds**—To Forrest Parrott, who is the selling stockholder. **Office**—Petroleum Bldg., Oklahoma City, Okla.

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 Paper Materials Co., Portland, Ore.**
April 25 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To retire past and current due accounts. **Office**—1400 N. W. 15th Ave., Portland, Ore.

Pacific Refiners, Ltd., Honolulu, Hawaii
March 30 filed 750,000 shares of common stock being offered for subscription by common stockholders of record April 6, 1951, at rate of one share for each share held; rights to expire on May 22. **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.

● **Parkmont Realty Corp., New York**
May 4 (letter of notification) 2,500 shares of common stock (no par). **Price**—$100 per share. **Underwriter**—Bisno & Bisno, Beverly Hills, Calif. **Proceeds**—To Alexander Bisno, President, the selling stockholder. **Office**—1200—5th Ave., New York, N. Y.

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**—Indefinitely postponed.

● **Plywood, Inc., Detroit, Mich.**
May 3 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$4.25 per share. **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Proceeds**—To Emery Investment Co., the selling stockholder. **Office**—4445 Bellevue Ave., Detroit 7, Mich.

Public Finance Service, Inc., Phila., Pa. (6/24)
April 30 (letter of notification) $250,000 of 6% cumulative debentures, 1950 series to be offered to present debenture holders. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For additional operating capital. **Office**—18 West Chelten Ave., Philadelphia 44, Pa.

● **Radioactive Products, Inc., Detroit, Mich.**
April 30 (letter of notification) 10,800 shares of common stock (par $1). **Price**—At the market (about $1.87½ per share). **Underwriter**—None. **Proceeds**—To three selling stockholders. **Office**—443 West Congress St., Detroit 26, Michigan.

● **Roto Flame Corp., Bradenton, Fla.**
May 3 (letter of notification) 2,000 shares of 6% cumulative preferred stock and 2,000 shares of common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To promote and operate business.

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.

● **Schilling Loan Corp., Alliance, O.**
April 27 (letter of notification) 2,500 shares of 4% cumulative preferred stock to be publicly offered at par ($100 per share) and 1,000 shares of common stock (no par) to be sold to John P. Schilling at $45 per share. **Underwriter**—None. **Proceeds**—To make loans, purchase discounts, etc. **Office**—515 East Market St., Alliance, O.

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.

● **Shareholders' Trust of Boston, Boston, Mass.**
May 4 filed 300,000 shares of capital stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Proceeds**—For investment.

● **Signal Point Ski Resort, Inc.**
April 27 (letter of notification) 2,500 shares of common stock. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For improvement of ski area and equipment. **Office**—110 Locust Ave., Coeur d'Alene, Idaho.

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. **Offering**—May be withdrawn.

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) 5,438 shares of common stock (par $25) being offered to employees. **Price**—$55.16 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 Bache & 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.

● **Sun Oil Co., Philadelphia, Pa.**
May 3 filed 11,000 "memberships in the 1951 plan," effective July 1, 1951, to be offered to employees upon their becoming eligible for membership; a maximum of 111,000 shares of common stock (no par) which it is anticipated may be purchased by the trustees of the plan during the period July 1, 1951, to June 30, 1952; and 193,262 shares of common stock which "it is anticipated may be offered for possible public sale by certain selling stockholders during the same period." **Underwriter**—None.

Super Electric Products Corp.
April 2 (letter of notification) $250,000 of unsecured 6% non-cumulative convertible 10-year debentures. **Price**—At par (in denominations of $100 each). **Underwriter**—Tyson & Co., New York. **Proceeds**—To retire debt and for working capital. **Office** — 46 Oliver St., Newark, N. J. **Offering**—Made on April 30.

● **Swartwout Co., Cleveland, O.**
May 1 (letter of notification) 10,000 shares of class A stock (par $1). **Price**—$12.33 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes, including equipment. **Office**—18511 Euclid Ave., Cleveland, O.

Sylvania Electric Products, Inc.
April 26 filed 400,000 shares of common stock (no par). **Price**—$29.25 per share. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds**—To purchase equipment and for working capital. **Offering**—Made May 9. All sold.

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.

● **Texas Lightweight Aggregate Co., Dallas, Tex.**
April 25 (letter of notification) 19,000 shares of common stock (par $1), of which 12,599 shares are to be offered first to stockholders. **Price** — To stockholders, $14 per share and to public $15.50 per share. **Underwriter**—Securities Management Corp., Kirby Bldg., Dallas, Tex. **Proceeds**—For purchase of equipment and machinery.

● **Time Finance Corp., Brockton, Mass.**
May 2 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To provide funds for conducting business of installment financing. **Office**—47 West Elm Street, Brockton, Mass.

● **United Truck & Equipment Co., Inc., Baltimore, Maryland**
May 8 (letter of notification) 740 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—1242 South Paca St., Baltimore 30, Md.

● **Utah Uranium Corp. (5/14)**
May 2 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—To explore, develop and operate uranium and vanadium mining properties. **Office** — 237 East 3rd South Street, Salt Lake City, Utah.

● **Utica Cutlery Co. (5/12)**
May 4 (letter of notification) 1,000 shares of capital stock to be offered to stockholders of record May 1, 1951, on a 1-for-4 basis; rights to expire June 5. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To expand plant facilities and for working capital. **Office**—820 Noyes St., Utica, N. Y.

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. Registration statement withdrawn April 20. Offering, which may be reduced to 100,000 shares, expected later this month.

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. All sold privately.

Virginia Electric & Power Co. (5/25)
May 2 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 (proposed maximum offering price is $25 per unit). **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), being 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**—At par. **Underwriter**—Kuhn, Loeb & Co., New York. **Proceeds**—For improvement program. Statement effective April 26.

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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.

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.

● **Atlas Powder Co.**
April 27, it was reported that capital expenditures for the coming 12 months have been tentatively budgeted at $4,500,000 and that some financing may be necessary. Probable underwriter—Morgan Stanley & Co.

● **Bigelow-Sanford Carpet Co.**
May 1 it was reported that company is considering issuance and sale of preferred stock.

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. Probable bidders: Allen & Co.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane; A. G. Becker & Co. Inc.

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., The First Boston Corp. and Salomon Bros. & Hutzler (jointly). The previous stock offering was underwritten by Blyth & Co., Inc. and The First Boston Corp. Proceeds will be used to retire $11,000,000 outstanding bank loans.

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.

● **Chesapeake & Ohio Ry. (5/15)**
May 5 it was announced company has applied for authority to issue and sell $6,450,000 equipment trust certificates to be dated May 15, 1951, and to mature in 30 equal semi-annual installments from Nov. 1, 1951 to May 15, 1966, inclusive. Bids are expected to be opened in Cleveland on May 15. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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); Equitable Securities Corp.

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.

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.

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.

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. (6/12)
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.**
May 4 SEC announced approval of a plan for reorganization, which, 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. Proceeds will be used to repay bank loans and for new construction.

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)
Bids will be received up to noon (CDT) on 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 (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.**
May 5 stockholders approved 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

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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); Glore, Forgan & Co. and W. C. Langley & Co. (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.

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.

● **Sangamo Electric Co.**
May 3, Donald S. Funk, President, announced company plans a public offering of approximately 111,000 additional common shares as soon as registration can be effected. **Underwriter**—Paul H. Davis & Co., Chicago, Illinois.

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.

● **Slick Airways, Inc.**
May 3 it was reported company plans registration of 200,000 shares of common stock. **Underwriter**—F. S. Moseley & Co., New York. **Proceeds**—For expansion program.

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).

● **Sutherland Paper Co., Kalamazoo, Mich.**
May 4 company announced stockholders will vote in near future on authorizing the issuance and sale of new convertible preferred stock to common stockholders through rights. The company is currently negotiating with Lehman Brothers and Harris, Hall & Co. (Inc.) for the sale of the preferred stock and long-term indebtedness sufficient to raise a total of approximately $5,500,000. The proceeds are to be uesd to retire the present outstanding 4¼% cumulative convertible preferred stock and for additional working capital.

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.**
May 9 it was reported company will be in the market for $50,000,000 to $60,000,000 of long-term bonds, plus a large equity issue, within a few weeks, and later in the year plans additional debt financing. On 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. 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.

● **Virginia Electric & Power Co.**
May 1 the company announced that it is contemplated that there will be additional financing to an amount approximating $20,000,000, after sale of the additional common stock registered with SEC (see above), incident to the 1951 construction program, and that further financing will be required in 1952. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.

Wagner Electric Corp.
March 19 stockholders increased authorized common stock from 600,000 shares (499,016 shares outstanding) to 1,000,000 shares in order to make available additional stock for issuance "when, as and if it should be considered advisable."

Washington Gas Light Co.
March 8 it was announced that company may issue approximately $9,000,000 of bonds or obtain bank loans (or some combination thereof) during 1951 and apply the proceeds toward its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); 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.

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Our Reporter's Report

The underwriting fraternity finds itself currently swinging off on a new tangent which holds promise of some uncomfortable moments to say the least.

The industry has set up a "committee" to police proposed new issues with a view to weeding out those that are considered as likely to feed inflation and advising that such projects be deferred until more propitious times.

Well, it looks now as though the group charged with making such decisions will come up against a real test of its purposes without further delay.

West Virginia's $67,000,000 soldier bonus issue looms as the initial bone of contention. The committee has suggested this undertaking be shelved. But the Governor of the State comes back with the argument that the voters have given the mandate for this issue and that bids will be called for its sale.

Proposals are due to be opened one week from next Wednesday, and it will be interesting to see what the outcome will be. Several banking groups had been formed to seek the bonds, but these had agreed tentatively to forego the deal.

Now these groups are in a quandary. With the State evidently determined to go through with the business they naturally fear that if they do not enter bids, some other aggregation of capital may take up the issue with resultant possible loss to them.

On the Fence

Naturally people long of State and municipal issues, particularly dealers and others caught with sizable inventories when the market slid from under them several months back, would like to see an embargo on new issues.

By creating a "scarcity," at least for a spell, such a development is counted upon to bring about recovery in prices which would at least soften the blow that these holders have suffered.

But there is no assurance that things will turn out that way. "Off-the-Street" interests are of the opinion that where State or municipal borrowing has been authorized by the voters, the determination is to go ahead with such financing until stopped by political pressure from "higher-up."

Treasurys the Key

The harder-headed people in the business are not inclined to be carried away by the potentials of a shutting-off of a part of prospective new issues. They contend that the municipal market still is hinged on governments and the latter are inclining to renewed heaviness. They point to the meager demand which greeted the State of Michigan loan this week.

This week's decision of the Treasury not to exercise its right to call some eight billions of 2% bonds on Sept. 15, was looked upon as explaining current heaviness. Its position was emphasized by the higher rate fixed for its new bill issue.

The five-year notes of 1954-55 have been noticeably heavy, backing down to about a 2.05% basis. They had been pretty much on the same yield as the 2s of Sept. 15, but if the latter were not called, it was reasoned that the notes were selling too high.

Next Big Corporate Deal

The next big corporate underwriting is on schedule for Monday when Consolidated Natural Gas Co., is slated to open bids on $50,000,000 of 25-year sinking fund debentures.

Indications are that four or five groups will be bidding for this one indicating the prevailing popularity of securities of the rapidly expanding natural gas business.

Prospective bidders are scheduled to meet with the issuer for final details today. The proceeds will be used by the company to finance projected plant construction.

United Gas Corp. will be in the market for 50 to 60 millions of long-term money, plus a large equity issue, within a few weeks and later in the year plans additional debt financing.

COMING EVENTS

In Investment Field

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.

June 1, 1951 (Cincinnati, Ohio)

Cincinnati Stock & Bond Club Annual Spring Outing aboard the Delta Queen.

June 1, 1951 (New Jersey)

Bond Club of New Jersey Annual Field Day at the Montclair Golf Club.

June 8, 1951 (New York, N. Y.)

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

June 8-9-10, 1951 (San Francisco, Calif.)

San Francisco Security Traders Association annual spring party at the Diablo Country Club, Diablo, Calif.

June 11-14, 1951 (Jasper Park, Canada)

Investment Dealers Association of Canada Convention at Jasper Park Lodge.

June 14, 1951 (St. Paul Minn.)

Twin City Bond Club annual picnic and Golf tournament at the White Bear Yacht Club — to be preceded by the usual pre-picnic get together Wednesday evening, June 13.

June 15, 1951 (Milwaukee, Wis.)

Milwaukee Bond Club summer party at Oconomowoc Lake and Country Club.

June 15, 1951 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland Pa.

June 18-23, 1951 (Philadelphia, Pa.)

Investment Bankers Association of American Investment Banking Seminar at Wharton School of Finance and Commerce, University of Pennsylvania.

June 22-24, 1951 (Minneapolis, Minn.)

Twin City Security Traders Association Annual Outing ("Operation Fishbite") at Gull Lake.

June 26, 1951 (Detroit, Mich.)

Securities Traders Association of Detroit and Michigan summer outing at the Plum Hollow Country Club.

June 30, 1951 (Chicago, Ill.)

Bond Traders Club of Chicago golf outing at the Nordic Hills Country Club.

Sept. 30, 1951 (Coronado Beach, Calif.)

National Security Traders Association Convention opens at Coronado Hotel.

Oct. 12, 1951 (Dallas, Tex.)

Dallas Bond Club annual Columbus Day outing.

MEETING NOTICE

The New York Central Railroad Company

Albany, N. Y., April 13, 1951.

The Annual Meeting of the Stockholders of The New York Central Railroad Company, for the election of Directors and of three Inspectors of Election and the transaction of such other business as may be lawfully brought before the meeting, will be held in the Ball Room of the Hotel Ten Eyck, 87 State Street, in the City of Albany, N. Y., on Wednesday, May 23, 1951, at 12 o'clock Noon, Eastern Daylight Saving Time.

Stockholders of record at 3 o'clock P. M., on April 20, 1951, will be entitled to vote at the meeting.

JOSEPH M. O'MAHONEY, Secretary.

DIVIDEND NOTICES

AMERICAN POWER & LIGHT COMPANY
Two Rector Street, New York 6, N. Y.

CAPITAL STOCK DIVIDEND

A dividend of 24c per share on the Capital Stock of American Power & Light Company was declared on May 8, 1951, for payment June 1, 1951, to stockholders of record at the close of business May 18, 1951.

D. W. JACK, Secretary and Treasurer

Atlas Corporation
33 Pine Street, New York 5, N.Y.

Dividend No. 38
on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable June 21, 1951, to holders of record at the close of business on May 25, 1951 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, *Treasurer*

May 9, 1951.

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 108

A regular quarterly dividend of seventy-five cents (75¢) per share on the issued and outstanding common stock, without par value, of this Company has been declared, payable June 30, 1951, to stockholders of record at the close of business June 8, 1951.

PREFERRED DIVIDEND NO. 19

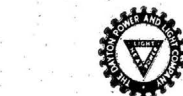
A regular quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable June 5, 1951, to stockholders of record at the close of business May 21, 1951.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Secretary and Treasurer.

May 3, 1951.

Manufacturers of  WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable May 31, 1951, to stockholders of record on May 24, 1951.

G. W. THORP, JR.
Treasurer

May 8, 1951.

DIVIDEND NOTICES

B.T. Babbitt INC.

90th CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 15c per share on the Common Stock of the Company, payable on July 2, 1951 to stockholders of record at the close of business on June 12, 1951.

LEO W. GEISMAR, Treasurer

May 7, 1951

BEAUNIT MILLS, *Inc.*

A quarterly dividend of 50c per share on the Common Stock has been declared payable June 4, 1951, to stockholders of record May 21, 1951.

N. H. POLONSKY, *Secretary*

Imperial Oil Limited
Imperial Oil Building,
Toronto 1, Ontario.

NOTICE TO SHAREHOLDERS AND HOLDERS OF SHARE WARRANTS

A dividend of 30c per share, **payable in Canadian funds,** has been declared on the outstanding shares of the Company, payable June 1, 1951. Registered shareholders of record May 16, 1951, will receive dividends by cheque. Dividends in respect of share warrants will be paid on or after June 1st, 1951, by The Royal Bank of Canada on presentation of coupon number 76.

Transfer books will be closed from May 17 to May 31, inclusive, 1951. Dividends payable to non-residents may be converted into foreign currencies at the rate prevailing on date of presentation.

BY ORDER OF THE BOARD.
COLIN D. CRICHTON, General Secretary.

May 3, 1951.

THE DAYTON POWER AND LIGHT COMPANY
DAYTON, OHIO

20th Consecutive Quarterly Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on June 1, 1951 to stockholders of record at the close of business on May 16, 1951.

GEORGE SELLERS, Secretary

May 4, 1951

Blyth Offers Creole Petroleum Corp. Stock

Blyth & Co., Inc., today (May 10) is making an offering of 50,000 shares of Creole Petroleum Corp. capital stock (par $5) at $82.12½ per share. This offering does not constitute new financing.

Net income of Creole for the year 1950 amounted to $166,930,-337, equivalent to $6.45 per share. This compares with a net of $116,149,079, or $4.49 per share in 1949.

DIVIDEND NOTICES

THE SOUTHERN COMPANY
(INCORPORATED)

Directors of The Southern Company, at a meeting held on May 3, 1951, declared a quarterly dividend of 20 cents per share on the outstanding shares, of common stock of the Company, payable on June 6, 1951 to holders of record at the close of business on May 11, 1951.

L. H. JAEGER, *Treasurer*

Atlanta, Georgia

COMMON STOCK DIVIDEND

65th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable July 10, 1951 to stockholders of record June 21, 1951.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 65 cents a share on $2.60 Convertible Preferred Stock, 33¾ cents a share on $1.35 Convertible Preferred Stock, and 33¾ cents a share on $1.35 Convertible Preferred Stock, Series B. All preferred dividends are payable July 10, 1951 to stockholders of record June 21, 1951.

A. E. WEIDMAN
Treasurer

April 26, 1951

THE TEXAS COMPANY

195th

Consecutive Dividend

A dividend of one dollar ($1.00) per share on the Capital Stock of the Company has been declared this day, payable on June 9, 1951, to stockholders of record at the close of business on May 4, 1951. The stock transfer books will remain open.

ROBERT FISHER
Treasurer

April 24, 1951

COMMON AND PREFERRED DIVIDEND NOTICE

Shreveport, La.,
May 1, 1951

The Board of Directors of the Company has declared regular quarterly dividends of 25 cents per share on the common stock and $1.125 per share on the 4.5% convertible preferred stock of the company, both payable on June 1, 1951, to stockholders of record at the close of business May 1, 1951.

[signature]
Secretary

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Even if not very much is being said about it in public, virtually every Federal agency having something to do with the overall economy has called for a "stop, look, and listen" check about the prospective trend for the next few months in business volume, prices, and activity.

This does not mean that anyone is alarmed that there will be any significant set-back, but rather reflects an alert attitude of wondering if all official programs should be carried forward vigorously in the immediate three or four months on the accepted assumption that everything is making for all-out inflation.

There is little disposition to question the fact that the long-run trend is genuinely inflationary, that by Fall or some time later this year, war production will really begin to take hold. And when war production takes hold, the shortages of consumer goods will really appear. At the same time payrolls will rise and all the elements making for inflation will begin to assert themselves.

On the other hand, officials do not want to find themselves caught in a situation where pressures will reverse themselves, or where the reversal might gain greater momentum than they have any reason to expect. "But let's be sure where we are going," is about the way the thinking going.

* * *

Indirect effects of clamping down in structural steel for Sec. 608-financed luxury apartment houses are likely to be more bearish on the volume of apartment construction than the direct diversion of steel away from those projects, some officials believe.

Promoters of large apartment projects face the practical situation that even if by administrative order today, X percentage of steel is available for this purpose, the percentage very well might be lowered a few weeks or months later, and leave someone holding the bag. So sponsors of those projects are expected to be hesitant about making commitments that cannot be put well under construction for a few months.

In another sector, housing finance generally, the attitude here is to rather minimize the probable effect upon total mortgage lending of the disposition of some institutions to shy away from mortgage loans because of the uncertainty about long-term bond interest rates.

It is said here that the coldness toward mortgage loans has occurred primarily among some large insurance companies, and with respect to the VA loans, the lowest-yielding of the government-nursed loans. It is believed that most mutual savings banks, other than in big metropolitan areas, and the savings and loan associations and "country" banks have not reached the point, and are not likely to in the next few months, where they are likely to reconsider the ratio to total assets of the amounts they are accustomed to invest in mortgages. Furthermore, it is pointed out, these habitual mortgage lenders are collecting substantial regular repayments which they are likely for some time to want to reinvest in mortgages.

* * *

After getting a somewhat desultory and spotty start, the economy drive in the House is beginning to show real signs of taking hold. The first House action of note along this line was the slicing off of about $90 million from the appropriation for additional transmission facilities for the "Voice of America."

Then here last week, on the Interior Department bill, the House sliced a few millions here and a few millions there from some of the Fair Deal's pet public power projects.

Still a further sign was the action of the House in providing that, with certain exceptions, only one person could be rehired for every four who separated from the service for any reason, in the Labor Department and the Federal Security Agency. It is planned to try to write a similar rehiring ban in all appropriations. Last year an amendment limiting rehiring to one for every 10 separations failed. The less drastic one-in-four ratio might possibly prevail.

A more spectacular action was that tentatively taken by the House cutting down the public housing program to 5,000 units from the 50,000 approved by the committee and the minimum of 125,000 units per year provided in the public housing and slum clearance act of 1949.

Rep. Jesse P. Wolcott (R. Mich.) who helped get this amendment through the Committee of the Whole, revealed that the Public Housing Authority so far had actually completed only 1,000 new housing units in 14 projects under the 1949 Act, although thousands of war housing units were passed over into public housing. He said that this being the case, 5,000 units ought to be enough for a while, and the House agreed tentatively, 3 to 1.

* * *

If the sweeping dividend and interest withholding amendment tentatively adopted by the House Ways and Means Committee as a part of the tax bill, is to be knocked out in the Senate, it will take a lot of complaint to bring this about. Last year the Senate knocked out a House provision calling for dividend withholding to the tune of 10% of the dividends paid.

The present mood of Congress is to find any plausible stunt like this that will seem to provide "revenue" without actually boosting tax rates.

The amendment is drastic, it is understood. Any corporation, whether a manufacturer, wholesaler, retailer, bank, savings and loan association, or mutual savings bank, must withhold and pay to the Treasury 20% of any sum it pays as interest or as dividend, whether that interest or dividend is 68 cents or $68.00, or any other figure.

* * *

Pretty soon the Senate Expenditures Committee is going to testify to the vitality of that strange phenomenon, the Hoover Commission on Reorganization of the Government.

This testimony will take the form that the committee, with no real willingness, is going to open up to public hearings, proposals for enactment of the "unenacted portions" of the Hoover report.

The thesis of the Hoover report was that by detailed and specific reorganizations, business management and a cut in government costs could somehow be brought about—by legislative enactment.

Those sophisticated in the ways of this sprawling, extravagant, and politically-managed government—and they are the majority in Congress—do not see how a law will provide efficient management or a form of organization will provide efficient management of a government so gigantic it cannot be adequately supervised by either the White House or the Congress, or how a form of organization can replace incompetence in management. Above all, they observe that the government already has spent many times the supposed "savings" of the Hoover enactments.

On the other hand, thousands of persons have become as convinced of the validity of the Hoover Committee recommendations as have at times in history, millions been converted to some new religion. And these new communicants are supporting a full-blown lobby here to press for enactment of all the Commission proposals.

After a lot of work, this lobby finally persuaded Senators to introduce "by request," officially specified or otherwise, the 20 bills which the Commission's lobby said represented the unenacted portions of the Commission program. And the Senate Expenditures Committee, testifying to the public faith in the idea that the Hoover Commission had just the correct answers, has indicated it will hold hearings on these bills in the next few weeks.

* * *

Observers who have carefully matched the text of the President's proposed new Defense Production Act with the language of the existing Act, raise the possibility that someone seems to be trying to "pull some fast ones."

It is proposed that when the Government wants to take real estate for a defense purpose, it can take possession immediately upon petitioning a court. The Government would not even have to show that the owner had refused any offer, whether reasonable or otherwise. In the present law, Congress provides that the Government must pay 75% of its offer to the owner of the property, if the amount is in dispute, with the balance to be settled later by the courts.

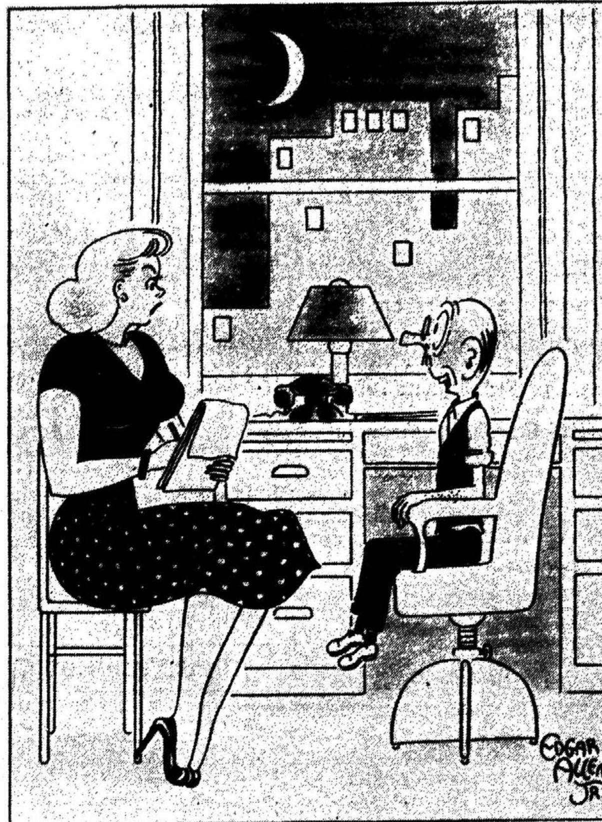
There is another provision in the new law, unexplained, which would authorize the Government to purchase foreign agricultural commodities for use or resale, even at a loss.

It is said that the language, ostensibly designed to permit the payment of subsidies to high cost producers of metals to encourage production, is so broadly worded that a subsidy could under its language be paid to the producer of any domestically-produced raw materials.

While Senator Burnet R. Maybank (D., S. C.) assured the Senate that the President does not intend to build defense plants except those expressly "special purpose," and 100% for government use, the bill sets up no such limitations.

(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



"You're not afraid to work here alone with me, are you, Miss Smidge?"

Business Man's Bookshelf

Art of Administration, The—Ordway Tead—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 18, N. Y.

Blessings of Discrimination—F. A. Harper—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—Paper—Single copies on request—Quantity prices on request.

Dow Theory Comment—Applying Dow's teachings to today's market action—current letter without obligation and with all requests mailed by June 1, 1951, a 111-page text book will be included—Rhea, Greiner & Co., Colorado Springs, Colo.

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.

Getting Military Work—Walter Lord—Business Reports, Inc., 225 West 34th Street, New York 1, N. Y.—Loosleaf binder.

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